



STAFF REPORT ACTION REQUIRED

2023 Audited Financial Statements – Toronto Public Library Board

Date: May 27, 2024
To: Toronto Public Library Board
From: City Librarian

SUMMARY

The purpose of this report is to present the draft Audited Financial Statements for the year ended December 31, 2023 to the Toronto Public Library Board for approval in order to meet legislative requirements.

The Audited Financial Statements are prepared annually as required by the [City of Toronto Act, 2006](#), Section 231. The draft Financial Statements, prepared by applying accounting standards of the Public Sector Accounting Board (PSAB), provide an annual overview of Toronto Public Library's (TPL's) financial results as at the end of the fiscal year. By applying technical PSAB rules, the financial results include surpluses (budget and actuals) and accumulated surpluses, which are only "paper surpluses", which result from the application of public accounting rules. The financial statements also confirm the financial results presented to the Board in the 2023 year-end Operating Budget Monitoring Report and Capital Budget Monitoring Report. Budget monitoring reports, presented to the Board throughout the year, are the primary tools which demonstrate how the Council-approved budgets are being managed and expended.

The auditors, KPMG LLP, have provided an unqualified opinion in the Independent Auditors' Report which means that the Financial Statements are presented fairly in all material respects.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. approves the 2023 draft Audited Financial Statements of the Toronto Public Library Board, appended as Attachment 1.

FINANCIAL IMPACT

This report presents the Toronto Public Library 2023 Audited Financial Statements. There is no financial impact resulting from this report.

These financial statements reflect the 2023 combined results of the spending of the operating and capital budgets in accordance with Canadian PSAB standards and result in surpluses (budget and actuals) and accumulated surpluses which are only "paper surpluses". The financial statements also confirm the financial results previously reported at the Board meeting on April 29, 2024: the [Operating Budget Monitoring Report – December 31, 2023](#) reported a net budget overspending of \$6.480 million, which will be covered by the City with additional funding; and the [Capital Budget Monitoring Report – December 31, 2023](#) reported that the capital spending totalled \$39.718 million or 72.4% of the adjusted gross cash flow budget of \$54.848 million, resulting in a final unspent net balance \$15.130 million, which will be carried forward to future years.

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

ISSUE BACKGROUND

At its meeting on December 4, 2023, the Library Board received for information the KPMG [Audit Plan for the Year Ending December 31, 2023](#), which outlined their approach to the audit.

The Financial Statements are a requirement of the [City of Toronto Act, 2006](#), Section 231 as part of the overall fiscal framework for the City and its agencies, boards and commissions. These financial statements present a particular view of the Library's financial results at the end of the fiscal year and indicate revenues, expenses and funding for the year. The preparation, content and accuracy of the Financial Statements and all other information included in the financial report are the responsibility of management.

The Financial Statements have been prepared in accordance with Canadian public sector accounting standards (PSAS) for local governments as defined by the PSAB of the Chartered Professional Accountants of Canada.

These Financial Statements have been audited by KPMG whose role is to provide an independent opinion on the fair presentation of the Library's financial position and operating results, and to confirm that the statements are free from material misstatement. The external auditor's opinion is to provide comfort to third parties that the Financial Statements can be relied upon.

Financial Statements

The Financial Statements include the following individual statements:

1. Statement of Financial Position

Purpose is to summarize the assets (financial and non-financial), liabilities, net debt and accumulated surplus as at year-end.

The Statement of Financial Position is the municipal equivalent of the private sector's balance sheet. This statement focuses on the Library's assets (financial and non-financial) and liabilities. The difference between the liabilities and financial assets is the Library's net debt, which represents the net amount that must be financed from future budgets.

As a result of significant investment in tangible capital assets, there is a large accumulated surplus. Although tangible capital asset balances are considerable, they do not provide liquidity and are not typically available for sale, the proceeds of which could be used for other purposes. It is for this purpose that tangible capital assets are not included in the calculation of net debt.

2. Statement of Operations and Accumulated Surplus

Purpose is to outline revenues, expenses, surplus for the year and accumulated surplus at year-end. This statement reflects the combined operations of the operating and capital funds for the Library and provides the calculation of the Library's accumulated surplus at year-end.

The Statement of Operations and Accumulated Surplus is considered to be the municipal equivalent to the private sector's Statement of Income and Retained Earnings.

The Statement of Operations and Accumulated Surplus provides a summary of revenues, expenses, and surplus throughout the reporting period and outlines the change in accumulated surplus.

PSAS legislation requires the operating and capital budgets as approved by Council be reflected in the Financial Statements and be adjusted for accrual-based accounting. The 2023 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City and Library on a modified "cash requirements" basis and amounts now recorded in these financial statements on an accrual basis. As described in Note 4 to the Financial Statements (Budget figures), the total approved operating and capital budgets for 2023 have been combined and reflected in the statement of operations and accumulated surplus. The budgets for acquisition of tangible capital assets, primarily comprised of expenditures of the capital budget and for library collections, are capitalized and therefore result in a budget surplus.

3. Statement of Changes in Net Debt

Purpose is to outline the changes in net debt as a result of annual operations and tangible capital asset transactions.

The Statement of Changes in Net Debt is unique to governments. This statement focuses on the debt of the Library, adjusting the annual surplus for the impact of tangible capital assets, by deducting the costs to acquire tangible capital assets and adding back amortization charged during the year.

4. Statement of Cash Flows

Purpose is to summarize the Library's cash position and changes during the year by outlining the Library's sources and uses of cash.

The Statement of Cash Flows summarizes the Library's cash position and changes during the year. It segregates the Library's sources (inflows) and uses (outlay) of cash into two sections: Operating activities, Investing activities.

The Notes to the Financial Statements provide further detail about the Library's financial results and are an integral part of the Financial Statements.

COMMENTS

As noted in Attachment 1, Independent Auditors' Report, the auditors provided an unqualified opinion on the Financial Statements. An unqualified opinion means that the Financial Statements are presented fairly in all material respects in accordance with PSAS for local governments. Representatives from KPMG will be in attendance at the May Board meeting.

The draft Audited Financial Statements for the year ended December 31, 2023, Attachment 1b, provide details of the state of the Library's finances at the end of the fiscal year, and the revenues and expenses for the year ended December 31, 2023. The financial statements are considered draft until approved by the Library Board and normal outstanding matters, as detailed in a separate board report, Audit Findings Report - Year Ended December 31, 2023, are resolved.

(Note that throughout this report, references to "tables" refers to tables within the body of the report, while references to "notes" refers to the accompanying financial statements in the attachment).

