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INDEPENDENT AUDITORS' REPORT

To the Members of the Essex County Library Board, Members of Council and Ratepayers of the Corporation of the County of Essex

Opinion

We have audited the financial statements of Essex County Library Board (the Board), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations and accumulated surplus for the year then ended
- the statement of statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and the 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 Board as at December 31, 2021, and its results of 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. Our responsibility 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 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 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.



Responsibility 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.

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 risk 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, internal 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 purposes 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.



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- 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 the 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 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 Board's 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

Windsor, Canada

Approval Date

ESSEX COUNTY LIBRARY BOARD
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021,
WITH COMPARATIVE INFORMATION FOR 2020

	2021	2020
	\$	\$
Financial Assets		
Cash	3,015,550	2,522,302
Accounts receivable	171,244	191,086
Total Financial Assets	3,186,794	2,713,388
Liabilities		
Accounts payable and accrued liabilities	1,356,642	1,426,117
Employee benefits payable (Note 2)	325,039	312,873
Total Liabilities	1,681,681	1,738,990
Net Financial Assets	1,505,113	974,398
Non-Financial Assets		
Tangible capital assets (Note 3)	2,656,972	2,580,380
Prepaid expenses	207,266	200,762
Total Non-Financial Assets	2,864,238	2,781,142
Accumulated Surplus (Note 4)	4,369,351	3,755,540

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

ESSEX COUNTY LIBRARY BOARD
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2021,
WITH COMPARATIVE INFORMATION FOR 2020

	2021	Budget	2020
	\$	\$	\$
Revenue			
Requisition on participating municipalities	5,869,850	5,869,850	5,744,540
Province of Ontario grants	402,595	287,730	406,948
Fees, fines, book sales and other	19,859	105,000	36,062
Total Revenue	6,292,304	6,262,580	6,187,550
Expenses			
Advertising	24,606	25,000	19,085
Amortization of tangible capital assets	643,203	670,295	643,735
Books, films and records	304,565	418,100	354,514
Board members' expenses	7,845	32,000	9,598
Capital	161,565	75,000	130,514
Computerization	99,754	202,700	97,103
Copier rental and maintenance	14,932	25,000	18,183
Data transmission	85,486	144,000	129,532
Employee benefits	861,225	890,370	778,099
Insurance	41,579	50,580	48,926
Maintenance	28,142	38,000	33,203
Miscellaneous	3,650	6,000	4,743
Mileage	5,191	10,000	5,876
Memberships	1,027	760	752
Office	18,245	91,200	98,606
Pandemic Supplies	14,439	21,000	34,227
Periodicals and newspapers	63,654	49,000	55,697
Professional services	214,224	247,280	272,634
Salaries and wages			
Library	2,840,712	3,431,380	2,836,779
Maintenance	0	0	3,816
Staff training	23,052	50,000	17,992
Telephone	7,526	8,000	7,849
Utilities	213,871	226,950	214,778
Total Expenses	5,678,493	6,712,615	5,816,241
Annual Surplus (Deficit)	613,811	(450,035)	371,309
Accumulated Surplus, beginning of year	3,755,540	3,755,540	3,384,231
Accumulated Surplus, end of year	4,369,351	3,305,505	3,755,540

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

ESSEX COUNTY LIBRARY BOARD
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021,
WITH COMPARATIVE INFORMATION FOR 2020

	2021 \$	Budget \$	2020 \$
Annual Surplus (Deficit)	613,811	(450,035)	371,309
Acquisition of Tangible Capital Assets	(719,795)	(746,000)	(527,781)
Amortization of Tangible Capital Assets	643,203	670,295	643,735
	537,219	(525,740)	487,263
Net acquisition and consumption of prepaid expenses	(6,504)	-	(115,882)
Change in Net Financial Assets	530,715	(525,740)	371,381
Net Financial Assets, beginning of year	974,398	974,398	603,017
Net Financial Assets, end of year	1,505,113	448,658	974,398

