Financial Statements of

THE HAMILTON PUBLIC LIBRARY BOARD

And Independent Auditor's Report thereon

Year ended December 31, 2023

THE HAMILTON PUBLIC LIBRARY BOARD

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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Hamilton

Opinion

We have audited the financial statements of The Hamilton Public Library Board (the Board), 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 financial assets
- 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 Board as at December 31, 2023, and its results of operations, its changes in net financial assets 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 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

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 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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 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 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 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 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 19, 2026

THE HAMILTON PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets		
Cash	$ 696,179	$ 685,362
Accounts receivable	60,574	132,939
Investments held with the Hamilton Community Foundation (note 2)	2,810,529	2,666,081
Due from City of Hamilton (note 3)	11,349,946	14,109,496
	14,917,228	17,593,878
Liabilities		
Accounts payable and accrued liabilities	1,496,805	875,189
Liability for future benefits (note 4)	2,302,331	2,317,500
Deferred revenue (note 5)	1,047,444	1,069,117
	4,846,580	4,261,806
Net financial assets	10,070,648	13,332,072
Non-financial assets		
Prepaid expenses	488,691	605,900
Tangible capital assets (Schedule)	9,343,676	9,430,121
	9,832,367	10,036,021
Commitments (note 8)		
Accumulated surplus (note 9)	$ 19,903,015	$ 23,368,093

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director _____ Director

THE HAMILTON PUBLIC LIBRARY BOARD

Statement of Operations and Accumulated Surplus

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

	2023 Budget (note10)	2023 Actual	2022 Actual
Revenue:			
Municipal contribution (note 3)	$ 34,154,269	$ 34,154,269	$ 32,875,994
Province of Ontario grants	949,450	949,451	949,451
Photocopier revenue	170,000	140,359	99,093
Donations	–	134,153	20,688
Other grant revenue	456,000	417,424	472,347
Other - rentals, sales and recoveries	97,080	127,692	99,070
Interest	–	664,380	426,991
Contributions from Municipal reserves (note 3)	340,746	357,347	313,336
	36,167,545	36,945,075	35,256,970
Expenditures:			
Employee related expenses	24,308,265	24,827,166	20,795,135
Contractual	2,190,350	2,702,806	2,267,523
Building and grounds	1,147,991	1,768,056	1,381,461
Materials and supplies	1,076,190	1,145,183	1,140,852
Financial	375,420	313,049	219,702
Capital financing (note 6)	338,747	140,252	280,538
Vehicle	91,801	99,684	95,338
Other	–	198,711	48,947
Amortization	–	2,859,296	2,878,415
Municipal cost recoveries (note 3)	3,567,652	3,578,032	2,999,624
	33,096,416	37,632,235	32,107,535
Annual surplus (deficit) before reserve transfers	3,071,129	(687,160)	3,149,435
Reserves transfer to Municipal capital fund (notes 3 and 11)	27,440	2,560,000	826,532
Contribution to Municipal reserves (note 3)	–	217,918	185,210
Annual surplus (deficit)	3,043,689	(3,465,078)	2,137,693
Accumulated surplus, beginning of year	23,368,093	23,368,093	21,230,400
Accumulated surplus, end of year	$ 26,411,782	$ 19,903,015	$ 23,368,093

See accompanying notes to financial statements.

THE HAMILTON PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

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

	2023	2022
Annual (deficit) surplus	$ (3,465,078)	$ 2,137,693
Purchase of tangible capital assets	(2,772,851)	(2,995,270)
Amortization of tangible capital assets	2,859,296	2,878,415
	(3,378,633)	2,020,838
Net decrease (increase) in prepaid expenses	117,209	(22,520)
Change in net financial assets	(3,261,424)	1,998,318
Net financial assets, beginning of year	13,332,072	11,333,754
Net financial assets, end of year	$ 10,070,648	$ 13,332,072

See accompanying notes to financial statements.

THE HAMILTON PUBLIC LIBRARY BOARD

Statement of Cash Flows

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

	2023	2022
Cash provided by (used in):		
Operating activities:		
Annual (deficit) surplus	$ (3,465,078)	$ 2,137,693
Items not involving cash:		
Amortization	2,859,296	2,878,415
Liability for future benefits	(15,169)	(3,800)
Change in non-cash assets and other liabilities:		
Accounts receivable	72,365	(90,136)
Prepaid expenses	117,209	(22,520)
Accounts payable and accrued liabilities	621,616	249,505
Change in Due from City of Hamilton	2,759,550	(2,001,094)
Deferred revenue	(21,673)	(37,705)
	2,928,116	3,110,358
Capital activities:		
Purchase of tangible capital assets	(2,772,851)	(2,995,270)
Investing activities:		
Change in investments	(144,448)	(106,306)
Net change in cash	10,817	8,782
Cash, beginning of year	685,362	676,580
Cash, end of year	$ 696,179	$ 685,362

See accompanying notes to financial statements.