Budget Monitoring Reports

At the Board meeting on April 29, 2024, the 2023 year-end results of spending the operating and capital budgets were presented for information. The [Operating Budget Monitoring Report - December 31, 2023](#) showed a budget deficit of \$6.480 million, which will be covered by the City and is reflected in the financial statements as receivable from the City as shown in note 5(a) of the Audited Financial Statements and Table 2 of this report. The [Capital Budget Monitoring Report - December 31, 2023](#) showed a 72.4% expenditure rate of the adjusted gross capital budget. The unspent capital budget funding received is similarly reflected in the financial statements as payable to the City as shown in note 5(a) of the Audited Financial Statements and Table 4 of this report.

Budget Figures

Budget figures in the Audited Financial Statements are based on the 2023 original operating and capital budgets approved by City Council. However, in the Operating and Capital Budget Monitoring Reports, the Council-approved 2023 operating and capital budget figures also include in-year Council-approved adjustments, if any.

Change in Accounting Policy (Note 2)

Public Accounting Standard PS 3280 – Asset Retirement Obligations was adopted as required by PSAB. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets such as asbestos removal in certain Library facilities and exit costs for leased facilities. Result of this adoption required a restatement of certain 2022 figures, including net debt, beginning and ending balances, tangible capital assets, accumulated surplus and amortization expense; to allow for comparison to 2023 figures.

Detailed Review of Statement of Financial Position

A detailed review of the Statement of Financial Position is provided in the following section:

Table 1: Statement of financial position variance (2023 vs. 2022)

	2023	2022	Increase / (Decrease)
Financial assets			
Cash and cash equivalents	11,518,067	7,609,332	3,908,735
Accounts receivable:			
City of Toronto (Table 2)	39,041,347	65,510,764	(26,469,417)
Other accounts receivable (Table 3)	4,889,923	5,381,499	(491,576)
	55,449,337	78,501,595	(23,052,258)
Liabilities and Net debt			
Accounts payable:			
City of Toronto (Table 4)	12,080,617	18,189,291	(6,108,674)
Accounts payable and accrued liabilities (Table 5)	37,808,736	52,199,494	(14,390,758)
Deferred revenue	5,283,855	5,447,809	(163,954)
Employee benefits (Table 6)	77,182,108	79,431,988	(2,249,880)
Asset retirement obligation	10,886,669	10,886,669	-
	143,241,985	166,155,251	(22,913,266)
Net debt	(87,792,648)	(87,653,656)	138,992
Tangible capital assets (Table 8)	437,401,957	416,459,788	20,942,169
Accumulated surplus (Table 9)	349,609,309	328,806,132	21,081,161

Cash and cash equivalents (Note 3)

Cash and cash equivalents increased by \$3.909 million to \$11.518 million [2022 – \$7.609 million], mainly due to City transferring all funds to TPL in the budgeted year as opposed to postponing final payment to following fiscal year.

Accounts receivable - City of Toronto (Note 5(a))

The breakdown of accounts receivable from the City at year-end with prior year comparatives is as follows:

Table 2: Accounts receivable from the City of Toronto

	2023	2022	Increase / (Decrease)
Approved City operating budget funding receivable	32,377,780	65,408,015	(33,030,235)
Operating deficit receivable	6,479,670	-	6,479,670
Rental receivable / Common maintenance costs	183,897	102,749	81,148
Accounts receivable from the City of Toronto	39,041,347	65,510,764	(26,469,417)

The \$39.041 million accounts receivable from the City in 2023 (2022 - \$65.510 million) is comprised predominantly of \$32.378 million, which represents the portion of the operating budget which has been recognized but not cash flowed from the City to TPL as at year-end. In 2020, TPL received \$21.776 million under a Federal program in response to the pandemic, the Canada Emergency Wage Subsidy (CEWS), which has allowed for the deferral of some of the operating budget cash flow funding from the City. The \$33.030 million decrease is mainly due to CEWS funding repayment to Canada Revenue Agency (see Table 5) that was made in 2023.

Other accounts receivable

The breakdown of other accounts receivable at year-end with prior year comparatives is as follows:

Table 3: Other accounts receivable

	2023	2022	Increase / (Decrease)
Canada Revenue Agency - HST rebate	3,604,831	2,872,490	732,341
Foundation receivable	586,953	1,019,268	(432,315)
Rental receivable	486,218	304,032	182,186
Other	211,921	1,185,709	(973,788)
Total Other accounts receivable	4,889,923	5,381,499	(491,576)

Other accounts receivable decrease by \$0.491 million to \$4.890 million [2022 – \$5.381 million], mainly due to \$0.974 million in Other due to one-time landlord contribution in 2022 for the renovation of the Maryvale branch and \$0.432 million in Foundation donation receivable, offset by \$0.732 million increase in HST claims from CRA, which include an additional month of rebate.

Accounts payable – City of Toronto (Note 5(a))

The breakdown of accounts payable to the City of Toronto at year-end with prior year comparatives is as follows:

Table 4: Accounts payable to the City of Toronto

	2023	2022	Increase / (Decrease)
Operating budget surplus payable to City	-	16,153	(16,153)
Operating expenses	170,696	279,270	(108,574)
Ethennonnhawahstihnen capital project	-	3,606,422	(3,606,422)
Hydro charges payable	937,880	2,071,991	(1,134,111)
Unexpended capital advance	10,972,041	12,215,455	(1,243,414)
Accounts payable to the City of Toronto	12,080,617	18,189,291	(6,108,674)

The \$12.081 million accounts payable to the City in 2023 (2022 - \$18.189 million) is comprised predominantly of \$10.972 million in unexpended capital advance, which is the difference between capital cash flow funding received from the City vs. what was expended.

Accounts payable and accrued liabilities

The breakdown of other accounts payable and accrued liabilities at year-end with prior year comparatives is as follows:

Table 5: Accounts payable and accrued liabilities

	2023	2022	Increase / (Decrease)
Salaries and benefits payable	9,255,421	9,017,475	237,946
Accounts payable - CEWS	-	21,776,235	(21,776,235)
Accounts payable and accruals	26,602,911	19,418,085	7,184,826
Holdback payable on construction contracts	1,950,404	1,987,699	(37,295)
Total accounts payable and accrued liabilities	37,808,736	52,199,494	(14,390,758)

Accounts payable and accrued liabilities decreased by \$14.391 million, mainly due to \$21.776 million repayment of CEWS to CRA, offset by \$7.185 million increase in accounts payable and accruals due to delays in payments of invoices as a result of a cybersecurity incident.

