

DRAFT

Toronto Public Library Board

Financial Statements
December 31, 2011

DRAFT

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

May @@, 2012

Independent Auditor's Report

To the Members of the Board of Toronto Public Library Board

We have audited the accompanying financial statements of Toronto Public Library Board, which comprise the statement of financial position as at December 31, 2011 and the statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto Public Library Board as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Toronto Public Library Board

Statement of Financial Position

As at December 31, 2011

| | 2011 \$ | 2010 \$ |
|---|--------------------|--------------------|
| Financial Assets | | |
| Cash | 7,243,788 | 4,320,611 |
| Short-term investments | 19,983,123 | 22,979,851 |
| Accounts receivable | | |
| City of Toronto (note 3) | 3,396,877 | - |
| Other accounts receivable | 3,765,802 | 1,934,748 |
| | <u>34,389,590</u> | <u>29,235,210</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | | |
| City of Toronto (note 3) | - | 4,838,686 |
| Other accounts payable and accrued liabilities (note 12) | 31,098,468 | 20,604,010 |
| Deferred revenue | 1,155,126 | 1,125,442 |
| Capital lease obligation (note 4) | 6,342 | 90,531 |
| Employee benefits (note 5) | 73,907,610 | 70,146,589 |
| Payable to City of Toronto (note 6) | 400,005 | 466,671 |
| Payable to Canada Life Assurance Company (note 6) | 1,077,493 | 1,193,510 |
| | <u>107,645,044</u> | <u>98,465,439</u> |
| Net debt | (73,255,454) | (69,230,229) |
| Non-financial assets | | |
| Tangible capital assets (note 8) | <u>233,358,219</u> | <u>219,251,064</u> |
| Accumulated Surplus | <u>160,102,765</u> | <u>150,020,835</u> |
| Lease commitments and contingencies (notes 7 and 11) | | |

Approved by the Board of Directors

Toronto Public Library Board Chair

City Librarian

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

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Toronto Public Library Board

Statement of Operations and Accumulated Surplus

For the year ended December 31, 2011

| | 2011 | | 2010 |
|---|-----------------------------|--------------------|--------------------|
| | Budget \$ (Unaudited) | Actual \$ | Actual \$ |
| Revenues | | | |
| City of Toronto (note 3) | 189,826,234 | 196,181,834 | 189,334,840 |
| Province of Ontario | 5,677,504 | 6,126,983 | 6,259,748 |
| Federal government | 44,200 | 586,247 | 1,101,135 |
| User charges | 4,266,078 | 4,182,068 | 4,128,602 |
| Investment income | - | 302,815 | 229,704 |
| Donations and other grants (note 10) | 3,334,000 | 6,766,940 | 5,888,716 |
| Other income | 1,933,247 | 1,919,726 | 1,728,542 |
| | <u>205,081,263</u> | <u>216,066,613</u> | <u>208,671,287</u> |
| Expenses | | | |
| Staff costs (notes 5 and 12) | 138,747,398 | 152,214,159 | 140,343,990 |
| Maintenance and supplies | 12,285,362 | 11,536,430 | 12,112,004 |
| Utility costs | 7,676,686 | 7,658,271 | 7,595,046 |
| Administration costs | 2,833,066 | 2,779,430 | 3,077,584 |
| Rental costs | 2,725,826 | 2,713,755 | 2,766,259 |
| Library materials (note 8) | - | 192,727 | 356,287 |
| Transfers to City of Toronto and other (note 3) | 723,295 | 228,512 | 783,005 |
| Amortization | - | 28,661,399 | 27,596,130 |
| | <u>164,991,633</u> | <u>205,984,683</u> | <u>194,630,305</u> |
| Annual surplus | 40,089,630 | 10,081,930 | 14,040,982 |
| Accumulated surplus - Beginning of year | - | 150,020,835 | 135,979,853 |
| Accumulated surplus - End of year | 40,089,630 | 160,102,765 | 150,020,835 |

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

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Toronto Public Library Board