The financial statements of the Hamilton Public Library Board (the "Board") are prepared by management in accordance with Canadian public sector accounting standards.

1. Significant accounting policies:

Significant accounting policies adopted by the Board are as follows:

(a) Basis of accounting:

The Board follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenditures are recognized as they are incurred and measurable as a result of a receipt of goods or services and the creation of a legal obligation to pay.

(b) Government grants:

Government grants received are from federal and provincial governments and the City of Hamilton. Government grants paid relate to surplus repayment and future reserves to the City of Hamilton. Government grants are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made except, when and to the extent that, stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government grants that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(c) Investment income:

Investment income is reported as revenue in the period earned.

(d) Other income:

Other income is reported as revenue in the period earned.

(e) Non-financial assets:

Non-financial assets 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.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Contributed or donated tangible capital assets are recorded at their fair value at the date of receipt.

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

(ii) Amortization:

Amortization is recorded to reflect the cost, net of anticipated salvage value, associated with the use of the asset in providing library services over the estimated useful life of the asset. Amortization expense is calculated on a straight-line basis over the assets' estimated useful lives as follows:

Asset	Number of years
Collections (asset pool)	7 years
Furniture and equipment	10 years
Computer hardware	3 years
Computer software	5 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Board land and buildings are owned and controlled by the City of Hamilton and are therefore not reflected in these financial statements.

(f) Liability for future benefits:

The Board provides certain employee benefits which will require funding in future periods. The cost of self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by the employees, such as retirement health and dental benefits for retirees, is actuarially determined using the project benefit method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System (OMERS) pensions, are the employer's contributions due to the plan in the period. These contributions are recognized in the period in which the contributions are earned.

(g) Deferred revenue:

Deferred revenue represents funds collected for which related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year in which the related services are performed.

1. Significant accounting policies (continued):

(h) Investments held with the Hamilton Community Foundation:

Investments held with the Hamilton Community Foundation are stated at cost. However, when the investments incur a loss in value that is other than temporary, the investments are written down to their fair value and the loss is recognized in the statement of operations.

(i) Use of estimates:

The preparation of financial statements in accordance with public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Significant estimates include assumptions used in performing actuarial valuations of liability for future benefits. Actual results could differ from those estimates.

2. Investments held with the Hamilton Community Foundation:

Investments of $2,810,529 (2022 - $2,666,081) are carried at cost. The investments have a market value of $3,586,048 at the end of the year. The market value represents the realizable value of the investments if they were to be sold at December 31, 2023.

3. Related party transactions:

(a) Transactions with related parties:

The Board had the following transactions with the City of Hamilton, its controlling party.

	2023	2022
Revenue:		
Municipal contribution	$ 34,154,269	$ 32,875,994
Contribution from municipal reserves	357,347	313,336
	$ 34,511,616	$ 33,189,330

3. Related party transactions (continued):

(a) Transactions with related parties (continued):

	2023	2022
Expenses:		
Municipal cost recoveries	$ 3,578,032	$ 2,999,624
Reserves transfer to municipal capital fund	2,560,000	826,532
Contribution to municipal reserves	217,918	185,210
	$ 6,355,950	$ 4,011,366

The City of Hamilton does not charge the Board rent for the use of its buildings.

These transactions have been reflected in annual surplus for the current year and were measured at the exchange amount of consideration established and agreed to by the related parties.

(b) Outstanding balances due from related parties:

	2023	2022
City of Hamilton	$ 11,349,946	$ 14,109,496

These balances are non-interest bearing with no fixed repayment terms.

4. Liability for future benefits:

In accordance with Canadian public sector accounting standards, the Board is required to report obligations for retirement benefits earned over the employment period of its employees. Retirement benefits have been determined by an actuarial valuation completed December 31, 2023.

Employees who have retired either under the OMERS early retirement provisions or otherwise are eligible to receive drug, extended health services and dental benefits for the lifetime of the retiree. Effective January 1, 2002 new retirees only receive benefits until age sixty-five.