Deferred revenue (Note 5(d))

Deferred revenue decreased by \$0.164 million to \$5.284 million [2022 - \$5.448 million], primarily related to funding received from the TPL Foundation for specific programs, including Summer Reading Club, Musical Instrument Lending Library, and Prosper Canada Financial Empowerment, which are committed and will be expended in the following year.

Employee Benefit Liabilities (Note 7)

The Employee Benefits Liabilities obligation is an annual one-time entry, which is charged to accumulated surplus. It is not reflected in the budget monitoring reports.

The City has employed the services of a third party valuation expert to value the gross employee benefits liability (identified as 'employee benefits' in Note 7 of the Financial Statement). The most recent actuarial valuation was completed for the fiscal year ended December 31, 2021 for which the Library provided the necessary information on the composition of its workforce and benefits plans

to the City. The next actuarial valuation for post-retirement and post-employment benefits is expected to be performed as at December 31, 2024.

At the end of 2023, the Library's gross employee benefits liability (identified as Accrued Benefit Obligation in Note 7) increased by \$3.011 million to \$64.080 million [2022 – \$61.069 million]. The increase in the liability is due to a decrease of the discount rate from 4.4% in 2022 to 4.1% in 2023 and to reflect changes made by the third party valuation expert. The discount rate is used to value the current cost of future benefit obligations. A decrease in the discount rate increases the value of the accrued benefit obligation.

Table 6: Net employee benefits

	2023	2022	Increase / (Decrease)
Post-retirement benefits	39,220,514	36,634,741	2,585,773
Disabled employees' benefits	3,509,562	3,786,526	(276,964)
Income benefits	6,407,309	7,066,613	(659,304)
Sick leave benefits	11,295,167	11,056,038	239,129
WSIB	3,647,312	2,524,746	1,122,566
Employee Benefits/Accrued Benefit Obligation	64,079,864	61,068,664	3,011,200
Net unamortized actuarial gain / (loss)	13,102,244	18,363,324	(5,261,080)
Total Net Employee Benefits	77,182,108	79,431,988	(2,249,880)

The net employee benefits liability decreased by \$2.250 million to \$77.182 million [2022 – \$79.432 million]. The components of the decrease are due to a \$3.011 million increase in accrued benefit obligation offset by a \$5.261 million decrease in the net unamortized actuarial gain calculated as follows:

Table 7: Net unamortized actuarial gain

	2023	2022
Unamortized (gain) / loss - beginning of year	(18,363,324)	(3,592,790)
Amortization for 2023 (A)	2,375,789	1,407,070
Actuarial (gain) / loss (B)	2,885,291	(16,177,604)
Net unamortized (gain) / loss - end of year (C)	(13,102,244)	(18,363,324)

Net actuarial gains and losses are amortized (A) over the expected average remaining service life of the employee group, which ranges from 12 to 16 years. The amortization of the net actuarial balance is \$2.376 million [2022 – \$1.407 million]. In 2023, the actuarial loss (B) is \$2.885 million [2022 – \$16.178 million gain].

The net unamortized actuarial gain (C) of \$13.102 million represents the remaining balance of annual actuarial gain that has not yet been fully amortized.

An unamortized actuarial gain balance is added to the gross employee benefits obligation and an unamortized actuarial loss balance is deducted. The annual unamortized actuarial gain / (loss) balance (C) is drawn down as the actuarial gain / (loss) becomes fully amortized.

Asset Retirement Obligation (Note 8)

Asset Retirement Obligation (ARO) is recorded as an adjustment to the opening accumulated surplus. Similar to other non-cash items such as amortization of assets, the ARO obligation is not reflected in the budget monitoring reports. The liability will be updated annually to reflect remediation performed or changes in ownership or lease status for library facilities. Periodically, the accretion of the ARO liability will be reviewed.

Net Debt (Statement of Changes in Net Debt)

Net debt is calculated as liabilities (e.g. trade, employment payables and employee benefits) less financial assets (e.g. cash and cash equivalents and receivables), and represents the net amount that must be financed by future budgets.

The Library's net debt at year-end increased by \$0.139 million to \$87.793 million [2022 – \$87.654 million]. This predominately consists of employee benefits liability (Note 7).

While the City issues long-term debt to finance certain of its operations, none of the debt or associated financing costs are allocated to the Library.

Tangible Capital Assets (Notes 1 and 10)

Note 1 outlines the Library's significant accounting policies and provides an overview of the policy for recording tangible capital assets.

The breakdown of tangible capital assets at year-end with prior year comparatives (Note 10) is as follows:

Table 8: Tangible capital assets

	2023			2022
	Cost	Accumulated Amortization	Net	Net
Land	15,376,262	-	15,376,262	15,376,262
Building and leasehold improvements	443,373,070	141,769,924	301,603,146	251,201,543
Furniture, fixtures and equipment	66,945,632	30,717,043	36,228,589	35,365,627
Vehicles	4,006,416	2,106,387	1,900,029	804,340
Library materials	126,137,188	62,159,220	63,977,968	63,416,928
Assets under construction	18,315,963	-	18,315,963	50,295,088
Total Tangible Capital Assets	674,154,531	236,752,574	437,401,957	416,459,788

The net value of the Library's tangible capital assets increased by \$20.942 million, mainly due to capital projects related primarily to Ethennonnhawahstihnen', North York Central, and York Woods renovations.

During the year, asset additions totalled \$60.199 million, comprised of building improvements of \$26.505 million, furniture and equipment of \$12.218 million and library collections of \$21.476 million.

During the year, accumulated amortization of tangible capital assets increased \$8.846 million net to \$236.753 million [2022 - \$227.907 million].

Accumulated Surplus

The 2023 actual accumulated surplus as shown on the Statement of Financial Position is \$349.609 million. The accumulated surplus is an outcome of applying PSAS accounting and is comprised of the net book value (NBV) of tangible capital assets, employee benefits liability and other liabilities less financial assets:

Table 9 – Accumulated surplus

	2023	2022
Cost of Tangible Capital Assets	674,154,531	644,366,371
Accumulated amortization	(236,752,574)	(227,906,583)
Net book value of Tangible Capital Assets	437,401,957	416,459,788
Employee benefits liability	(77,182,108)	(79,431,988)
Asset retirement obligation	(10,886,671)	(10,886,670)
Other liabilities less financial assets	276,131	2,665,002
Accumulated Surplus – End of year (Table 1)	349,609,309	328,806,132

Net book value of tangible capital assets includes cost of asset retirement obligation remediation.

