



## STAFF REPORT ACTION REQUIRED

11.

### Audited 2008 Financial Statements

<b>Date:</b>	June 15, 2009
<b>To:</b>	Toronto Public Library Board
<b>From:</b>	City Librarian

### SUMMARY

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This report requests Toronto Public Library Board approval of the Audited 2008 Financial Statements of the Toronto Public Library Board.

### RECOMMENDATIONS

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**The City Librarian recommends that the Toronto Public Library Board:**

1. approves the Audited 2008 Financial Statements of the Toronto Public Library Board.

### FINANCIAL IMPACT

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There was a year-end operating surplus in 2008 of \$18,320, which will be returned to the City. This is in addition to a saving of \$236,000 to mitigate the 2008 cost of the Pay Equity and Job Evaluation settlement which has already been returned to the City.

The Director, Finance & Treasurer has reviewed this Financial Impact Statement and is in agreement with it.

### DECISION HISTORY

The external audit contract with Ernst & Young is for two years ending with the audit of the December 31, 2009 financial statements. At the Board meeting of December 15, 2008, Ernst & Young's report on *Audit Planning – Year Ended December 31, 2008* was received for information.

## **ISSUE BACKGROUND**

Ernst & Young started their audit work at the Library in October 2008, and work was completed in March 2009.

## **COMMENTS**

The audited financial statements for the year ended December 31, 2008 are appended as Attachment 1.

The financial statements were prepared in accordance with the accounting recommendations and disclosure requirements as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. Refer to note 2 of the Financial Statements (page 8 of Attachment 1) for further details.

These statements reflect the assets, liabilities, revenues, expenditures and sources of financing for the Library.

PSAB legislation requires the original budgets, as approved by Council, be reflected in the financial statements. The original capital and operating budgets, as approved by Council, do not include financing sources such as debt, even though the City allocates debt and interest charges to the Library on the audited financial statements.

In 2008, the Library requested from City Council, funding for the Pay Equity and Job Evaluation settlement comprised of \$6,384,930 for the retroactive portion and \$1,948,000 for the 2008 costs. In approving the funding, Council requested that the Library make efforts to mitigate the 2008 costs, and in this respect, the Library achieved savings of \$236,000 resulting in 2008 net funding of \$1,712,000.

The City and Library rely on the work of Mercer, a consulting company, for the actuarial valuation of the employee future benefits. The City of Toronto identified an error in the Mercer report for the actuarial valuation of sick leave liabilities. The Library's sick leave liability is a subset of the City's actuarial valuation. Mercer prepared a revised valuation of the sick leave liabilities and as a result, the employee future benefits payable was restated for 2007. The actuarial error understated the accumulated sick leave liability and resulted in an understatement of sick leave benefits payable which are included in employee future benefits payable. The impact of the adjustment is further described in Note 4(a) (page 12 of Attachment 1). This is only an adjustment to the audited financial statements and has no impact on the Library's capital and operating budgets and corresponding expenditures.

Note 9 to the Financial Statements (page 19 of Attachment 1) indicates that the Library's current operating surplus is \$18,320 at year-end to be returned to the City. This is in addition to the \$236,000 of savings achieved towards mitigating the impact of the Pay Equity and Job Evaluation settlement, for a total 2008 savings of \$254,320.

The City administers certain funds that are held for Library purposes, including development charge reserves.

The auditors provided an unqualified opinion in the Auditors' Report contained in the Financial Statements (Page 2 of Attachment 1). An unqualified opinion means that the financial statements are presented fairly, in all material respects.

Representatives from Ernst & Young will be in attendance at the June 15, 2009 Board meeting to respond to questions.

## **CONTACT**

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## **SIGNATURE**

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Jane Pyper  
City Librarian

## **ATTACHMENTS**

Attachment 1: Audited Financial Statements – Toronto Public Library Board –  
December 31, 2008