

Financial Statements of

**THE BLUE MOUNTAINS
PUBLIC LIBRARY BOARD**

Year ended December 31, 2018



KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3
Canada
Tel 519 747-8800
Fax 519 747-8830

INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of The Corporation of the Town of The Blue Mountains:

We have audited the financial statements of The Blue Mountains Public Library Board (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, 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 Opinion

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 opinion.



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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.



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- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada

July 4, 2019

THE BLUE MOUNTAINS PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash	\$ 22,569	\$ 44,503
Temporary investments (note 2)	129,182	128,083
Account Receivable – Province of Ontario	810	-
	<u>152,561</u>	<u>172,586</u>
Liabilities:		
Due to Town of The Blue Mountains	6,895	26,735
	<u>6,895</u>	<u>26,735</u>
Net financial assets	<u>145,666</u>	<u>145,851</u>
Non-financial assets:		
Tangible capital assets (note 3)	308,463	313,851
	<u>308,463</u>	<u>313,851</u>
Accumulated surplus (note 4)	<u>\$ 454,129</u>	<u>\$ 459,702</u>

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

THE BLUE MOUNTAINS PUBLIC LIBRARY BOARD

Statement of Operations and Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

	2018 Budget (note 5)	2018 Actual	2017 Actual
Revenue:			
Operating grants:			
Province of Ontario	\$ 24,000	\$ 22,145	\$ 25,039
Government of Canada	4,000	32,133	9,788
Town of The Blue Mountains	416,625	504,045	533,798
Capital grants:			
Town of The Blue Mountains	80,800	69,816	84,718
Capital donations	-	-	2,361
Fundraising	11,000	6,211	11,456
Investment Income	1,400	1,111	1,198
Other	22,950	30,582	23,893
Total revenue	\$ 560,775	\$ 666,043	\$ 692,251
Expenses:			
Salaries and benefits	406,395	508,060	516,924
Administrative	17,400	28,149	21,267
Operating	8,000	8,990	3,626
Books and materials	3,500	2,530	4,629
Communications	7,700	5,628	7,860
Training and travel	6,550	4,567	4,065
Personnel	1,550	1,101	2,882
Utilities	250	-	537
Leases and Subscriptions	23,400	24,684	21,198
Professional fees	4,050	8,963	15,622
Financial	1,180	3,220	7,325
Other	-	520	120
Amortization	-	75,204	71,769
Total expenses	479,975	671,616	677,824
Annual surplus (deficit) (note 4)	80,800	(5,573)	14,427
Accumulated surplus, beginning of year	459,702	459,702	445,275
Accumulated surplus, end of year	\$ 540,502	\$ 454,129	\$ 459,702

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

THE BLUE MOUNTAINS PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	2018	2018	2017
	Budget	Actual	Actual
	(note 5)		
Annual surplus (Deficit)	\$ 80,800	\$ (5,573)	\$ 14,427
Acquisition of tangible capital assets	(70,800)	(69,816)	(87,080)
Amortization of tangible capital assets	-	75,204	71,769
Loss on sale of tangible capital assets	-	-	2,523
	(70,800)	5,388	(12,788)
Increase (decrease) in net financial assets	10,000	(185)	1,639
Net financial assets, beginning of year	145,851	145,851	144,212
Net financial assets, end of year	\$ 155,851	\$ 145,666	\$ 145,851

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

THE BLUE MOUNTAINS PUBLIC LIBRARY BOARD

Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Annual surplus / (deficit)	\$ (5,573)	\$ 14,427
Items not involving cash:		
Amortization	75,204	71,769
Loss on disposal of capital assets	-	2,523
	69,631	88,719
Changes in non-cash working capital balances		
Accounts Receivable	(810)	-
Due to Town of The Blue Mountains	(19,840)	3,175
Net change in cash from operating activities	48,981	91,894
Capital transactions:		
Cash used to acquire tangible capital assets	(69,816)	(87,080)
Net change in cash from capital transactions	(69,816)	(87,080)
Investing activities:		
Changes in temporary investments	(1,099)	(1,639)
Net change in cash	(21,934)	3,175
Cash, beginning of year	44,503	41,328
Cash, end of year	\$ 22,569	\$ 44,503

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

THE BLUE MOUNTAINS PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2018

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements of The Blue Mountains Public Library Board are the representation of management and have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants as prescribed by the Ontario Ministry of Municipal Affairs and Housing.

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.

(b) Use of estimates:

Precise determination of some assets and liabilities may be dependent upon future events and estimates and approximations. These estimates and approximations have been based upon the available information, using careful judgment and review. 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.

(c) Basis of consolidation:

The Public Library Board has been consolidated within the financial statements of The Corporation of the Town of The Blue Mountains.

(d) 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:

Asset	Useful Life - Years
Library collections	7 years
Machinery, equipment and vehicles	5 to 20 years

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

THE BLUE MOUNTAINS PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2018

1. Significant accounting policies (continued):

(e) Revenue recognitions:

Revenues are reported on the accrual basis of accounting and are recognized as follows:

- (i) Unrestricted grants are recorded as revenue when the grants are authorized by the transferring entity.
- (ii) Restricted grants are recorded as revenue when corresponding expenses have been incurred in accordance with the grant applications.
- (iii) Fines are recognized when received.
- (iv) All other revenues are recorded upon sale of goods or provision of services and when collection is reasonably assured.

2. Temporary investments:

	2018	2017
	\$ 129,182	\$ 128,083

Investments have a market value of \$129,182 (2017 - \$128,083) at the end of the year.

3. Tangible capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Library collections	\$ 1,508,994	\$ 1,337,413	\$ 171,581	\$ 168,942
Machinery, equipment and vehicles	449,600	312,718	136,882	144,909
	\$ 1,958,594	\$ 1,650,131	\$ 308,463	\$ 313,851

4. Accumulated surplus:

The organization segregates its accumulated surplus in the following categories:

	2018	2017
Invested in capital assets	\$ 308,463	\$ 313,851
Reserves	146,950	145,851
Unfinanced	(1,284)	-
Accumulated surplus	\$ 454,129	\$ 459,702

THE BLUE MOUNTAINS PUBLIC LIBRARY BOARD

Notes to the Financial Statements

Year ended December 31, 2018

5. Budgets:

The budget adopted by the Board was not prepared on a basis consistent with that used to report actual results (Canadian Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated the use of reserves accumulated in previous years to reduce current year expenditures in excess of revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expenses. The following is a reconciliation of the budget approved by the Board.

	2018 Budget	2018 Actual	2017 Actual
Annual surplus / (deficit)	\$ 80,800	\$ (5,573)	\$ 14,427
Transfers (to) from reserves	(10,000)	(1,099)	(1,639)
Capital acquisitions, disposals and write-down	(70,800)	(69,816)	(87,080)
Amortization	-	75,204	71,769
Loss on Disposal	-	-	2,523
Unfinanced	-	1,284	-
	\$ -	\$ -	\$ -