Annual Surplus

There are two annual surpluses for the year on the Statement of Operations and Accumulated Surplus (page 2 of Attachment 1b; breakdown shown in Table 10):

1. Budget Surplus for the year: \$31.435 million
2. PSAS Actual Surplus for the year: \$20.803 million

As described in Note 4, the audited budget on the financial statements is the sum of the approved 2023 operating and capital budgets, which have been adjusted for PSAS accounting, with a resulting budget surplus of \$31.436 million comprised of expenditures for the capital budget and library collections, less amortization. The budget surplus is compared to the PSAS actual surplus in the following chart:

Table 10: Annual surplus (budget vs. actual)

	Budget	PSAS Actual
Capital budget expenditure	49,244,613	38,722,099
Operating budget expenditure - Library materials	21,447,510	21,476,644
Tangible assets gross amount [a]	70,692,123	60,198,743
Amortization - Building and Equipment	(18,391,265)	(18,391,265)
Amortization - Library materials	(20,865,309)	(20,865,309)
Total amortization [b]	(39,256,574)	(39,256,574)
Tangible assets net book value [c = a + b]	31,435,549	20,942,169
Post-retirement and post-employment benefit expense	-	2,249,880
Other	-	(2,388,872)
Surplus for the year	31,435,549	20,803,177

Additionally there was a budget deficit of \$6.480 million of the approved operating budget as disclosed in Note 5 (a) and as presented in the [Operating Budget Monitoring Report - December 31, 2023](#).

The reconciliation of the operating budget deficit, which will be funded by the City, to the PSAS annual surplus is shown below:

Table 11: Reconciliation of Surplus/Deficit for the year

	2023	2022
Operating Budget Surplus / (Deficit)	(6,479,670)	16,153
Surplus (Returned to) / Receivable from the City	6,479,670	(16,153)
Balance	-	-
Increase / (Decrease) in unspent non-debt Capital and Library Material funding	(2,388,872)	350,250
Net decrease / (increase) in employee benefit liability (Table 1)	2,249,880	1,903,773
Change in net debt	(138,992)	2,254,023
Net increase in net book value of Tangible Capital Assets (Table 1)	20,942,169	17,037,704
PSAS Surplus for the year	20,803,177	19,291,727

Detailed Review of Statement of Operations and Accumulated Surplus

This statement reflects the combined operations of the operating and capital funds for the Library and provides the calculation of the Library's accumulated surplus at year end.

Revenues

The Library's primary source of funding comes from the City of Toronto (94.4%).

Table 12: Current year revenues and prior year comparatives

	Actual as % of Total	Budget	Actual	Variance	Actual
	2023	2023	2023	Favourable / (Unfavourable)	2022
City of Toronto	94.4	265,665,620	263,150,657	(2,514,963)	246,457,185
Province of Ontario	2.1	5,714,187	5,760,942	46,755	5,941,567
Federal government	0.0	-	128,727	128,727	98,390
Fines and user charges (Table 13)	0.7	2,519,812	1,893,022	(626,790)	1,511,359
Investment income	0.3	389,500	749,443	359,943	383,771
Donations and other grants/Foundation	1.6	2,511,800	4,444,155	1,932,355	3,484,642
Other income (Table 14)	0.9	4,841,044	2,570,839	(2,270,205)	3,075,767
Total Revenues	100.0	281,641,963	278,697,785	(2,944,178)	260,952,681

Revenues for 2023 totalled \$278.698 million [2022 – \$260.953 million], which is \$2.944 million less than budget, mainly due to \$10.340 million unfavourable revenue variance related to the capital budget due to delays in receiving site plan approval for the Centennial and Dawes Road projects, lower spending in the Digital Experiences and Technology Asset Management Program capital projects due to changes in scope and the cybersecurity incident; partially offset by \$6.480 million favourable variance due to additional funding from the City to cover overspending in operating budget.

Fines and user charges primarily consists of printing/photocopying revenue, rental of theatres and community rooms, and payment for lost items. The breakdown at year-end with prior year comparatives is as follows:

Table 13: Fines and user charges

	Budget 2023	Actual 2023	Variance Favourable / (Unfavourable)	Actual 2022
Fines	365,000	332,833	(32,167)	368,752
Equipment & facility rentals	911,900	571,648	(340,252)	350,408
Printing / Photocopier receipts	1,057,082	886,884	(170,198)	684,780
Other charges	185,830	101,657	(84,173)	107,419
Fines and user charges	2,519,812	1,893,022	(626,790)	1,511,359

Fines and user charges for 2023 totalled \$1.893 million [2022 - \$1.511 million], which is \$0.627 million less than budget as facilities rental was impacted by a cybersecurity incident at the end of 2023.

Other income consists primarily of tenant rentals and revenue from premium venue space rentals. The breakdown at year-end with prior year comparatives is as follows:

Table 14: Other income

	Budget 2023	Actual 2023	Variance Favourable / (Unfavourable)	Actual 2022
Tenant rentals	1,520,313	1,462,856	(57,457)	1,478,618
Premium venue space rentals	1,530,850	779,576	(751,274)	538,560
Sale of merchandise	135,599	77,513	(58,086)	36,795
Miscellaneous	110,282	250,894	140,612	235,078
Capital project funding	1,544,000	-	(1,544,000)	786,716
Total Other Income	4,841,044	2,570,839	(2,270,205)	3,075,767

Other income for 2023, including revenue from premium venue space rentals, totalled \$2.571 million [2022 - \$3.076 million], which is \$2.271 million less than budget mostly due to \$1.544 million unfavourable variance for capital project funding. This reflects timing differences from alternative source of funding such as landlord contributions. Premium venue space rental income was impacted by later than expected re-openings of some facilities following renovations.

Expenses

Staff costs accounted for the largest portion of expenses at 67.8% of the total amount.

Table 15: Current year expenses and prior year comparatives

	Actual as % of Total	Budget	Actual	Variance	Actual
	2023	2023	2023	Favourable / (Unfavourable)	2022
Staff costs	67.8	168,999,017	174,801,023	(5,802,006)	161,711,800
Maintenance and supplies	9.9	23,310,644	25,555,820	(2,245,176)	24,369,738
Utility cost	3.9	9,460,927	9,957,471	(496,544)	9,031,110
Administration cost (Table 16)	2.3	6,294,593	5,864,052	430,541	4,906,829
Rental cost	1.4	3,390,659	3,727,601	(336,942)	3,653,805
Library materials	0.0	-	123,140	(123,140)	207,891
Transfers to City of Toronto and other	-0.5	(506,000)	(1,391,073)	885,073	934,950
Amortization	15.2	39,256,574	39,256,574	-	36,691,545
Total Expenses	100.00	250,206,414	257,894,608	(7,688,194)	241,507,668

The 2023 budget represents the initial 2023 Council-approved budget on a PSAS basis (e.g. includes amortization) and does not include in-year budget adjustments.

