13.

STAFF REPORT
ACTION REQUIRED

2021 Audited Financial Statements – Toronto Public Library Board

Date:	May 24, 2022
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, 2021 to the Toronto Public Library Board for approval and provide highlights of the Library's 2021 financial results.

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 2021 draft Audited Financial Statements of the Toronto Public Library Board, appended as Attachment 1.

FINANCIAL IMPACT

This report presents the Toronto Public Library (TPL) 2021 Audited Financial Statements. There is no financial impact resulting from this report.

These financial statements reflect the 2021 combined results of the spending of the operating and capital budgets in accordance with Canadian public sector accounting standards. As previously reported to the Board in the year-end budget monitoring reports, for 2021, there was an operating budget surplus of $5.020 million which will

be returned to the City, and the capital spending totalled $34.999 million or 68.5% of the adjusted gross budget.

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

ISSUE BACKGROUND

At its meeting of December 6, 2021, the Library Board received for information the KPMG Audit Plan for the Year Ending December 31, 2021, which outlined their approach to the audit.

The Financial Statements are intended to provide the Board, City, public and other stakeholders an overview 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 Public Sector Accounting Board 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:

Name	Purpose
Statement of Financial Position	Summarizes the assets (financial and non-financial), liabilities, net debt and accumulated surplus as at year end.
Statement of Operations and Accumulated Surplus	Outlines 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.

Statement of Changes in Net Debt	Outlines the changes in net debt as a result of annual operations and tangible capital asset transactions.
Statement of Cash Flows	Summarizes the Library's cash position and changes during the year by outlining the Library's sources and uses of cash.

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

Statement of Financial Position

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.

Statement of Operations and Accumulated Surplus

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 2021 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 3 to the Financial Statements (Budget figures), the total approved operating and capital budgets for 2021 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.

Statement of Changes in Net Debt
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, mainly deducting the costs to acquire tangible capital assets and adding back amortization charged during the year.

Statement of Cash Flows
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.

COMMENTS

As noted on 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 Board meeting.

The draft Audited Financial Statements for the year ended December 31, 2021, 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, 2021. 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, 2021,* are resolved.

Budget Monitoring Reports
At the Board meeting on February 28, 2022, the 2021 year-end results of spending the operating and capital budgets were presented for information. The Operating Budget Monitoring Report - December 31, 2021 showed an operating surplus of $5.020 million, which will be returned to the City and is reflected in the financial statements as payable to the City as shown in note 4(a) of Audited Financial Statement and Table 4 of this report. The Capital Budget Monitoring Report - December 31, 2021 showed a 68.5% expenditure rate of the adjusted gross capital budget.

Budget Figures
Budget figures in the Audited Financial Statements are based on the 2021 original operating and capital budgets approved by City Council. However, in the Operating

and Capital Budget Monitoring Reports, the Council-approved 2021 operating and capital budget figures also include in-year Council-approved adjustments.

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 (2021 vs. 2020)

	Actual 2021	Actual 2020	Increase / (Decrease)
Financial assets			
Cash and cash equivalents	11,332,605	5,632,271	5,700,334
Accounts receivable:			
City of Toronto (Table 2)	56,576,815	54,564,023	2,012,792
Other accounts receivable (Table 3)	3,048,531	3,208,939	(160,408)
	70,957,951	**63,405,233**	**7,552,718**
Liabilities			
Accounts payable:			
City of Toronto (Table 4)	10,710,545	7,333,740	3,376,805
Accounts payable and accrued liabilities (Table 5)	52,845,373	50,030,645	2,814,728
Deferred revenue	5,087,282	3,553,967	1,533,315
Employee benefits (Table 6)	81,335,761	81,595,722	(259,961)
	149,978,961	**142,514,074**	**7,464,887**
Net debt	**(79,021,010)**	**(79,108,841)**	**87,831**
Tangible capital assets (Table 8)	398,430,819	377,889,487	20,541,332
Accumulated surplus (Table 9)	**319,409,809**	**298,780,646**	**20,629,163**

Cash and cash equivalents (Note 2)

Cash and cash equivalents increased by $5.700 million to $11.332 million [2020 – $5.632 million], mainly due to $5.020 million surplus to be returned to City.

