
Financial statements of
City of Pickering
Public Library Board

December 31, 2022

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Independent Auditor's Report

To the Board of Directors of
The City of Pickering Public Library Board,
and Members of Council of the Corporation of the City of Pickering

Opinion

We have audited the financial statements of City of Pickering Public Library Board (the "Library Board"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Library Board as at December 31, 2022, and the results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Library Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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.

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 PSAS, 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 Library Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Library Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library Board'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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Library Board'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 Library Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Library Board 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.

We 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
October 26, 2023

City of Pickering Public Library Board

Statement of financial position

As at December 31, 2022

	Notes	2022 \$	2021 \$
Financial assets			
Cash		1,675	1,225
Accounts receivable		6,971	389
Due from the Government of Canada		13,024	9,854
Due from City of Pickering		434,161	252,367
		<u>455,831</u>	<u>263,835</u>
Liabilities			
Accounts payable and accrued liabilities		460,516	257,610
Deferred Revenue		—	6,225
Post-employment benefits liability	2	503,088	490,963
		<u>963,604</u>	<u>754,798</u>
Net debt		<u>(507,773)</u>	<u>(490,963)</u>
Non-financial assets			
Tangible capital assets	4	1,151,092	1,210,693
Prepaid expense		4,610	—
		<u>1,155,702</u>	<u>1,210,693</u>
Accumulated surplus	5	<u>647,929</u>	<u>719,730</u>

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

City of Pickering Public Library Board

Statement of operations

Year ended December 31, 2022

	Budget	2022	2021
	\$	\$	\$
	(Note 6)		
Revenue			
City of Pickering grants	6,432,385	5,897,963	5,436,529
Federal grants	27,600	13,333	36,574
Province of Ontario grants	106,425	146,689	136,689
Fines and other receipts	114,000	43,678	37,742
	6,680,410	6,101,663	5,647,534
Expenses			
Operating			
Salaries			
Salaries and wages	3,582,424	3,315,181	3,097,705
Fringe benefits	1,022,194	890,716	850,486
	4,604,618	4,205,897	3,948,191
Material, supplies and utilities			
Books	319,990	321,992	314,099
Utilities	243,485	160,019	174,839
Other supplies	101,500	66,586	53,339
	664,975	548,597	542,277
Services			
Repairs and maintenance	337,073	372,629	167,526
Insurance	26,830	24,830	24,830
Travel	3,000	1,527	305
Consulting and professional	248,458	235,451	189,593
Advertising	17,800	18,361	17,471
Conference	7,000	5,790	3,695
Postage	1,150	2,622	1,040
Telephone	76,070	73,068	69,035
Seminars and education	28,600	20,178	29,174
Software/hardware maintenance	222,051	201,213	224,457
Vehicle repairs and maintenance	6,930	5,971	3,405
Minor capital purchases	21,000	51,092	50,912
Miscellaneous	29,980	24,190	16,599
	1,025,942	1,036,922	798,042
Amortization of tangible capital assets	373,709	366,214	394,317
Loss on disposal of tangible capital assets	—	15,834	4,070
	6,669,244	6,173,464	5,686,897
Annual deficit	11,166	(71,801)	(39,363)
Accumulated surplus, beginning of year	719,730	719,730	759,093
Accumulated surplus, end of year	730,896	647,929	719,730

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

City of Pickering Public Library Board
Statement of change in net debt
Year ended December 31, 2022

	Budget	2022	2021
	\$	\$	\$
	(Note 6)		
Annual surplus (deficit)	11,166	(71,801)	(39,363)
Acquisition of tangible capital assets	(397,000)	(322,456)	(366,987)
Amortization of tangible capital assets	373,709	366,214	394,317
Loss on disposal of tangible capital assets	—	15,834	4,070
Proceeds on disposal of tangible capital assets	—	9	25
	(23,291)	59,601	31,425
Acquisition of prepaid expenses		(4,610)	—
Usage of prepaid expenses		—	30,765
Change in prepaid expense	—	(4,610)	30,765
Change in net debt	(12,125)	(16,810)	22,827
Net debt, beginning of year	(490,963)	(490,963)	(513,790)
Net debt, end of year	(503,088)	(507,773)	(490,963)