In 2023, the total expenses were \$257.895 million [2022 - \$241.508 million], which is \$7.688 million more than budget. The unfavourable variance is primarily related to overspending in staffing costs mainly due to the re-hiring of 50 staff in December 2022 who were previously terminated for non-compliance with the vaccine mandate; the budget being reduced by additional staff vacancy savings; revenue shortfalls in printing and venue rentals; and an unallocated 2023 budget reduction.

Note that \$21.477 million of expenditure on library collections (see Table 10), which is part of the approved operating budget, is treated as an addition to tangible capital assets. The library materials shown in Table 15 represent only special collections expenditures.

Table 16: Administration cost

	Budget 2023	Actual 2023	Variance Favourable / (Unfavourable)	Actual 2022
Professional & other services	1,065,047	2,241,761	(1,176,714)	1,858,048
Training & mileage	1,034,720	683,516	351,204	583,873
Supplies & services	119,500	131,333	(11,833)	121,579
Programs, printing & advertising	4,075,326	2,807,442	1,267,884	2,343,329
Total Administration cost	6,294,593	5,864,052	430,541	4,906,829

Administration cost for 2023 totalled \$5.864 million [2022 – \$4.907 million], which is \$0.431 million lower than budget, is primarily related to lower than budgeted expenditures for library programming offset by unbudgeted spending funded by TPL Foundation donations.

CONTACT

Howard Balter; Director, Finance & Treasurer; Tel: 416-397-5946;

Email: hbalter@tpl.ca

SIGNATURE

Vickery Bowles
City Librarian

ATTACHMENTS

- Attachment 1: Draft Financial Statements of Toronto Public Library Board and Independent Auditors' Report Thereon – Year Ended December 31, 2023
- Attachment 1a: Independent Auditors' Report
- Attachment 1b: Toronto Public Library Board - Draft Financial Statements - December 31, 2023

DRAFT
May 17, 2024

Financial Statements of

**TORONTO PUBLIC LIBRARY
BOARD**

And Independent Auditor's Report thereon

Year ended December 31, 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of Toronto Public Library Board

Opinion

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

- the statement of financial position as at December 31, 2023
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net debt 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, 2023, and its results of operations, its remeasurement gains and losses, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

Emphasis of Matter - Comparative Information

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2022 has been restated.

Note 2 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter – Comparative Information

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2023. In our opinion, such adjustments are appropriate and have been properly applied.

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.

Auditor's 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 auditor's 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.

- 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 auditor's 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 auditor's 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.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

TORONTO PUBLIC LIBRARY BOARD

DRAFT Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Financial Assets		
Cash and cash equivalents (note 3)	\$ 11,518,067	\$ 7,609,332
Accounts receivable:		
City of Toronto (note 5(a))	39,041,347	65,510,764
Other accounts receivable	4,889,923	5,381,499
	<u>55,449,337</u>	<u>78,501,595</u>
Liabilities and Net Debt		
Accounts payable:		
City of Toronto (note 5(a))	12,080,617	18,189,291
Accounts payable and accrued liabilities (note 6)	37,808,736	52,199,494
Deferred revenue (note 5(d))	5,283,855	5,447,809
Employee benefits (note 7)	77,182,108	79,431,988
Asset retirement obligation (note 8)	10,886,669	10,886,669
	<u>143,241,985</u>	<u>166,155,251</u>
Net debt	(87,792,648)	(87,653,656)
Non-financial assets:		
Tangible capital assets (note 10)	437,401,957	416,459,788
Commitments and contingencies (notes 9 and 11)		
Accumulated surplus	<u>\$ 349,609,309</u>	<u>\$ 328,806,132</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Toronto Public Library Board Chair

_____ City Librarian

TORONTO PUBLIC LIBRARY BOARD

DRAFT Statement of Operations and Accumulated Surplus

Year ended December 31, 2023, with comparative information for 2022

	Budget (note 4)	Actual 2023	Actual 2022 (Restated - note 2)
Revenue:			
City of Toronto (note 5(a))	\$ 265,665,620	\$ 263,150,657	\$ 246,457,185
Province of Ontario	5,714,187	5,760,942	5,941,567
Federal government	–	128,727	98,390
Fines and user charges	2,519,812	1,893,022	1,511,359
Investment income	389,500	749,443	383,771
Donations and other grants (note 5(d))	2,511,800	4,444,155	3,484,642
Other income	4,841,044	2,570,839	3,075,767
	281,641,963	278,697,785	260,952,681
Expenses:			
Staff	168,999,017	174,801,023	161,711,800
Maintenance and supplies	23,310,644	25,555,820	24,369,738
Utilities	9,460,927	9,957,471	9,031,110
Administration	6,294,593	5,864,052	4,906,829
Rental	3,390,659	3,727,601	3,653,805
Library materials	–	123,140	207,891
Transfers to City of Toronto and other (note 5(b) and 5(c))	(506,000)	(1,391,073)	934,950
Amortization of tangible capital assets	39,256,574	39,256,574	36,844,831
	250,206,414	257,894,608	241,660,954
Surplus for the year	31,435,549	20,803,177	19,291,727
Accumulated surplus, beginning of year	–	328,806,132	309,514,405
Accumulated surplus, end of year	\$ 31,435,549	\$ 349,609,309	\$ 328,806,132

See accompanying notes to financial statements.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Statement of Changes in Net Debt

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Surplus for the year	\$ 20,803,177	\$ 19,291,727
Acquisition of capital assets	(60,198,743)	(53,882,535)
Amortization of tangible capital assets	39,256,574	36,844,831
(Increase) Decrease in net debt	(138,992)	2,254,023
Net debt, beginning of year	(87,653,656)	(89,907,679)
Net debt, end of year	\$ (87,792,648)	\$ (87,653,656)

See accompanying notes to financial statements.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
		(Restated - note 2)
Cash provided by (used in):		
Operating activities:		
Surplus for the year	\$ 20,803,177	\$ 19,291,727
Items not involving cash:		
Amortization of tangible capital assets	39,256,574	36,844,831
Employee benefits expense	2,777,063	3,454,289
Change in non-cash operating items:		
Accounts receivable	26,960,993	(11,266,917)
Accounts payable and accrued liabilities	(20,499,432)	6,832,867
Deferred revenue	(163,954)	360,527
Payments for employee benefits	(5,026,943)	(5,358,062)
	<u>64,107,478</u>	<u>50,159,262</u>
Investing activities:		
Acquisition of tangible capital assets	(60,198,743)	(53,882,535)
Change in cash and cash equivalents	3,908,735	(3,723,273)
Cash and cash equivalents, beginning of year	7,609,332	11,332,605
Cash and cash equivalents, end of year	\$ 11,518,067	\$ 7,609,332

See accompanying notes to financial statements.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements

Year ended December 31, 2023

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 services that reflect 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, revenue and expenses are not included in these financial statements as the Board does not control the Foundation.

1. Significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") for local governments as defined by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is as follows:

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on deposit, money market funds and short-term securities with original terms to maturity of less than 90 days.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(c) Employee benefits:

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

- (i) 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. The Board's contributions to OMERS are expensed when contributions are due, as the plan is accounted for as a defined contribution plan;
- (ii) 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;
- (iii) the costs of other employee benefits are actuarially determined using the projected benefits method pro-rated on service and management's best estimate of retirement ages of employees, salary escalation, expected health-care costs and plan investment performance;
- (iv) past service costs from plan amendments related to prior years' employee services are accounted for in the year of the plan amendment;
- (v) employee future benefit liabilities are discounted using the City's cost of borrowing;
- (vi) 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
- (vii) the effects of a gain or loss from settlements or curtailments are expensed in the year they occur.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(d) Asset retirement obligations:

The Board recognizes the fair value of an asset retirement obligation (“ARO”) when all of the following criteria has been met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

A liability for the removal of asbestos-containing materials in certain Library facilities has been recognized based on estimated expenses. In addition, liability for the exit costs related to leased Library facilities has also been recognized based on estimated expenses. Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability recorded within the financial statements are recognized in the Statement of Operations when the remediation occurs. Assumptions used in the calculations are revised on an annual basis.

(e) Financial instruments:

PSAS allows the Library to classify its financial instruments as either fair value or amortized cost. Currently, the Library only classifies cash and cash equivalents at fair value. Financial instruments carried at amortized cost include accounts receivable and accounts payable. They are initially recognized at cost and subsequently carried at amortized cost, less any impairment losses on financial assets, except for contributions, which are initially recognized at fair value.

Write downs on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the write down recognized in the statement of operations and accumulated surplus.

(f) 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.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. The Board recognizes disposals when the tangible capital assets are considered fully amortized, which is at the end of the useful lives for capital assets and vehicles and at the end of the lease for leasehold improvements, or when the asset has been disposed of. Amortization is recognized on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Leasehold improvements	Lesser of useful life and lease term
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.

The cost of normal maintenance and repairs, which does not significantly enhance the service potential of tangible capital assets, is recognized as an expense in the year it has been incurred.

(g) Impairment of tangible capital assets:

The Board reviews the carrying amount, amortization and useful lives of its tangible capital assets regularly. If the capital asset no longer has any long-term service potential to the Board, the excess of the net carrying amount over any residual value is recognized as an expense in the statement of operations and accumulated surplus.

(h) Contributed materials and services:

Donated materials and services are not recorded in the financial statements except for special collections and works of art, which are measured at fair value. The special collections and works of art are not capitalized because reasonable estimate of future benefit cannot be made. During the year, there were contributions of special collections of \$137,420 (2022 - \$223,039) and works of art of \$21,781 (2022 - \$717), which have been recorded as revenue and expenses in the statement of operations and accumulated surplus.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(i) 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.

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. Donations and other grants received that have restrictions are recognized as revenue to the extent the funds have been spent, with any unspent amounts recorded as deferred revenue, including funds received from the Foundation.

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

(j) 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.

(k) Foreign currencies:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect at the date of the statement of financial position. Revenue and expenses are translated at the rates prevailing at the time of the respective transaction.

(l) Use of estimates:

The preparation of the financial statements in accordance with PSAS requires management to make estimates and assumptions. The employee benefits liability 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.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

1. Significant accounting policies (continued):

(m) Future accounting pronouncements:

The standards noted below were not in effect for the year ended December 31, 2023, therefore, have not been applied in preparing these financial statements. Management is currently assessing the impact of the following accounting standards updates on the future financial statements.

(i) PS 3400, Revenue ("PS 3400"):

PS 3400 applies to fiscal years beginning on or after January 1, 2024. Earlier adoption is permitted. PS 3400 establishes standards on how to account for and report revenue. It sets out the recognition criteria for transactions with performance obligations, transactions with no performance obligations and, hybrid transactions.

(ii) Public Sector Guideline 8, Purchased Intangibles:

Public Sector Guideline 8, Purchased Intangibles, applies for fiscal years beginning on or after January 1, 2024. It allows public sector entities to recognize intangibles purchased through an exchange transaction.

(iii) Public Private Partnerships ("P3"):

This standard applies for fiscal years beginning on or after January 1, 2024. The new requirements relates to the recognition, measurement and classification of infrastructure procured through a public private partnership.

(iv) PS 3251, Employee Future Benefit Obligations ("PS 3251"):

PS 3251 applies to fiscal years on or after April 1, 2026 and should be applied retroactively. This standard would result in organizations recognizing the impact of revaluations of the net defined benefit liability or asset immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policy:

On January 1, 2023, the Board adopted Public Accounting Standard PS 3280 – Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets such as asbestos removal in certain Library facilities owned by the Board and exit costs for facilities leased by the Board. The standard was adopted on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the assumptions used on initial recognition are those as of the date of adoption of the standard. On January 1, 2022, the Board recognized an asset retirement obligation relating to facilities owned by the Board that contain asbestos as well as exit costs for leased facilities. The owned buildings were originally built between 1907 to 1989. The liabilities were measured as of the date of construction of the building, when the liability was created. The owned buildings have an expected useful life of 50 years.

In accordance with the provisions of this new standard, the Board reflected the following adjustments at January 1, 2022:

- An asset retirement obligation of \$10,886,669 was recognized and consists of \$4,950,728 relating to buildings that are fully amortized, and \$5,935,941 relates to buildings that have a remaining useful life.
- An increase of \$5,935,941 to the buildings capital asset account, representing the estimate of the obligation for buildings that have not been fully amortized, and an accompanying increase of \$4,944,675 to accumulated amortization.
- A decrease of \$9,895,404 to accumulated surplus consists of \$4,950,728, which represents the estimate of the obligation for buildings that have been fully amortized, and \$4,944,676 represents the amortization expense for buildings that have not been fully amortized.