Accounts receivable – City of Toronto (Note 4(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

	2021	2020	Increase / (Decrease)
Approved City budget funding receivable - operating and capital	56,408,356	54,153,988	2,254,368
Rental receivable	168,459	272,531	(104,072)
Capital project funding receivable	-	137,504	(137,504)
Accounts receivable from the City of Toronto	**56,576,815**	**54,564,023**	**2,012,792**

The $56.577 million account receivable from the City in 2021 (2020 - $54.564 million) is comprised predominantly of $56.408 million which represents the portion of the operating budget which has been recognized, but not cash flowed from the City to TPL as at the year-end. In 2020, TPL has 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. TPL's eligibility for the CEWS funding is still being assessed.

Other accounts receivable

The breakdown of other accounts receivable at year-end, showing very minor changes to the previous year, is as follows:

Table 3 – Other accounts receivable

	2021	2020	Increase / (Decrease)
Canada Revenue Agency – HST rebate	2,110,177	2,396,456	(286,279)
Foundation receivable	671,947	383,034	288,913
Rental receivable	114,844	92,916	21,928
Other	151,562	336,533	(184,971)
Total Other accounts receivable	**3,048,531**	**3,208,939**	**(160,408)**

Accounts payable – City of Toronto (Note 4(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

	2021	2020	Increase / (Decrease)
Operating surplus payable to City	5,019,845	1,036,559	3,983,286
Operating and capital expenses	1,543,067	2,699,049	(1,155,982)
Hydro charges payable	1,239,361	960,919	278,442
Unexpended capital advance	1,806,765	2,637,213	(830,448)
Other	1,101,507	-	1,101,507
Accounts payable to the City of Toronto	**10,710,545**	**7,333,740**	**3,376,805**

The 2021 year-end operating budget surplus of $5.020 million will be repaid to the City. In 2021, capital cash flow funding received from the City was $35.800 million of which $33.993 million was expended, with the difference of $1.807 million reflected as unexpended capital advance. Other accounts payable of $1.102 million represents a return to a City reserve as a result of funds being overdrawn but not spent in 2021.

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

	2021	2020	Increase / (Decrease)
Salaries and benefits payable	7,989,678	8,705,780	(716,102)
Accounts payable - CEWS	21,776,235	21,776,235	-
Accounts payable and accruals	18,562,872	16,209,299	2,353,573
Holdback payable on construction contracts	4,516,588	3,339,331	1,177,257
Total accounts payable and accrued liabilities	**52,845,373**	**50,030,645**	**2,814,728**

Accounts payable and accrued liabilities increased by $2.815 million mainly due to an outstanding construction invoice related to the construction work done at the Ethennonnhawahstihnen' Library project and outstanding invoices related to the purchase of computer hardware.

At December 31, 2021 the $21.776 million subsidy is reflected in accounts payable and accrued liabilities as TPL's eligibility for the CEWS funding is still to be assessed by the Canada Revenue Agency (CRA). This funding is one of the tools TPL utilized in order to defer budget cash flow funding from the City.

Deferred revenue (Note 4(d))
Deferred revenue increased by $1.533 million to $5.087 million [2020 - $3.554 million], primarily related to funding received from the TPL Foundation for specific programs, including Summer Reading Club, Community Librarians and teens and adults overdue fines elimination, which are committed and will be expended in the following year.

Employee Benefit Liabilities (Note 5)
The City has employed the services of LifeWorks, a third party valuation expert, to value the gross employee benefits liability (identified as 'employee benefits' in Note 5 of the Financial Statement). The most recent actuarial valuation was completed for the fiscal year ended December 31, 2021; 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 2021, the Library's gross employee benefits liability (identified as Accrued Benefit Obligation in Note 5) decreased by $15.933 million to $77.743 million [2020 – $93.676 million]. The decrease in the liability is mainly due to an increase of the discount rate from 2.0% in 2020 to 2.5% in 2021. The discount rate is used to value the current cost of future benefit obligations. Whenever there is an increase in the discount rate it drives down the value of the accrued benefit obligation.