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

ESSEX COUNTY LIBRARY BOARD
STATEMENT OF CHANGE IN CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021,
WITH COMPARATIVE INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
	\$	\$
Cash provided by (used in):		
Operating Activities		
Annual Surplus	613,811	371,309
Items not involving cash:		
Amortization of tangible capital assets	643,203	643,735
Employee benefits payable	12,166	(238,428)
Change in non-cash assets and liabilities:		
Accounts receivable	19,842	(138,993)
Prepaid expense	(6,504)	(115,882)
Accounts payable and accrued liabilities	(69,475)	578,814
Net change in cash from operating activities	<u>1,213,043</u>	<u>1,100,555</u>
Capital Activities		
Cash used to acquire tangible capital assets	(719,795)	(527,781)
Net change in cash from capital activities	<u>(719,795)</u>	<u>(527,781)</u>
Net change in cash	493,248	572,774
Cash, beginning of year	<u>2,522,302</u>	<u>1,949,528</u>
Cash, end of year	<u><u>3,015,550</u></u>	<u><u>2,522,302</u></u>

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

ESSEX COUNTY LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Essex County Library Board (the "Board") are prepared in accordance with accounting policies prescribed by the Canadian public sector accounting standards of the Chartered Professional Accountants Canada.

(a) Accrual Basis of Accounting

The accrual basis of accounting recognizes revenue as it becomes available and is measurable. Expenses are recognized as they are incurred and are measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

(b) 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, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Library resource materials	7
Vehicles	5 – 8
Machinery and equipment	5 – 20
Computer systems	3
Furniture and fixtures	15

ESSEX COUNTY LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Amortization

Tangible capital assets shall be recorded at historical cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Where historical cost is not available, the Board shall use deflated replacement values. The cost of the tangible capital assets will be amortized on a straight-line basis over the above noted useful lives. The only exception, per the above, is for Land which is considered to have an infinite life. One half of the annual amortization shall be 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. Gains and/or losses on the disposal shall be recorded on the statement of operations and accumulated surplus as "Gain/Loss on disposal of tangible capital assets."

(iii) Contributions of Tangible Capital Assets

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

(iv) Leased Assets

Leases shall be classified as either operating or capital leases. Lease agreements which substantially transfer all the risks and rewards of ownership to the Board shall be accounted for as a capital lease and will be capitalized. All other leases shall be considered operating leases and the related payments shall be charged to operating expense as incurred.

(c) Employee Future Benefit Obligations

The Board has adopted the accrued method of accounting for employee future benefits as required by the Canadian public sector accounting standards. The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and assumptions of mortality and termination rates, retirement age and expected inflation rate.

ESSEX COUNTY LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The accumulated actuarial gain (loss) of the accrued benefit obligation is amortized over the average remaining service period of active employees, which is 13 years.

(d) Use of Estimates

The preparation of the financial statements 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 dates of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Significant items subject to such estimates and assumptions include the valuation of accounts receivable and the valuation of employee future benefits.

2. EMPLOYEE BENEFITS AND OTHER LIABILITIES

The employee benefit and other liabilities, reported on the statement of financial position, are made up of the following:

	2021	2020
Post retirement benefits	\$ 279,749	\$ 289,771
WSIB	45,290	23,102
Total	\$ 325,039	\$ 312,873

ESSEX COUNTY LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

2. EMPLOYEE BENEFITS AND OTHER LIABILITIES (continued)

Information about the Board's future obligation with respect to post retirement benefits and WSIB is as follows:

	2021	2020
Accrued benefit obligations:		
Balance, beginning of year	\$ 312,873	\$ 317,103
Current service cost	28,115	9,069
Interest	15,112	12,518
Amortization of actuarial loss	6,760	11,360
WSIB future benefits adjustment	10,854	(700)
Expected benefit payments	(48,675)	(36,477)
Balance, end of year	325,039	312,873
Unamortized net actuarial loss	117,929	19,769
Obligation for benefits	\$ 442,968	\$ 332,642

Retiree benefits

The Board pays certain extended health and dental benefits for early retirees to age 65. The Board recognizes these post-retirement costs in the period in which the employees rendered the services. The most recent actuarial valuation was performed as at December 31, 2019. The actuarial valuation is based on the following significant actuarial assumptions:

	2021	2020
Discount rate	3.75%	3.75%
Medical costs		
Initial	6.42%	6.75%
Ultimate	3.75%	3.75%
Year of ultimate level	2029	2029
Dental	3.75%	3.75%

The medical trend rate has an initial rate of 6.75% but reduces by 0.3333% per year to 3.75% in 2029.

