



## STAFF REPORT ACTION REQUIRED

19.

### Audited 2010 Financial Statements – Toronto Public Library Board

<b>Date:</b>	June 7, 2011
<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 December 31, 2010 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 December 31, 2010 financial statements of the Toronto Public Library Board, appended as Attachment 1.

#### **FINANCIAL IMPACT**

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There was a year-end operating surplus in 2010 of \$36,601, which will be returned to the City.

The Director, Finance & Treasurer has reviewed this financial impact statement and is in agreement with it.

#### **DECISION HISTORY**

At the Board meeting of January 6, 2011, PricewaterhouseCoopers LLP's (PwC) report on *Audit Plan for the Year Ending December 31, 2010* was received for information.

#### **ISSUE BACKGROUND**

PwC started their audit work at the Library in November 2010, and work was completed in May 2011.

## **COMMENTS**

The audited financial statements for the year ended December 31, 2010 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. These statements reflect the assets, liabilities, accumulated surplus, revenues and expenses for the Library.

### **Annual Surplus**

The audited financial statements disclose three annual surpluses for 2010:

1. the year-end operating surplus of \$36,601 being returned to the City;
2. the Actual operating surplus of \$14,040,982 as shown on the Statement of Operations and Accumulated Surplus; and
3. the Budget operating surplus of \$45,302,083 as shown on the Statement of Operations and Accumulated Surplus.

#### ***1. Year-End Operating Surplus***

Note 3 to the financial statements (page 10 of Attachment 1) indicates that the Library's 2010 operating surplus being returned to the City is \$36,601.

#### ***2. Actual Operating Surplus***

The 2010 Actual operating surplus shown on the Statement of Operations and Accumulated Surplus is \$14,040,982, and this is explained mainly by: (1) \$41,498,379 of funding received through the operating and capital budgets which is expended on Tangible Capital Assets (TCA) and therefore not expensed; minus (2) \$27,596,130 of amortization expense on TCA.

#### ***3. Budget Operating Surplus***

PSAB legislation requires the original budgets as approved by Council be reflected in the financial statements. The original approved capital and operating budgets have been combined and shown as unaudited on the Statement of Operations and Accumulated Surplus on page 5 of Attachment 1. The unaudited budget shows an annual surplus of \$45,302,083, that results from budget funding through the operating and capital budgets that is expended on TCA and therefore not expensed.

### **Accumulated Surplus**

The 2010 Accumulated surplus as shown on the Statement of Financial Position (page 4 of Attachment 1) is \$150,020,835. This accumulated surplus is a product of applying PSAB

accounting, and is mainly caused by TCA of \$291,251,064, minus employee benefits obligation of \$70,146,589.

### **Long Term Debt**

Note 9 to the financial statements (page 17 of Attachment 1) explains that long-term debt and accumulated sinking fund balances previously recorded in the financial statements are not considered a legal liability to the Library. As a result, the long-term debt obligation as well as the associated interest expense on the debt and interest revenue on the sinking fund have been removed from these financial statements. This is treated as an accounting error and retroactively corrected for December 31, 2009, that resulted in an increase of \$42,509,789 to the Accumulated Surplus. Similar adjustments are being made to the City's financial statements.

### **Other**

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.

The financial statements are considered draft until all outstanding matters are cleared, including the receipt of a signed management letter as at the date of the Board meeting in addition to Board approval of the draft financial statements.

Representatives from PwC will be in attendance at the 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, 2010