Table 6 – Net employee benefits

	2021	2020	Increase / (Decrease)
Post-retirement benefits	48,216,396	60,108,215	(11,891,819)
Disabled employees' benefits	4,854,604	6,078,022	(1,223,418)
Income benefits	9,048,175	9,959,259	(911,084)
Sick leave benefits	13,699,110	16,481,267	(2,782,157)
WSIB	1,924,686	1,049,131	875,555
Employee Benefits/Accrued Benefit Obligation	**77,742,971**	**93,675,894**	**(15,932,923)**
Net unamortized actuarial gain (loss)	3,592,790	(12,080,172)	15,672,962
Total Net Employee Benefits	**81,335,761**	**81,595,722**	**(259,961)**

The net employee benefits liability decreased by $0.260 million to $81.336 million [2020 – $81.596 million]. The components of the decrease are due to a $15.933 million decrease in accrued benefit obligation offset by a $15.673 million increase in the net unamortized actuarial gain calculated as follows:

Table 7 – Net unamortized actuarial gain

	2021	2020
Unamortized loss – beginning of year	12,080,172	1,936,640
Amortization for 2021 (A)	442,425	1,032,002
Actuarial (gain) loss (B)	(16,115,387)	9,111,530
Net unamortized (gain) loss – end of year (C)	**(3,592,790)**	**12,080,172**

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 gain is $0.442 million [2020 – $1.032 million]. In 2021, the actuarial gain (B) is $16.115 million [2020 – $9.112 million loss].

The net unamortized actuarial gain (C) of $3.593 million represents the remaining balance of annual actuarial loss 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.

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 decreased by $0.088 million to $79.021 million [2020 – $79.109 million]. This decrease in the Library's net debt is primarily due to the net overall decrease in employee benefits liability (Note 5).

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 7)
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 7) is as follows:

Table 8 – Tangible capital assets

	2021			2020
	Cost	Accumulated Amortization	Net	Net
Land	15,376,262	-	15,376,262	15,376,262
Building and leasehold	340,674,040	121,942,127	218,731,913	221,607,496
Furniture, fixtures and	61,374,671	30,119,498	31,255,173	32,629,850
Vehicles	2,981,903	1,954,618	1,027,285	1,268,484
Library materials	123,562,176	61,056,090	62,506,086	60,859,368
Assets under construction	69,534,100	-	69,534,100	46,148,027
Total Tangible Capital Assets	**613,503,152**	**215,072,333**	**398,430,819**	**377,889,487**

The net value of the Library's tangible capital assets increased by $20.541 million, mainly due to capital projects related primarily to Albert Campbell, Ethennonnhawahstihnen, Maryvale, Wychwood and York Woods renovations. During the year, asset additions totalled $56.550 million, comprised of building improvements of $27.515 million, furniture and equipment of $7.059 million and library collections of $21.976 million.

During the year, accumulated amortization of tangible capital assets increased $10.219 million net to $215.072 million [2020 – $204.853 million].

Accumulated Surplus

The 2021 actual accumulated surplus as shown on the Statement of Financial Position is $319.410 million. The accumulated surplus is a product of applying PSAS accounting and is comprised of the net book value of tangible capital assets, employee benefits liability and other liabilities less financial assets:

Table 9 – Accumulated surplus

	2021	2020
Purchase of Tangible Capital Assets	613,503,152	582,742,809
Accumulated amortization	(215,072,333)	(204,853,322)
Net book value of Tangible Capital	**398,430,819**	**377,889,487**
Employee benefits liability	(81,335,761)	(81,595,722)
Other liabilities less financial assets	2,314,751	2,486,881
Accumulated Surplus – End of year	**319,409,809**	**298,780,646**

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: $30.355 million
2. PSAS Actual Surplus for the year: $20.629 million

As described in Note 3, the audited budget on the financial statements is the sum of the approved 2021 operating and capital budgets, which have been adjusted for PSAS accounting, with a resulting budget surplus of $30.355 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	44,916,181	34,573,735
Operating budget expenditure – Library materials	21,447,510	21,975,979
Tangible assets gross amount [a]	**66,363,691**	**56,549,714**
Amortization – Building and Equipment	(15,679,121)	(15,679,121)
Amortization – Library materials	(20,329,261)	(20,329,261)
Total amortization [b]	**(36,008,382)**	**(36,008,382)**
Tangible assets net book value [c = a + b]	30,355,309	20,541,332
Post-retirement and post-employment benefit expense	-	259,961
Other	-	(172,130)
Surplus for the year	**30,355,309**	**20,629,163**

The third surplus disclosed in Note 4 (a) is the $5.020 million under spending of the approved operating budget as presented in the Operating Budget Monitoring Report – December 31, 2021.