The Board recognizes the post-employment benefits costs as they are earned during the year. The Board's obligation under the post-employment provisions of employment agreements will be funded out of current revenue.

4. Liability for future benefits (continued):

Accrued benefit obligation:

	2023	2022
Vested sick leave liability	$ 4,494	$ 4,300
Retirement benefits	2,033,206	2,863,300
	2,037,700	2,867,600
Net unamortized actuarial gain (loss)	264,631	(550,100)
Accrued liability	$ 2,302,331	$ 2,317,500

The continuity of employee benefits and other obligations are summarized as follows:

	2023	2022
Liability for employee future benefits and other obligations balance at beginning of the year	$ 2,317,500	$ 2,321,300
Benefit expenditure	50,592	91,200
Interest expenditure	123,946	101,800
Amortization of actuarial loss	87,400	89,400
Benefit payments	(277,107)	(286,200)
Liability for employee benefits and other obligations balance at end of the year	$ 2,302,331	$ 2,317,500

Actuarial valuations are performed on post-employment and retirement benefits to provide estimates of the accrued benefit obligations. These estimates are based on a number of assumptions about future events including interest rates, inflation rates, salary and wage increases, medical and dental cost increases and mortality. The assumptions are determined at the time of the actuarial valuations and are reviewed annually.

	Discount rate	Return on assets	Inflation rate	Salary increases	Dental increases	Life expectancy (years)
Vested sick leave	4.50%	N/A	2.0%	3.0%	N/A	2.0
Retirement benefits - health and dental	4.50%	N/A	2.0%	3.0%	4.0%[(1)]	12.0

[(1)]Medical costs are assumed to increase at a rate of 6.00% in 2023 (2022 - 7.2%), decreasing 0.33% per annum to 4.0% in 2038.

4. Liability for future benefits (continued):

(a) Liability for vested sick leave:

Effective May 1, 1982 the Income Protection Plan was adopted and sick leave credits earned under the Sick Leave Benefit Plan were frozen. Under the Sick Leave Benefit Plan unused sick leave would accumulate and employees were entitled to cash payment upon termination of services after ten continuous years. Entitlement to cash payment continues to apply to those employees who accumulated days prior to May 1, 1982, to the extent that they have vested and could be taken in cash by an employee on termination. The estimated accrued benefit obligation at December 31, 2023 is $4,494 (2022 - $4,300).

(b) Liability for retirement benefits:

The Board provides certain health, dental and life insurance benefits between the time an employee retires under OMERS or the normal retirement age and up to the age of 65 years. The estimated accrued benefit obligation at December 31, 2023, is $2,033,206 (2022 - $2,863,300).

5. Deferred revenue:

Deferred revenue consists of grants and funds received in advance which are expected to be earned in future periods. Continuity of deferred revenue is as follows:

Balances	2023	2022
Grants and donations	$ 25,014	$ 25,014
M. Waldon Thompson estate	–	24,511
Permanent fund	982,631	954,937
F. Waldon Library bequest	39,799	64,655
	$ 1,047,444	$ 1,069,117

5. Deferred revenue (continued):

Continuity	2023	2022
Balance, beginning of year	$ 1,069,117	$ 1,106,822
Add:		
Transfers in – grants and donations	–	596
Transfers in – estate donations	48,505	38,596
Less:		
Amounts recognized in revenue - grants and donations	–	(60,866)
Amounts recognized in revenue - estate donations	(70,178)	(16,031)
	$ 1,047,444	$ 1,069,117

6. Long term debt held by the City of Hamilton:

The City charges the Board principal and interest for long term debt related to Board facilities and other capital. These charges are funded by the City through its annual contributions. The debt is not disclosed on the statement of financial position as the City of Hamilton is legally responsible for the repayment of the debt. The debt matured on June 3, 2023, and all outstanding principal and interest were fully paid on that date.

(a) The net long term debt to which these charges are related is as follows:

Debenture Number	Purpose	Interest rates	Maturity date	2023	2022
08-120	South Mtn Complex	4.728%	2023	$ –	$ 137,495

(b) The Board was charged $140,252 (2022 - $280,538) for long term debt charges during the year as follows:

	2023	2022
Principal	$ 137,496	$ 265,540
Interest	2,756	14,998
	$ 140,252	$ 280,538

7. Pension agreements:

The Board makes contributions to OMERS, which is a multi-employer plan, on behalf of 245 members 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.