The Board has not applied present value to asset retirement obligation and as a result there is no accretion expense to report.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

2. Change in accounting policy (continued):

	As previously reported	ARO adjustments	2022 restated
	\$	\$	\$
Statement of financial position			
Liability for asset retirement obligation as at December 31, 2022	–	10,886,669	10,886,669
Net debt as at December 31, 2022	(76,766,987)	(10,886,669)	(87,653,656)
Tangible capital assets as at December 31, 2022	415,621,809	837,979	416,459,788
Accumulated surplus as at December 31, 2022	338,854,822	(10,048,690)	328,806,132
Statement of operations and accumulated surplus			
Amortization of tangible capital assets for the year ended December 31, 2022	36,691,545	153,286	36,844,831
Surplus for the year ended December 31, 2022	19,445,013	(153,286)	19,291,727
Accumulated surplus as at January 1, 2022	319,409,809	(9,895,404)	309,514,405
Accumulated surplus as at December 31, 2022	338,854,822	(10,048,690)	328,806,132
Statement of changes in net debt			
Surplus for the year ended December 31, 2022	19,445,013	(153,286)	19,291,727
Amortization of tangible capital assets for the year ended December 31, 2022	36,691,545	153,286	36,844,831
Net debt as at January 1, 2022	(79,021,010)	(10,886,669)	(89,907,679)
Net debt as at December 31, 2022	(76,766,987)	(10,886,669)	(87,653,656)
Statement of cash flows			
Surplus for the year ended December 31, 2022	19,445,013	(153,286)	19,291,727
Amortization of tangible capital assets for the year ended December 31, 2022	36,691,545	153,286	36,844,831

3. Cash and cash equivalents:

Included in cash and cash equivalents is \$89,488 (2022 - \$159,951) of restricted amounts held in trust for employees eligible for the sabbatical leave program and \$340,146 (2022 - \$324,549) of an irrevocable standby letter of credit issued for a construction project.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

4. Budget figures:

Budget data presented is based on the 2023 operating and capital budgets approved by the City's council. Adjustments to budgeted values were required to provide comparative budget values based on the PSAS basis of accounting. The following chart reconciles the approved budget with the budget figures as presented in the statement of operations and accumulated surplus.

	Budget
Revenue:	
Approved budgets:	
Operating	\$ 234,610,257
Capital	49,244,613
Less inter-budget transfers	(2,212,907)
	<u>281,641,963</u>
Expenses:	
Approved budgets:	
Operating	234,610,257
Capital	49,244,613
Less inter-budget transfers	(2,212,907)
	<u>281,641,963</u>
Adjustments:	
Tangible capital assets:	
Library materials, included in operating expenses	(21,447,510)
Building and equipment - capitalized	(49,244,613)
Amortization of tangible capital asset	39,256,574
	<u>250,206,414</u>
Adjusted annual budget surplus on PSAS basis	<u>\$ 31,435,549</u>

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Related party balances and transactions:

(a) City of Toronto:

As part of the terms of the agreement between the Board and the City, the Board is funded by the City as approved in its operating and capital budgets on an annual basis. Any operating excess or deficiency and any unexpended capital project funding is to be transferred to or recovered from the City. In addition, in the normal course of operations, the Board incurs costs for various expenses payable to the City. Such transactions between the City and the Board are made at the agreed exchange amount. The Board also manages on behalf of the City the capital program for libraries. As a result, the Board will incur capital expenses that are recoverable from the City.

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

	2023	2022
Operating surplus payable	\$ –	\$ (16,153)
Operating and capital expenses	(170,696)	(3,885,692)
Hydro charges	(937,880)	(2,071,991)
Unexpended capital advance	(10,972,041)	(12,215,455)
Accounts payable to the City of Toronto	\$ (12,080,617)	\$ (18,189,291)

	2023	2022
City funding receivable	\$ 32,377,780	\$ 65,408,015
Operating deficit receivable	6,479,670	–
Rent receivable	183,897	102,749
Accounts receivable from the City of Toronto	\$ 39,041,347	\$ 65,510,764

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

	2023	2022
Maintenance and supplies	\$ 495,944	\$ 1,811,957
Rental	612,426	668,355
Utilities	5,832,503	5,499,430
Other	258,287	226,688
	\$ 7,199,160	\$ 8,206,430

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Related party balances and transactions (continued):

In addition, the City provided funding for capital purposes in the amount of \$4,614,424 (2022 - \$173,186). The Board received \$293,429 (2022 - \$295,564) from the City, consisting of \$293,429 (2022 - \$295,514) in rental income and \$nil (2022 - \$50) in miscellaneous income.

(b) Asset replacement reserve fund:

In 2022, the Board established the reserve fund with City Council approval. The City maintains the reserve fund on behalf of the Board.

The purpose of this fund is to support the Library's current strategic plan to modernize and transform its back office and public-facing systems and processes. To provide a stable and flexible funding for the annual replacement of information technology equipment for the Library. During the year, the Library made nil (2022 - \$400,000) in contributions. Contributions are included in transfers to City of Toronto and other in the statement of operations and accumulated surplus.

There were no expenditures at the end of the year.

(c) Vehicle and equipment reserve fund:

The City maintains a reserve fund on behalf of the Board. The reserve fund was established by the City 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 nil (2022 - \$364,260) in contributions to fund the purchase of vehicles. Contributions are included in transfers to City of Toronto and other in the statement of operations and accumulated surplus. During the year, the Board acquired \$1,402,333 (2022 - nil) of vehicles through the fund and is included in tangible capital assets.

Expenditures of the fund amounted to \$561,818 during the year (2022 - \$844,672) and proceeds from vehicle disposal amounted to \$77,643 (2022 - \$36,394). The balance of the vehicle and equipment reserve fund as at December 31, 2023 was \$538,686 (2022 - \$1,022,861).

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

5. Related party balances and transactions (continued):

(d) Toronto Public Library Foundation:

The Board benefits from the fundraising efforts of the Foundation. During the year, the Board received contributions of \$4,288,553 (2022 - \$3,784,429) from the Foundation. Contribution from the Foundation of \$4,741,154 (2022 - \$4,884,048) is included in deferred revenue. Of the \$4,884,048 (2022 - \$4,568,682) received and deferred from prior year, \$4,444,155 (2022 - \$3,484,642) has been recognized in donation revenue, while \$452,601 (2022 - \$1,099,619) is still being deferred. Included in other accounts receivable is \$586,953 (2022 - \$1,019,271) owing from the Foundation and other accounts payable is \$94,378 (2022 - nil) owing to the Foundation.

6. Accounts payable and accrued liabilities:

In 2023, the accounts payable and accrued liabilities of \$21,776,235 for Canada Emergency Wage Subsidy was repaid to Canada Revenue Agency.