The reconciliation of the operating budget surplus returned to the City to the PSAS annual surplus is shown below:

Table 11 – Reconciliation of Surplus for the year

	2021	2020
Operating Budget Surplus	5,019,845	1,036,559
Surplus Returned to the City	(5,019,845)	(1,036,559)
Balance	-	-
Increase / (Decrease) in unspent non-debt Capital and Library Material funding	(172,130)	649,965
Net decrease / (increase) in employee benefit liability (Table 1)	259,961	499,916
Change in net debt	87,831	1,149,881
Net increase in net book value of Tangible Capital Assets (Table 1)	20,541,332	20,859,327
PSAS Surplus for the year	**20,629,163**	**22,009,208**

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 (95.4%).

Table 12 – Current year revenues and prior year comparatives

	2021 Actual as % of Total	2021 Budget	2021 Actual	Variance Favourable / (Unfavourable)	2020 Actual
City of Toronto	95.4	252,311,851	235,326,252	(16,985,599)	232,680,216
Province of Ontario	2.4	5,714,187	6,011,589	297,402	5,809,854
Federal government	0.1	-	257,843	257,843	131,038
Fines and user charges (see Table 13)	0.3	1,262,284	743,936	(518,348)	1,040,258
Investment income	0.0	139,500	72,452	(67,048)	112,891
Donations and other	0.9	1,922,800	2,280,565	357,765	2,426,083
Other income (see Table 14)	0.8	3,056,223	2,018,836	(1,037,387)	2,520,822
Total Revenues	**100.0**	**264,406,845**	**246,711,473**	**(17,695,372)**	**244,721,162**

Revenues for 2021 totalled $246.711 million [2020 – $244.721 million], which is $17.695 million less than budget, mainly due to lower transfers from City reserves, decreased fines (including the elimination of overdue fines for children's materials) and fees from in-branch revenues such as printing, and venue and community room rental revenue

resulting from Provincial health and safety orders associated with the COVID-19 pandemic.

The $16.986 million unfavourable variance in City of Toronto revenues is comprised of: $9.796 million underspending related to the capital budget; $5.020 million operating budget surplus being returned to the City; $1.102 million being returned a City reserve which was overdrawn; and $1.068 million related to funding for insurance which was no longer required as the function was centralized by the City during the year.

Fines and user charges primarily consist of overdue fines and lost items. The breakdown at year-end with prior year comparatives is as follows:

Table 13 – Fines and user charges

	2021 Budget	2021 Actual	Variance Favourable / (Unfavourable)	2020 Actual
Fines	560,906	216,666	(344,240)	617,327
Equipment & facility rentals	327,668	169,149	(158,519)	(28,515)
Printing / Photocopier receipts	327,685	276,085	(51,600)	380,839
Other charges	46,025	82,036	36,011	70,607
Fines and user charges	**1,262,284**	**743,936**	**(518,348)**	**1,040,258**

Fines and user charges for 2021 totalled $0.743 million [2020 - $1.040 million], which is $0.518 million less than budget as there was a moratorium on fines and reduced equipment and facility rentals as a result of COVID-19.

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

	2021 Budget	2021 Actual	Variance Favourable / (Unfavourable)	2020 Actual
Tenant rentals	1,680,367	1,599,408	(80,959)	1,782,560
Premium venue space rentals	461,568	(10,540)	(472,108)	137,178
Sale of merchandise	80,738	776	(79,962)	1,636
Miscellaneous	833,550	429,192	(404,358)	599,448
Total Other Income	**3,056,223**	**2,018,836**	**(1,037,387)**	**2,520,822**

Other income for 2021, including revenue from premium venue and space rentals, totalled $2.019 million [$2.521 million], which is $1.037 million less than budget due to Provincial health and safety measures that limited venue and room rentals.