Statement of Change in Net Debt

For the year ended December 31, 2011

| | 2011 \$ | 2010 \$ |
|---|--------------|--------------|
| Annual surplus | 10,081,930 | 14,040,982 |
| Proceeds on sale of tangible capital assets | 28,170 | - |
| Acquisition of tangible capital assets | (42,796,724) | (41,498,379) |
| Amortization of tangible capital assets | 28,661,399 | 27,596,130 |
| Change in net debt | (4,025,225) | 138,733 |
| Net debt - Beginning of year | (69,230,229) | (69,368,962) |
| Net debt - End of year | (73,255,454) | (69,230,229) |

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

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Toronto Public Library Board

Statement of Cash Flows

For the year ended December 31, 2011

| | 2011 \$ | 2010 \$ |
|---|--------------|--------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Annual surplus | 10,081,930 | 14,040,982 |
| Items not affecting cash | | |
| Amortization of tangible capital assets | 28,661,399 | 27,596,130 |
| Employee benefits | 3,761,021 | 2,930,308 |
| | 42,504,350 | 44,567,420 |
| Changes in non-cash assets and liabilities | | |
| Accounts receivable | (5,227,931) | 457,531 |
| Accounts payable and accrued liabilities | 5,655,772 | 2,249,764 |
| Deferred revenue | 29,684 | 355,755 |
| | 42,961,875 | 47,630,470 |
| Capital activities | | |
| Proceeds on sale of tangible capital assets | 28,170 | - |
| Acquisition of tangible capital assets | (42,796,724) | (41,498,379) |
| | (42,768,554) | (41,498,379) |
| Investing activities | | |
| Redemption (purchase) of short-term investments - net | 2,996,728 | (7,082,752) |
| Financing activities | | |
| Principal repayment of capital lease | (84,189) | (80,307) |
| Principal repayment on long-term payable with City of Toronto | (66,666) | (66,667) |
| Principal repayment on long-term payable with Canada Life Assurance Company | (116,017) | (107,099) |
| | (266,872) | (254,073) |
| Increase (decrease) in cash during the year | 2,923,177 | (1,204,734) |
| Cash - Beginning of year | 4,320,611 | 5,525,345 |
| Cash - End of year | 7,243,788 | 4,320,611 |
| Supplemental cash flow information | | |
| Interest paid on long-term payables | 102,005 | 117,463 |
| Interest received on short-term investments | 296,423 | 158,359 |
| | - | - |

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

FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED

Toronto Public Library Board

Notes to Financial Statements

December 31, 2011

1 Operations

The Toronto Public Library Board (the Board or the Library) is a local board of the City of Toronto (the City) deemed to be a public library board established under the Public Libraries Act (Ontario) and is responsible for providing public library service that reflects the community's unique needs. The Public Libraries Act (Ontario) has also designated the Board as a special library service board to provide library resources and services to the Ontario library community.

The Board is not subject to income taxes under Section 149(1) of the Income Tax Act (Canada).

The Toronto Public Library Foundation (the Foundation) has responsibility for most of the fundraising activities for the Library. Fundraising efforts of the Foundation are to benefit the Library. The Foundation's net assets, revenues and expenses are not included in these financial statements (note 10).

2 Summary of significant accounting policies**Basis of accounting**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for local governments as defined by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

Revenues are presented on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available, are measurable and collection is reasonably assured.

Revenue recognition

Government transfers, which include municipal, provincial and federal grants, are recognized in the year in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

The Board follows the deferral method of accounting for donations and other grants. Donations and other grants are recognized as revenue when received or receivable if the amount to be received can be reasonably measured and collection is reasonably assured. Revenues from user charges and other related services are recognized at the point of sale or when services have been provided and collection is reasonably assured.

Expenses

The Board reports its expenses of the year by object, instead of by function or major program. Presentation by object outlines the major types of expenses incurred, and is the basis by which the Board tracks, analyzes and monitors its costs for budgeting and decision-making purposes.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Toronto Public Library Board

Notes to Financial Statements

December 31, 2011

Measurement uncertainty

The preparation of the financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions. The employee benefits liabilities and related costs charged to the statement of operations and accumulated surplus depend on certain actuarial and economic assumptions. These estimates and assumptions are based on the Board's best information and judgment and may differ significantly, based on actual results.