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

City of Pickering Public Library Board

Statement of cash flows

Year ended December 31, 2022

	2022	2021
	\$	\$
Operating transactions		
Annual deficit	(71,801)	(39,363)
Non-cash items		
Amortization of tangible capital assets	366,214	394,317
Loss on disposal of tangible capital assets	15,834	4,070
	<u>310,247</u>	<u>359,024</u>
Change in non-cash operating items		
Increase in accounts receivable	(6,582)	(161)
(Increase) decrease in due from Government of Canada	(3,170)	4,330
Increase in due from City of Pickering	(181,794)	(2,760)
Increase (decrease) in accounts payable and accrued liabilities	202,906	(31,713)
Decrease in deferred revenue	(6,225)	(461)
Increase in post-employment benefits liability	12,125	7,938
(Increase) decrease in prepaid expense	(4,610)	30,765
	<u>12,650</u>	<u>7,938</u>
	<u>322,897</u>	<u>366,962</u>
Capital transactions		
Acquisition of tangible capital assets	(322,456)	(366,987)
Proceeds on disposal of tangible capital assets	9	25
	<u>(322,447)</u>	<u>(366,962)</u>
Net change in cash	450	—
Cash, beginning of year	1,225	1,225
Cash, end of year	<u>1,675</u>	<u>1,225</u>

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

City of Pickering Public Library Board

Notes to the financial statements

December 31, 2022

1. Significant accounting policies

The financial statements of the City of Pickering Public Library Board (the "Library Board") are the representations of management prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants of Canada.

Significant accounting policies adopted by the Library Board are as follows:

Basis of accounting

(a) Accrual basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized, as they are incurred and measurable as a result of the receipt of goods and services and the creation of a legal obligation to pay.

(b) Non-financial assets

(i) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all amounts that are directly attributable to acquisition, development or betterment of the asset. The cost of the tangible capital asset is amortized on a straight-line basis over the estimated useful life as follows:

Machinery and equipment	2 to 25 years
Information technology hardware	4 to 8 years
Library collection materials	4 to 7 years
Furniture and fixtures	10 to 50 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Other major assets including the Library buildings are owned by the City and are not reflected in these financial statements.

(ii) Contribution/donation of tangible capital assets

Tangible capital assets received as contributions or donations are recorded at their fair value at the date of receipt, and that fair value is also recorded as revenue.

(iii) Intangible assets

Intangible assets are not recognized as assets in the financial statements.

(c) Post-employment benefits

The present value of the cost of providing employees with future benefits programs is recognized as employees earn these entitlements through service. Any actuarial gains or losses are amortized on a straight-line basis over the average remaining service period (ARSP) of employees. The actuary estimated the ARSP to be 13 years for retirement and 12 years for sick leave benefits.

(d) Government transfers

Government transfers are recognized as revenue by the Library Board in the period in which the transfer is authorized and any eligibility criteria are met, unless they are restricted through stipulations that require specific actions to be carried out in order to keep the transfer. For such transfers, revenue is recognized as the stipulation has been met.

City of Pickering Public Library Board

Notes to the financial statements

December 31, 2022

1 Significant accounting policies (continued)

Basis of accounting (continued)

(e) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Balances which require significant estimates include amortization expense of tangible capital assets, which are based on estimated useful lives, and post-employment benefits.

2. Post-employment benefits liability

The Library Board makes available to qualifying employees who retire before the age of 65 the opportunity to continue their coverage for benefits such as post-employment extended healthcare benefits. Coverage ceases at the age of 65. The Library Board also provides full-time and permanent part-time employees a sick time entitlement, with any unused entitlement accumulated year to year. This accumulated entitlement is not vested and therefore is forfeited at the time of retirement or termination. The post-employment benefits obligation at December 31, 2022 and the changes in the accrued benefit obligation for the 2022 fiscal year was determined by actuarial valuation prepared as at December 31, 2020, with projection to December 31, 2022.

Information about the Library Board's post-employment benefits liability is as follows:

	2022	2021
	\$	\$
Post-employment benefits liability, beginning of year	490,963	483,025
Current service costs	33,074	31,481
Amortization of actuarial (gains) losses	(5,114)	(4,814)
Interest expense	10,403	9,958
Benefits paid during the year	(26,238)	(28,687)
Post-employment benefits liability	503,088	490,963
	2022	2021
	\$	\$
Accrued post-employment benefits obligation	360,565	343,326
Unamortized actuarial gains	142,523	147,637
Post-employment benefits liability	503,088	490,963

The main actuarial assumptions employed in the actuarial valuation are as follows:

(a) Discount rate

The present value as at December 31, 2022 of the future benefits was determined using a discount rate of 3.75% (3.75% in 2021).

(b) Dental cost

The dental cost trend rate was 3.75% (3.75% in 2021) per annum.