In 2021, miscellaneous income comprised mainly of payment from Parks Forestry and Recreation for their costs related to the Wychwood branch and a one-time landlord contribution towards the relocation of the Maryvale branch.

Expenses

Staff costs accounted for the largest portion at 67.5% of the total amount.

Table 15 – Current year expenses and prior year comparatives

	2021 Actual as % of Total	2021 Budget	2021 Actual	Variance Favourable / (Unfavourable)	2020 Actual
Staff costs	67.5	158,217,949	152,657,851	5,560,098	149,778,587
Maintenance and supplies	9.4	19,762,542	21,284,263	(1,521,721)	20,406,533
Utility cost	4.0	10,199,948	9,120,616	1,079,332	9,368,673
Administration cost (Table 15)	1.4	5,059,006	3,169,293	1,889,713	2,860,658
Rental cost	1.4	3,496,567	3,259,528	237,039	3,480,633
Library materials	0.0	-	107,456	(107,456)	11,519
Transfers to City of Toronto and other	0.2	1,307,142	474,921	832,221	1,117,010
Amortization	15.9	36,008,382	36,008,382	-	35,688,341
Total Expenses	**100.00**	**234,051,536**	**226,082,310**	**7,969,226**	**222,711,954**

The 2021 budget represents the initial 2021 Council-approved budget on a PSAS basis (e.g. includes amortization) and does not include in-year budget adjustments.

In 2021, the total expenses were $226.082 million [2020 - $222.712 million], which is $7.969 million less than budget and is mainly comprised of staff costs. The favourable variance of $5.560 million for staff costs is due to higher staff vacancies and delays in the reinstatement of Sunday service and temporary branch closures as impacted by COVID-19.

Note that $21.976 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

	2021 Budget	2021 Actual	Variance Favourable / (Unfavourable)	2020 Actual
Professional & other services	1,029,551	1,077,105	(47,554)	991,906
Training & mileage	865,344	820,972	44,372	428,872
Supplies & services	69,000	99,288	(30,288)	126,940
Programs, printing & advertising	3,095,111	1,171,928	1,923,183	1,312,939
Total Administration cost	**5,059,006**	**3,169,293**	**1,889,713**	**2,860,658**

Administration cost for 2021 totalled $3.169 million [2020 – $2.861 million], which is $1.890 million lower than budget, and is primarily related to the favourable variance in programs, printing and advertising. The impact of COVID-19 and its variants on library operations, including suspension of in-branch library programming and delays in the reinstatement of venue rental service and room bookings, resulted in lower than budgeted expenditures for library programming, print, advertisement and associated costs.

CONTACT

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SIGNATURE

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Vickery Bowles
City Librarian

ATTACHMENTS

Attachment 1:	Draft Financial Statements of Toronto Public Library Board and Independent Auditors' Report Thereon – Year Ended December 31, 2021
Attachment 1a:	Independent Auditors' Report
Attachment 1b:	Toronto Public Library Board - Draft Financial Statements - December 31, 2021

Attachment 1

DRAFT #3
April 26, 2022

Financial Statements of

TORONTO PUBLIC LIBRARY BOARD

And Independent Auditors' Report thereon

Year ended December 31, 2021

INDEPENDENT AUDITORS' 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, 2021
- 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, 2021, 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 ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' 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.

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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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

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TORONTO PUBLIC LIBRARY BOARD

DRAFT Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Cash and cash equivalents (note 2)	$ 11,332,605	$ 5,632,271
Accounts receivable:		
City of Toronto (note 4(a))	56,576,815	54,564,023
Other accounts receivable	3,048,531	3,208,939
	70,957,951	63,405,233
Liabilities and Net Debt		
Accounts payable:		
City of Toronto (note 4(a))	10,710,545	7,333,740
Accounts payable and accrued liabilities	52,845,373	50,030,645
Deferred revenue (note 4(d))	5,087,282	3,553,967
Employee benefits (note 5)	81,335,761	81,595,722
	149,978,961	142,514,074
Net debt	(79,021,010)	(79,108,841)
Non-financial assets:		
Tangible capital assets (note 7)	398,430,819	377,889,487
Commitments and contingencies (notes 6 and 8)		
Accumulated operating surplus	$ 319,409,809	$ 298,780,646