Restricted cash

Included in cash is \$163,276 of restricted amounts held in trust for employees eligible for the sabbatical leave program.

Short-term investments and investment income

Short-term investments are recorded at cost plus accrued interest and consist of financial instruments, such as treasury bills and bankers' acceptances, which are readily cashable on short notice. Due to their short-term nature, the fair values of these investments approximate their carrying values.

Investment income earned on available current funds is reported as revenue in the year earned.

Materials and supplies

Materials and supplies purchased for consumption in the Library's activities are reported as an expense on the statement of operations and accumulated surplus in the year of acquisition.

Tangible capital assets

Tangible capital assets are non-financial assets that 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.

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

| | |
|-----------------------------------|---|
| Buildings | 50 years |
| Leasehold improvements | term of the lease or useful life estimated by management |
| Furniture, fixtures and equipment | 5 to 20 years |
| Vehicles | 8 to 12 years |
| Library materials | 6 years |

Assets under construction are not amortized until the date of substantial completion.

Contributed rare books and other collections are expensed in the year received.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Toronto Public Library Board

Notes to Financial Statements

December 31, 2011

The cost of normal maintenance and repairs, which do not materially enhance the service potential of tangible capital assets, is not capitalized.

Deferred revenue

Deferred revenue includes the balance of funds that have been received from the Foundation for specific operating projects, which the Board has not yet expended.

Employee benefits

The Board has adopted the following policies with respect to employee benefit plans:

- the Board's contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due;
- the costs of termination benefits and compensated absences are recognized when the event that obligates the Board occurs; costs include projected future income payments, health-care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis;
- the costs of other employee benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health-care costs and plan investment performance;
- past service costs from plan amendments related to prior years' employee services are accounted for in the year of the plan amendment;
- employee future benefit liabilities are discounted using the city's cost of borrowing;
- net actuarial gains and losses are amortized over the expected average remaining service life of the related employee group, which ranges from 12 to 16 years; and
- the effects of a gain or loss from settlements or curtailments are expensed in the year they occur.

Budget figures

The total approved operating and capital budgets for 2011 are reflected in the statement of operations and accumulated surplus. The budget for acquisition of tangible capital assets of \$40,089,630 (2010 - \$45,302,083), which creates the accumulated surplus, is composed of the approved capital budget of \$21,718,547 (2010 - \$26,644,000) and \$18,371,083 (2010 - \$18,658,083) from the approved operating budget. The budget figures are unaudited.

3 Related party balances and transactions

In the normal course of operations, the Board incurs costs for various expenses payable to the City and earns various revenues from the City. Such transactions between the City and the Board are made at the agreed upon exchange amount.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Toronto Public Library Board

Notes to Financial Statements

December 31, 2011

Accounts receivable from (payable to) the City consist of the following:

| | 2011 \$ | 2010 \$ |
|--|------------------|--------------------|
| Other receivable | 1,000,000 | - |
| Voluntary separation program (note 12) | 7,228,000 | - |
| Operating expenses | (542,500) | (501,306) |
| Operating surplus payable | (160,643) | (36,601) |
| Hydro charges | (838,905) | (616,289) |
| Repayment of capital project funding | - | (1,737,000) |
| Unexpended capital advance | (3,289,075) | (1,947,490) |
| | <u>3,396,877</u> | <u>(4,838,686)</u> |

Payments to the City that are included in the statement of operations and accumulated surplus consist of the following:

| | 2011 \$ | 2010 \$ |
|--------------|------------------|------------------|
| Maintenance | 136,566 | 615,406 |
| Rent | 919,859 | 1,024,723 |
| Construction | 215,141 | 374,929 |
| Utilities | 3,827,570 | 3,682,378 |
| Other | 173,254 | 994,095 |
| | <u>5,272,390</u> | <u>6,691,531</u> |

Received from the City was \$237,737 (2010 - \$152,978), consisting of \$99,240 (2010 - \$137,651) in rental income and \$138,497 (2010 - \$15,327) in miscellaneous income.