City of Pickering Public Library Board

Notes to the financial statements

December 31, 2022

2. Post-employment benefits liability (continued)

(c) Health costs

Health costs were assumed to increase at 5.10% (5.43% in 2021) and decrease by 0.33% (0.33% in 2021) increments per year to an ultimate rate of 3.75% per year in 2027 and thereafter.

3. Pension agreement

The Library Board makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of eligible members of its staff. The Plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

OMERS provide pension services to over 559,000 active and retired members with over 1,000 employers. Each year an independent actuary determines the funding status of OMERS Primary Pension ("the Plan") by comparing the actuarial value of the invested assets to the estimated present value of all pension benefits that members have earned to-date. The most recent actuarial valuation of the Plan was conducted as at December 31, 2022. The results of this valuation disclosed total actuarial liabilities as at that date of \$130,306 million in respect of benefits accrued for service with actuarial assets at that date of \$123,628 million indicating an actuarial deficit of \$6,678 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employers. As a result, the Library Board does not recognize any share of the OMERS pension surplus or deficit.

Contributions in the amount of \$269,595 (\$273,251 in 2021) were paid to OMERS on behalf of its members during the year.

City of Pickering Public Library Board

Notes to the financial statements

December 31, 2022

4. Tangible capital assets (TCA)

	Machinery and equipment	Information technology hardware	Library collection materials	Furniture and fixtures	Assets under construction	2022
	\$	\$	\$	\$	\$	\$
Cost						
Balance, beginning of year	23,681	339,032	1,961,209	444,142	—	2,768,064
Additions during the year	—	24,009	298,447	—	—	322,456
Disposals/transfers to TCA during the year	—	20,471	382,967	37,128	—	440,566
Balance, end of year	23,681	342,570	1,876,689	407,014	—	2,649,954
Accumulated amortization						
Balance, beginning of year	17,521	275,220	1,030,005	234,625	—	1,557,371
Amortization	1,369	26,616	316,061	22,168	—	366,214
Accumulated amortization on disposals	—	20,471	382,967	21,285	—	424,723
Balance, end of year	18,890	281,365	963,099	235,508	—	1,498,862
Net book value	4,791	61,205	913,590	171,506	—	1,151,092
	Machinery and equipment	Information technology hardware	Library collection materials	Furniture and fixtures	Assets under construction	2021
	\$	\$	\$	\$	\$	\$
Cost						
Balance, beginning of year	23,681	314,861	2,011,544	450,171	—	2,800,257
Additions during the year	—	53,803	313,184	—	—	366,987
Disposals/transfers to TCA during the year	—	29,632	363,519	6,029	—	399,180
Balance, end of year	23,681	339,032	1,961,209	444,142	—	2,768,064
Accumulated amortization						
Balance, beginning of year	16,152	268,220	1,061,081	212,686	—	1,558,139
Amortization	1,369	36,632	332,443	23,873	—	394,317
Accumulated amortization on disposals	—	29,632	363,519	1,934	—	395,085
Balance, end of year	17,521	275,220	1,030,005	234,625	—	1,557,371
Net book value	6,160	63,812	931,204	209,517	—	1,210,693

5. Accumulated surplus

Accumulated surplus consists of the following:

	2022	2021
	\$	\$
Invested in tangible capital assets	1,151,092	1,210,693
Post-employment benefits liability	(503,088)	(490,963)
	648,004	719,730

6. Budget figures

The 2022 budget was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis of accounting. The budget figures treated all tangible capital asset (TCA) acquisitions as expenditures and did not include amortization expense on tangible capital assets or post-employment benefits expenses on a full accrual basis. The following provides a reconciliation from the approved budget to the budget numbers presented in the financial statements.

	2022 Council approved budget	Post-employment benefits/ Amortization/ City Assets	2022 budget presented in statements
	\$	\$	\$
Revenue			
City of Pickering	6,432,385	—	6,432,385
Federal grants	27,600	—	27,600
Province of Ontario grants	166,425	(60,000)	106,425
Fines and other receipts	114,000	—	114,000
	6,740,410	(60,000)	6,680,410
Expenditures			
Salaries and benefits	4,592,493	12,125	4,604,618
Material, supplies and utilities	675,975	—	675,975
Services	1,014,942	—	1,014,942
Amortization	—	373,709	373,709
	6,283,410	385,834	6,669,244
Annual surplus (deficit)	457,000	(445,834)	11,166
Capital expenditures/ additions	457,000	(60,000)	397,000