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, 2021, with comparative information for 2020

	Budget (note 3)	Actual 2021	Actual 2020
Revenue:			
City of Toronto (note 4(a))	$ 252,311,851	$ 235,326,252	$ 232,680,216
Province of Ontario	5,714,187	6,011,589	5,809,854
Federal government	–	257,843	131,038
Fines and user charges	1,262,284	743,936	1,040,258
Investment income	139,500	72,452	112,891
Donations and other grants (note 4(a))	1,922,800	2,280,565	2,426,083
Other income	3,056,223	2,018,836	2,520,822
	264,406,845	246,711,473	244,721,162
Expenses:			
Staff	158,217,949	152,657,851	149,778,587
Maintenance and supplies	19,762,542	21,284,263	20,406,533
Utilities	10,199,948	9,120,616	9,368,673
Administration	5,059,006	3,169,293	2,860,658
Rental	3,496,567	3,259,528	3,480,633
Library materials	–	107,456	11,519
Transfers to City of Toronto and other (note 4)	1,307,142	474,921	1,117,010
Amortization of tangible capital assets	36,008,382	36,008,382	35,688,341
	234,051,536	226,082,310	222,711,954
Surplus for the year	30,355,309	20,629,163	22,009,208
Accumulated surplus, beginning of year	–	298,780,646	276,771,438
Accumulated surplus, end of year	$ 30,355,309	$ 319,409,809	$ 298,780,646

See accompanying notes to financial statements.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Statement of Changes in Net Debt

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Surplus for the year	$ 20,629,163	$ 22,009,208
Acquisition of capital assets	(56,549,714)	(56,547,668)
Amortization of tangible capital assets	36,008,382	35,688,341
Decrease in net debt	87,831	1,149,881
Net debt, beginning of year	(79,108,841)	(80,258,722)
Net debt, end of year	$ (79,021,010)	$ (79,108,841)

See accompanying notes to financial statements.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Surplus for the year	$ 20,629,163	$ 22,009,208
Items not involving cash:		
Amortization of tangible capital assets	36,008,382	35,688,341
Employee benefits expense	5,553,352	5,021,760
Change in non-cash operating items:		
Accounts receivable	(1,852,384)	(42,674,182)
Accounts payable and accrued liabilities	6,191,533	32,392,688
Deferred revenue	1,533,315	683,747
Payments for employee benefits	(5,813,313)	(5,521,676)
	62,250,048	47,599,886
Investing activities:		
Acquisition of tangible capital assets	(56,549,714)	(56,547,668)
Change in cash and cash equivalents	5,700,334	(8,947,782)
Cash and cash equivalents, beginning of year	5,632,271	14,580,053
Cash and cash equivalents, end of year	$ 11,332,605	$ 5,632,271

See accompanying notes to financial statements.

TORONTO PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statement

Year ended December 31, 2021

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.

During 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Federal and Provincial governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada, resulting in an economic slowdown.

The pandemic had a financial and operational impact on the Library whereby the Library implemented operating restrictions in accordance with the guidance from public health organizations and also introduced a voluntary separation program for eligible employees. Management continues to closely monitor and manage the impact of COVID-19 on the operations of the Library.

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.

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.

1. Significant accounting policies (continued):

(d) 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.

(e) Tangible capital assets:

Tangible capital assets are non-financial assets that are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. 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.

1. Significant accounting policies (continued):

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.

(f) 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.

(g) 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 $107,456 (2020 - $11,519) and works of art of $16,212 (2020 - $17,450), which have been recorded as revenue and expenses in the statement of operations and accumulated surplus.

(h) 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.

1. Significant accounting policies (continued):

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.

(i) 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.

(j) 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.

(k) 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.

1. Significant accounting policies (continued):

(l) Future accounting pronouncements:

The standards noted below were not in effect for the year ended December 31, 2021, 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 3450, Financial instruments ("PS 3450"):

PS 3450 applies to fiscal years beginning on or after January 1, 2023. PS 3450 establishes new standards on recognition, measurement and disclosure requirements for financial instruments and the presentation of associated gains and losses, as well as related consequential amendments.