The Board contributes to a self-funded fund that provides funding for vehicle, property and liability insurance claim payments and related legal and adjusting expenses. The fund is established for insurance claim costs below deductible levels and for payments that exceed insurance coverage levels. Contributions are paid to the City, which makes insurance premium payments on behalf of the Board. During the year, the Board made \$442,796 (2010 - \$426,265) in contributions.

Vehicle and equipment reserve fund

The City maintains a reserve fund on behalf of the Board. The reserve fund was established by the City's council and is detailed in the City's Municipal Code.

The purpose of this fund is to provide funding to purchase or acquire any vehicles or equipment for the Library. The funding promotes efficiencies and provides budget stabilization by moderating large fluctuations in the annual replacement of vehicles and equipment. During the year, the Library made \$293,000 (2010 - \$310,000) in contributions, based on future replacement of the vehicle fleet, while the City withdrew \$237,024 (2010 - \$456,374) of the balance to fund the purchase of vehicles. The balance of the Vehicle and Equipment Reserve Fund as at December 31, 2011 was \$367,682 (2010 - \$286,696).

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Toronto Public Library Board

Notes to Financial Statements

December 31, 2011

DRAFT

4 Capital lease obligation

The capital lease obligation consists of the following:

| | Total minimum annual payments \$ | Amount representing interest at 5.9% \$ | Capital lease obligation \$ |
|------|--|---|-----------------------------------|
| 2012 | 6,710 | 368 | 6,342 |

5 Employee benefits

The Board sponsors defined benefit plans providing pension and other retirement and post-employment benefits to most of its employees. The plans provide health, dental, life insurance and long-term disability benefits to certain employees.

Information about the Board's employee benefits, other than the multi-employer, defined benefit pension plan noted below, is as follows:

Sick leave

The Board's short-term disability plan, for non-unionized employees, provides salary protection at 100% or 75%, based on an employee's benefit eligibility date for up to 26 weeks per illness or per calendar year. Absences greater than 26 weeks duration are covered under the Board's long-term disability plan.

Under the sick leave benefit plan for unionized employees, employees are credited with a maximum of 18 days' sick time per year. Unused sick leave could accumulate and employees could become eligible for a cash payment, capped at one half of unused sick time to a maximum of 130 days when they leave the Board's employment. Effective April 1, 2010, all new permanent employees are enrolled in a short-term disability plan that does not include the accumulation of unused sick leave. Union employees, as of that date, were given the option of remaining on the sick leave plan of 18 days' sick time per year and the accumulation of unused sick time to a maximum of 130 days or moving to the short-term disability plan that does not include the accumulation of unused sick leave. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could then be taken in cash by employees on termination of employment.

Workplace Safety Insurance Board (WSIB)

The Board is a Schedule 2 employer and, as such, pays the full cost of all medical and all other benefits for its employees that sustain injuries at the workplace plus the administration cost as determined by the WSIB.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Toronto Public Library Board

Notes to Financial Statements

December 31, 2011

Post-retirement and post-employment benefits

The Board provides health, dental, life insurance and long-term disability benefits to certain employees.

| | 2011 \$ | 2010 \$ |
|----------------------------------|-------------------|-------------------|
| Accrued benefit obligation | 82,545,066 | 72,232,102 |
| Net unamortized actuarial gain | (8,637,456) | (2,085,513) |
| Total employee benefit liability | <u>73,907,610</u> | <u>70,146,589</u> |

Components of the accrued benefit obligation are as follows:

| | 2011 \$ | 2010 \$ |
|------------------------------|-------------------|-------------------|
| Post-retirement benefits | 49,196,264 | 41,377,543 |
| Disabled employees' benefits | 6,384,579 | 5,219,543 |
| Income benefits | 9,932,193 | 7,754,250 |
| Sick leave benefits | 16,240,242 | 17,136,997 |
| WSIB | 791,788 | 743,769 |
| | <u>82,545,066</u> | <u>72,232,102</u> |