7. 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, accidental death and dismemberment 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:

(a) Sick leave:

The Board's short-term disability plan for non-unionized employees provides salary protection to eligible employees who are absent from work due to short-term illnesses or non-compensative injuries for up to 26 weeks of coverage each calendar year and/or per injury or illness. Absences greater than 26 weeks' duration are covered under the Board's long-term disability plan.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

7. Employee benefits (continued):

Under the sick leave benefit plan for unionized employees, all new permanent employees are enrolled in a short-term disability plan that does not include the accumulation of unused sick leave. The short-term disability plan provides coverage for up to 130 days in a calendar year. Prior to April 1, 2010, employees were 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. 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.

(b) 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 who sustain injuries at the workplace plus the administration cost as determined by WSIB.

(c) Post-retirement and post-employment benefits:

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

The liability in relation to the above defined benefit plans has been noted, in aggregate, as follows:

	2023	2022
Accrued benefit obligation	\$ 64,079,864	\$ 61,068,664
Net unamortized actuarial gain	13,102,244	18,363,324
	<u>\$ 77,182,108</u>	<u>\$ 79,431,988</u>

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

7. Employee benefits (continued):

Components of the accrued benefit obligations are as follows:

	2023	2022
Post-retirement benefits	\$ 39,220,514	\$ 36,634,741
Disabled employees' benefits	3,509,562	3,786,526
Income benefits	6,407,309	7,066,613
Sick leave benefits	11,295,167	11,056,038
WSIB	3,647,312	2,524,746
	\$ 64,079,864	\$ 61,068,664

The continuity of the accrued benefit obligation is as follows:

	2023	2022
Balance, beginning of year	\$ 61,068,664	\$ 77,742,971
Current year's service cost	2,376,419	2,905,934
Interest cost	2,776,433	1,955,425
Benefits paid	(5,026,943)	(5,358,062)
Actuarial (gain) loss	2,885,291	(16,177,604)
Balance, end of year	\$ 64,079,864	\$ 61,068,664

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:

	2023	2022
Current year's service cost	\$ 2,376,419	\$ 2,905,934
Amortization of net actuarial gain	(2,375,789)	(1,407,070)
Interest cost	2,776,433	1,955,425
	\$ 2,777,063	\$ 3,454,289

Due to the complexities in valuing the plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed for the fiscal year ending December 31, 2021. The next actuarial valuation for post-retirement and post-employment benefits is expected to be performed as at December 31, 2024.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

7. Employee benefits (continued):

The significant actuarial assumptions are as follows:

	2023	2022
	%	%
Accrued benefit obligation:		
Discount rate:		
Post-retirement	4.2	4.7
Disabled employees, income benefit	4.0	4.3
Sick leave	4.1	4.4
WSIB	4.0	4.3
Health-care inflation		
Hospital, dental care and other medical	3.0 - 5.0	3.0 - 5.0
Drugs	6.0	6.0
Rate of compensation increase	3.0	2.0

The Library makes contributions to OMERS, which is a multi-employer plan, on behalf of its staff. The plan 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. During the year, the Library contributed \$12,130,082 (2022 - \$10,543,920) to OMERS for current service. These costs are included in staff expenses on the statement of operations and accumulated surplus.

8. Asset retirement obligation:

The Board has accrued for asset retirement obligations related to the legal requirement for the removal or remediation of asbestos-containing materials in certain facilities on properties owned and leased by the Board. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material in accordance with current legislation. The change in the estimated obligation during the year consists of the following:

	2023	2022
Balance, beginning of year	\$ 10,886,669	\$ —
Adjustment on adoption of PS 3280 asset retirement obligation standard	—	10,886,669
Opening balance, as restated	10,886,669	10,886,669
Less: obligations settled during the year	—	—
Total obligation at December 31	10,886,669	10,886,669
Add: obligations incurred during the year	—	—
Less: current portion reported in accounts payable and accrued liabilities	—	—
Balance, end of year	\$ 10,886,669	\$ 10,886,669

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

9. Lease commitments:

As at December 31, 2023, the Board is committed to the following annual operating lease payments for facilities:

2024	\$ 2,775,874
2025	2,654,972
2026	2,335,517
2027	2,148,040
2028	1,668,320
Thereafter	15,414,403
	\$ 26,997,126

10. Tangible capital assets:

Tangible capital assets consist of the following:

2023	Cost	Accumulated amortization	Net book value
Land	\$ 15,376,262	\$ –	\$ 15,376,262
Buildings and leasehold improvements	443,373,070	141,769,924	301,603,146
Furniture, fixtures and equipment	66,945,632	30,717,043	36,228,589
Vehicles	4,006,416	2,106,387	1,900,029
Library materials	126,137,188	62,159,220	63,977,968
Assets under construction	18,315,963	–	18,315,963
	\$ 674,154,531	\$ 236,752,574	\$ 437,401,957

2022	Cost	Accumulated amortization	Net book value
Land	\$ 15,376,262	\$ –	\$ 15,376,262
Buildings and leasehold improvements	385,301,093	134,099,550	251,201,543
Furniture, fixtures and equipment	65,496,970	30,131,343	35,365,627
Vehicles	2,981,903	2,177,563	804,340
Library materials	124,915,055	61,498,127	63,416,928
Assets under construction	50,295,088	–	50,295,088
	\$ 644,366,371	\$ 227,906,583	\$ 416,459,788

During the year, there were capital additions in the amount of \$60,198,743 (2022 - \$53,882,535). Disposals for the year were \$30,555,748 (2022 - \$28,955,257), which included only fully amortized tangible capital assets for nil (2022 - nil) in proceeds.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2023

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 accounts payable and accrued liabilities. 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 can be estimated.

12. Risk management:

(a) Credit risk:

Credit risk is the risk of financial loss occurring as a result of default or insolvency of counterparty on its obligation to the Board. Accounts receivable are exposed to credit risk since there is a risk of counterparty default. The Board provides an allowance for doubtful accounts to absorb potential credit losses.

As at December 31, 2023, the harmonized sales tax recoverable amount represents \$3,604,831 (2022 - \$2,872,490) of the total of other accounts receivable balance.

The Board believes it has low exposure to credit risk.

(b) Liquidity risk:

Liquidity risk is the risk the Board will not be able to meet its financial obligations when they come due. All of the Board's accounts payable are due within the first six months of fiscal 2024. The Board believes it has low exposure to liquidity risk.

(c) Currency risk:

The Board is exposed to foreign currency risk between the Canadian dollar and foreign currency primarily because of its purchases in U.S. dollars. Financial instruments subject to foreign currency risk include cash and cash equivalents, accounts receivable and accounts payable.

The Board does not use derivative instruments to reduce its exposure to foreign currency risk.

The Board believes the exposure to currency risk is low given the low magnitude and volume of foreign currency transactions.