(ii) PS 1201, Financial Statement Presentation ("PS 1201"):

PS 1201 applies to fiscal years beginning on or after January 1, 2023 and replaces PS 1200. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the statement of remeasurement gains and losses, which reports changes in the values of financial assets and financial liabilities arising from their remeasurement at current exchange rates and/or fair value.

(iii) 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.

(iv) PS 3280, Asset Retirement Obligation ("PS 3280"):

PS 3280 applies to fiscal years beginning on or after January 1, 2023. This standard establishes how to account for and report a liability for asset retirement obligations.

1. Significant accounting policies (continued):

(v) PS 2601, Foreign Currency Translation ("PS 2601"):

PS 2601 applies for fiscal years beginning on or after January 1, 2023 and replaced PS 2600. This standard establishes how to account for and report transactions that are denominated in a foreign currency in government financial statements.

(vi) 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.

(vii) 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.

(viii) 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.

2. Cash and cash equivalents:

Included in cash and cash equivalents is $198,329 (2020 - $308,759) of restricted amounts held in trust for employees eligible for the sabbatical leave program and $321,240 (2020 - $299,750) of an irrevocable standby letter of credit issued for a construction project.

3. Budget figures:

Budget data presented is based on the 2021 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	$ 221,576,307
Capital	44,916,181
Less inter-budget transfers	(2,085,643)
	264,406,845
Expenses:	
Approved budgets:	
Operating	221,576,307
Capital	44,916,181
Less inter-budget transfers	(2,085,643)
	264,406,845
Adjustments:	
Tangible capital assets:	
Library materials, included in operating expenses	(21,447,510)
Building and equipment - capitalized	(44,916,181)
Amortization of tangible capital asset	36,008,382
	234,051,536
Adjusted annual budget surplus on PSAS basis	$ 30,355,309

4. 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:

	2021	2020
Operating surplus payable	$ (5,019,845)	$ (1,036,559)
Operating expense	(1,543,067)	(2,699,049)
Hydro charges	(1,239,361)	(960,919)
Unexpended capital advance	(1,806,765)	(2,637,213)
Other	(1,101,507)	–
Accounts payable to the City of Toronto	$ (10,710,545)	$ (7,333,740)

	2021	2020
City funding receivable	$ 56,408,356	$ 54,153,988
Rent receivable	168,459	272,531
Capital project funding receivable	–	137,504
Accounts receivable from the City of Toronto	$ 56,576,815	$ 54,564,023

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

	2021	2020
Maintenance and supplies	$ 332,274	$ 286,936
Rental	617,508	605,007
Utilities	5,318,139	5,445,150
Other	175,649	133,019
	$ 6,443,570	$ 6,470,112

4. Related party balances and transactions (continued):

In addition, the City provided funding for capital purposes in the amount of $2,915,905 (2020 - $3,093,708). The Board received $626,928 (2020 - $651,290) from the City, consisting of $288,528 (2020 - $287,123) in rental income and $338,400 (2020 - $364,167) in miscellaneous income.

(b) Insurance fund:

In the past, the Board contributed to a fund held by the City that provided funding for vehicle, property and liability insurance claim payments and related legal and adjusting expenses. In 2021, the City centralized the insurance budget for most divisions and agencies including the Board. As a result, the budget funding was reduced by $1,068,301 for insurance through an in-year budget adjustment and insurance expense, which is included in transfers to City of Toronto, was reduced by the same amount.

(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 $234,840 (2020 - $342,000) 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.

Expenditures of the fund amounted to nil during the year (2020 - $4,446) and proceeds from vehicle disposal amounted to $17,966 (2020 - $40,171). The balance of the vehicle and equipment reserve fund as at December 31, 2021 was $1,466,879 (2020 - $1,214,073).

4. 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 $3,716,839 (2020 - $3,016,033) from the Foundation. Contribution from the Foundation of $4,568,682 (2020 - $3,147,989) is included in deferred revenue. Of the $3,147,989 (2020 - $2,556,844) received and deferred from prior year, $2,296,146 (2020 - $2,424,888) has been recognized in donation revenue, while $851,843 (2020 - $131,956) is still being deferred. Included in other accounts receivable is $671,947 (2020 - $383,034) owing from the Foundation and other accounts payable is $12,076 (2020 - nil) owing to the Foundation.