The continuity of the accrued benefit obligation is as follows:

| | 2011 \$ | 2010 \$ |
|---|-------------------|-------------------|
| Balance - Beginning of year | 72,232,102 | 66,446,339 |
| Current year's service cost | 5,277,120 | 4,754,955 |
| Interest cost | 3,221,376 | 3,254,086 |
| Benefits paid | (5,563,625) | (3,376,171) |
| Actuarial loss | 7,378,093 | 3,465,040 |
| Plan amendment - sick leave curtailment | - | (2,312,147) |
| Balance - End of year | <u>82,545,066</u> | <u>72,232,102</u> |

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Toronto Public Library Board

Notes to Financial Statements

December 31, 2011

The total expenses related to employee benefits other than those related to the multi-employer pension plan are included in staff costs in the statement of operations and accumulated surplus and include the following components:

| | 2011 \$ | 2010 \$ |
|---|------------|-------------|
| Current year's service cost | 5,277,120 | 4,754,955 |
| Amortization of net actuarial loss | 826,150 | 609,585 |
| Plan amendment - sick leave curtailment | - | (2,312,147) |
| Benefit interest expenditure | 3,221,376 | 3,254,086 |
| Total expenditures related to retirement benefits | 9,324,646 | 6,306,479 |

Cash payments made during the year are as follows:

| | 2011 \$ | 2010 \$ |
|------------------------------|------------|------------|
| Post-retirement plans | 1,098,380 | 1,011,802 |
| Disabled employees' benefits | 833,552 | 615,633 |
| Sick leave benefits | 815,526 | 974,648 |
| | 2,747,458 | 2,602,083 |

Due to the complexities in valuing the plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial report was completed as at December 31, 2009. The next actuarial valuation is expected to be completed in 2012.

The significant actuarial assumptions are as follows:

| | 2011 % | 2010 % |
|--|-----------|-----------|
| Accrued benefit obligation | | |
| Discount rate | | |
| Post-retirement | 3.8 | 4.7 |
| Disabled employees, income benefit | 3.1 | 4.0 |
| Sick leave | 3.5 | 4.4 |
| WSIB | 3.1 | 4.0 |
| Accrued benefit cost | | |
| Discount rate | | |
| Post-retirement | 4.7 | 5.3 |
| Disabled employees, income benefit | 4.0 | 4.4 |
| Sick leave - WSIB | 4.4 | 4.4 |
| Health-care inflation | | |
| Hospital dental care and other medical | 3.8 - 7.6 | 4.0 - 8.0 |
| Drugs | 7.6 | 8.0 |
| Rate of compensation increase | 3.0 | 3.0 |

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Toronto Public Library Board

Notes to Financial Statements

December 31, 2011

For measurement purposes, a 7.6% annual rate of increase in the per capita cost of covered health-care was assumed, except for a 3.8% annual rate of increase for dental benefits. The rates are assumed to decrease gradually to 4.0% by 2020, except for dental rates that are assumed to decrease gradually to 3.0% by 2015 and remain at those levels thereafter.

In addition to the above-noted benefits, the Board makes contributions to the Ontario Municipal Employees' Retirement System plan (OMERS), a multi-employer pension plan, on behalf of most of its employees. OMERS is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees, based on the length of service and rates of pay. Employees and employers contribute jointly to the plan. Total employer contributions for the year amounted to \$7,912,794 (2010 - \$6,823,183) and are included in staff costs in the statement of operations and accumulated surplus.

6 Long-term payables

During 2001, the Board entered into an Energy Service Agreement with the City and Ameresco Canada (Ameresco), formerly DukeSolutions Canada Inc. Ameresco completed energy efficiency improvements to Library facilities in 2003 for a total net cost of \$3,218,935.

The first \$1,000,000 in improvements was financed by an interest-free loan from the Better Building Partnership Program of the City. The Board agreed to repay the City in 30 biannual instalments of \$33,333 over a 15-year period. During the year, the Board paid the City amounts totalling \$66,666 (2010 - \$66,667), resulting in an outstanding payable as at December 31, 2011 of \$400,005 (2010 - \$466,671).