ESSEX COUNTY LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

3. TANGIBLE CAPITAL ASSETS

Cost	Balance at December 31, 2020	Additions	Disposals	Balance at December 31, 2021
Library materials	\$ 3,701,926	\$ 466,192	\$ 477,133	\$ 3,690,985
Machinery and equipment	603,609	19,655	-	623,264
Motor vehicles	91,965	-	-	91,965
Furniture and fixtures	1,231,627	20,147	-	1,251,774
Computer systems	103,415	-	-	103,415
Assets under construction	-	213,801	-	213,801
Total	\$ 5,732,542	\$ 719,795	\$ 477,133	\$ 5,975,204

Accumulated amortization	Balance at December 31, 2020	Disposals	Amortization expense	Balance at December 31, 2021
Library materials	\$ 2,151,505	\$ 477,133	\$ 457,715	\$ 2,132,087
Machinery and equipment	216,762	-	98,000	314,762
Motor vehicles	54,865	-	11,343	66,208
Furniture and fixtures	636,052	-	68,373	704,425
Computer systems	92,978	-	7,771	100,749
Assets under construction	-	-	-	-
Total	\$ 3,152,162	\$ 477,133	\$ 643,203	\$ 3,318,232

	Net book value December 31, 2020	Net book value December 31, 2021
Library materials	\$ 1,550,421	\$ 1,558,897
Machinery and equipment	386,847	308,502
Motor vehicles	37,100	25,757
Furniture and fixtures	595,575	547,349
Computer systems	10,437	2,666
Assets under construction	-	213,801
Total	\$ 2,580,380	\$ 2,656,972

Assets under construction having a value of \$ 213,801 (2020 - \$nil) have not been amortized. Amortization of these assets will commence when the asset is put into service.

ESSEX COUNTY LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

3. TANGIBLE CAPITAL ASSETS (continued)

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Library materials	\$ 3,868,515	\$ 322,505	\$ 489,094	\$ 3,701,926
Machinery and equipment	398,333	205,276	-	603,609
Motor vehicles	91,965	-	-	91,965
Furniture and fixtures	1,231,627	-	-	1,231,627
Computer systems	103,415	-	-	103,415
Total	\$ 5,693,855	\$ 527,781	\$ 489,094	\$ 5,732,542

Accumulated amortization	Balance at December 31, 2019	Disposals	Amortization expense	Balance at December 31, 2020
Library materials	\$ 2,168,869	\$ 489,094	\$ 471,730	\$ 2,151,505
Machinery and equipment	141,255	-	75,507	216,762
Motor vehicles	39,538	-	15,327	54,865
Furniture and fixtures	565,093	-	70,959	636,052
Computer systems	82,766	-	10,212	92,978
Total	\$ 2,997,521	\$ 489,094	\$ 643,735	\$ 3,152,162

	Net book value December 31, 2019	Net book value December 31, 2020
Library materials	\$ 1,699,646	\$ 1,550,421
Machinery and equipment	257,078	386,847
Motor vehicles	52,427	37,100
Furniture and fixtures	666,534	595,575
Computer systems	20,649	10,437
Total	\$ 2,696,334	\$ 2,580,380

ESSEX COUNTY LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

4. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus and reserve funds as follows:

	2021	2020
Surplus		
Invested in tangible capital assets	\$ 2,656,972	\$ 2,580,380
Unfunded		
Employee benefits	(325,039)	(312,873)
Total surplus	2,331,933	2,267,507
Reserves		
Capital expenses	1,273,078	739,493
Contingencies	480,156	480,156
Enhanced services	36,581	36,581
Vehicles	127,860	112,060
WSIB	119,743	119,743
Total reserves	2,037,418	1,488,033
	\$ 4,369,351	\$ 3,755,540

5. BUDGET DATA

The budget data presented in these financial statements is based upon the 2021 Budget approved by the Board on October 27, 2020. Amortization was not contemplated on development of the budget, and, as such, has been estimated based on 2021 tangible capital asset data and budgeted capital expenses. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

ESSEX COUNTY LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

5. BUDGET DATA (continued)

	Budget Amount
Revenues	
Operating budget	\$ 6,042,320
Capital budget	746,000
Less:	
Transfers from other funds	(525,740)
Total surplus	6,262,580
Expenses	
Operating budget	6,712,615
Capital budget	746,000
Less:	
Capital expenses	(746,000)
Total expenses	6,712,615
Annual deficit	\$ (450,035)