5. Employee benefits:

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

5. 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:

	2021	2020
Accrued benefit obligation	$ 77,742,971	$ 93,675,894
Net unamortized actuarial gain (loss)	3,592,790	(12,080,172)
	$ 81,335,761	$ 81,595,722

5. Employee benefits (continued):

Components of the accrued benefit obligations are as follows:

	2021	2020
Post-retirement benefits	$ 48,216,396	$ 60,108,215
Disables employees' benefits	4,854,604	6,078,022
Income benefits	9,048,175	9,959,259
Sick leave benefits	13,699,110	16,481,267
WSIB	1,924,686	1,049,131
	$ 77,742,971	$ 93,675,894

The continuity of the accrued benefit obligation is as follows:

	2021	2020
Balance, beginning of year	$ 93,675,894	$ 84,032,278
Current year's service cost	4,310,581	3,833,264
Interest cost	1,685,196	2,220,498
Benefits paid	(5,813,313)	(5,521,676)
Actuarial loss (gain)	(16,115,387)	9,111,530
Balance, end of year	$ 77,742,971	$ 93,675,894

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:

	2021	2020
Current year's service cost	$ 4,310,581	$ 3,833,264
Amortization of net actuarial (gain)	(442,425)	(1,032,002)
Interest cost	1,685,196	2,220,498
	$ 5,553,352	$ 5,021,760

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.

5. Employee benefits (continued):

The significant actuarial assumptions are as follows:

	2021 %	2020 %
Accrued benefit obligation:		
Discount rate:		
Post-retirement	2.6	2.0
Disabled employees, income benefit	2.2	1.2
Sick leave	2.5	1.5
WSIB	2.4	2.0
Health-care inflation		
Hospital, dental care and other medical	3.0-5.0	3.0 - 5.5
Drugs	6.0	5.5
Rate of compensation increase	2.0	3.0

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 $10,195,389 (2020 - $10,590,202) to OMERS for current service. These costs are included in staff expenses on the statement of operations and accumulated surplus.

6. Lease commitments:

As at December 31, 2021, the Board is committed to the following annual operating lease payments for facilities:

2022	$ 2,323,000
2023	1,424,000
2024	1,284,000
2025	1,194,000
2026	952,000
Thereafter	12,792,000
	$ 19,969,000

7. Tangible capital assets:

Tangible capital assets consist of the following:

2021	Cost	Accumulated amortization	Net book value
Land	$ 15,376,262	$ –	$ 15,376,262
Buildings and leasehold improvements	340,674,040	121,942,127	218,731,913
Furniture, fixtures and equipment	61,374,671	30,119,498	31,255,173
Vehicles	2,981,903	1,954,618	1,027,285
Library materials	123,562,176	61,056,090	62,506,086
Assets under construction	69,534,100	–	69,534,100
	$ 613,503,152	$ 215,072,333	$ 398,430,819

2020	Cost	Accumulated amortization	Net book value
Land	$ 15,376,262	$ –	$ 15,376,262
Buildings and leasehold improvements	336,544,945	114,937,449	221,607,496
Furniture, fixtures and equipment	61,302,719	28,672,869	32,629,850
Vehicles	2,981,903	1,713,418	1,268,485
Library materials	120,388,953	59,529,585	60,859,368
Assets under construction	46,148,026	–	46,148,026
	$ 582,742,808	$ 204,853,321	$ 377,889,487

During the year, there were capital additions in the amount of $56,549,714 (2020 - $56,547,668). Disposals for the year were $25,789,370 (2020 - $26,448,773), which included only fully amortized tangible capital assets for nil (2020 - nil) in proceeds.

8. 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.

9. Risk management:

(a) Credit risk:

Credit risk is the risk of financial loss occurring as a result of default or insolvency of counter-party 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, 2021, the harmonized sales tax recoverability amount represents $2,110,177 (2020 - $2,396,456) 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 2022. 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.