The remaining \$2,218,935 was financed through a tri-party agreement among Ameresco, Canada Life Assurance Company (Canada Life) and the Board. Under the terms of the agreement, the Board agrees to pay Canada Life annual payments of \$211,052, which include principal and interest at 8.02%, which is ultimately funded by the energy savings over the matching 15-year period. Details of repayment of the Ameresco loan are as follows:

| | \$ |
|------------|------------------|
| 2012 | 125,422 |
| 2013 | 136,120 |
| 2014 | 147,454 |
| 2015 | 159,732 |
| 2016 | 172,911 |
| Thereafter | 335,854 |
| | <u>1,077,493</u> |

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Toronto Public Library Board

Notes to Financial Statements

December 31, 2011

DRAFT

7 Lease commitments

As at December 31, 2011, the Board is committed to the following annual operating lease payments for equipment and facilities:

| | \$ |
|------------|------------------|
| 2012 | 1,578,856 |
| 2013 | 1,230,555 |
| 2014 | 983,023 |
| 2015 | 973,807 |
| 2016 | 605,880 |
| Thereafter | 1,239,863 |
| | <u>6,611,984</u> |

8 Tangible capital assets

Tangible capital assets consist of the following:

| | 2011 | | |
|--------------------------------------|--------------------|-----------------------------------|--------------------|
| | Cost \$ | Accumulated amortization \$ | Net \$ |
| Land | 15,376,262 | - | 15,376,262 |
| Buildings and leasehold improvements | 200,213,163 | 69,236,344 | 130,976,819 |
| Furniture, fixtures and equipment | 44,262,404 | 20,211,284 | 24,051,120 |
| Vehicles | 2,630,014 | 1,447,943 | 1,182,071 |
| Library materials | 106,935,046 | 53,061,043 | 53,874,003 |
| Assets under construction | 7,897,944 | - | 7,897,944 |
| | <u>377,314,833</u> | <u>143,956,614</u> | <u>233,358,219</u> |
| | 2010 | | |
| | Cost \$ | Accumulated amortization \$ | Net \$ |
| Land | 15,376,262 | - | 15,376,262 |
| Buildings and leasehold improvements | 189,041,720 | 72,648,651 | 116,393,069 |
| Furniture, fixtures and equipment | 41,445,963 | 19,010,659 | 22,435,304 |
| Vehicles | 2,278,392 | 1,459,846 | 818,546 |
| Library materials | 106,872,305 | 52,232,210 | 54,640,095 |
| Assets under construction | 9,587,788 | - | 9,587,788 |
| | <u>364,602,430</u> | <u>145,351,366</u> | <u>219,251,064</u> |

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Toronto Public Library Board

Notes to Financial Statements

December 31, 2011

Library materials, which have been expensed, include special collections of \$192,727 (2010 - \$356,287). Maintenance and supplies include works of art of \$34,279 (2010 - \$12,169).

9 Economic dependence

For the year ended December 31, 2011, approximately 90% (2010 - 91%) of the Board's revenue is from the City. Total receivables from the City is \$3,396,877 as at December 31, 2011 (2010 - \$nil).

10 Toronto Public Library Foundation

The Board benefits from the fundraising efforts of the Foundation. During the year, the Board received contributions of \$6,746,803 (2010 - \$5,888,716) from the Foundation. Included in other accounts receivable is \$1,317,944 (2010 - \$64) owing from the Foundation.

11 Contingencies

In the normal course of operations, the Board is subject to various arbitrations, litigations and claims. Where a potential liability is determinable, management believes the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year when the liability is able to be estimated.

12 Voluntary separation program (VSP)

In 2011, the Board offered a VSP to eligible employees, which resulted in an obligation as at December 31, 2011 of \$7,228,000. The Board's VSP program is being funded by the City of Toronto (see note 3). The Board has approved 112 VSP applications, which consist of a combination of full-time and part-time employees.

13 Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