The latest actuarial valuation as at December 31, 2023, reported a funding deficit of $4.2 billion (2022 - $6.7 billion). Contributions were made in the 2023 calendar year at rates ranging from 9% to 14.6% depending on the level of earnings. As a result, $1,556,960 was contributed to OMERS (2022 - $1,261,970) for current service. The OMERS board has confirmed that contribution rates will remain at the current levels until 2025.

8. Commitments:

Minimum future lease payments for various premises are as follows:

2024	$ 767,000
2025	768,560
2026	771,268
2027	774,069
2028	776,964
2029 and thereafter	3,902,320
	$ 7,760,181

The City of Hamilton is ultimately responsible for the Board’s lease obligations.

9. Accumulated surplus:

Accumulated surplus consists of individual fund surplus and reserve and reserve funds as follows:

	2023	2022
Reserves and reserve funds	$ 12,861,670	$ 16,255,472
Unfunded liability for future benefits	(2,302,331)	(2,317,500)
Tangible capital assets	9,343,676	9,430,121
Balance, end of year	$ 19,903,015	$ 23,368,093

Reserves and reserve funds:

	2023	2022
Library general development	$ 3,929,422	$ 5,541,858
Library major capital projects	1,918,346	3,956,696
Capital enhancement	361,474	408,049
Library collections	1,456,387	1,445,301
Redevelopment, training and restructuring	558,100	538,962
Youth literacy	577,477	557,674
Computer reserve	703,676	679,546
Mobile equipment	741,216	715,798
Youth programming	61,325	75,253
Special gift fund	2,382,764	2,239,179
Ketha McLaren fund	56,711	53,378
Waterdown Library fundraising	2,977	2,874
Donations	111,795	40,904
	$ 12,861,670	$ 16,255,472

10. Budget data:

The budgets originally approved by the Board for 2023 are reflected on the statement of operations and do not include amounts related to public sector accounting standards reporting requirements such as amortization of tangible capital assets.

Accumulated surplus consists of individual fund surplus and reserve and reserve funds as follows:

	2023
Revenues:	
Operating budget	$36,167,545
Capital budget	–
Total revenues	36,167,545
Expenses:	
Operating budget	33,123,856
Capital budget	3,043,690
Less:	
Capital expenses	(3,043,690)
Total expenses	33,123,856
Annual surplus	$3,043,689

11. Contribution to reserves of Municipality:

Historically, there has been no budgeted amount for transfers to the Municipality. This is due to the fact that impending projects are not necessarily known or approved at the time of the budget preparation.

THE HAMILTON PUBLIC LIBRARY BOARD

Schedule of Tangible Capital Assets

Year ended December 31, 2023

December 31, 2023

Cost	Computer hardware	Computer software	Collections	Furniture and equipment	Total
Beginning of year	$ 797,261	$ 28,186	$ 16,447,237	$ 2,654,548	$ 19,927,232
Add: additions during the year	96,045	–	2,389,222	287,584	2,772,851
Less: disposals during the year	(145,926)	(19,657)	(2,567,902)	(369,858)	(3,103,343)
End of year	$ 747,380	$ 8,529	$ 16,268,557	$ 2,572,274	$ 19,596,740

Accumulated amortization	Computer hardware	Computer software	Collections	Furniture and equipment	Total
Beginning of year	$ 302,018	$ 22,080	$ 8,838,949	$ 1,334,064	$ 10,497,111
Add: amortization during the year	257,441	3,672	2,336,842	261,341	2,859,296
Less: amortization on disposals	(145,926)	(19,657)	(2,567,902)	(369,858)	(3,103,343)
End of year	$ 413,533	$ 6,095	$ 8,607,889	$ 1,225,547	$ 10,253,064
Net book value	$ 333,847	$ 2,434	$ 7,660,668	$ 1,346,727	$ 9,343,676

December 31, 2022

Cost	Computer hardware	Computer software	Collections	Furniture and equipment	Total
Beginning of year	$ 486,482	$ 35,102	$ 16,988,549	$ 2,742,605	$ 20,252,738
Add: additions during the year	435,769	1,267	2,208,497	349,737	2,995,270
Less: disposals during the year	(124,990)	(8,183)	(2,749,809)	(437,794)	(3,320,776)
End of year	$ 797,261	$ 28,186	$ 16,447,237	$ 2,654,548	$ 19,927,232

Accumulated amortization	Computer hardware	Computer software	Collections	Furniture and equipment	Total
Beginning of year	$ 213,050	$ 23,934	$ 9,200,488	$ 1,502,000	$ 10,939,472
Add: amortization during the year	213,958	6,329	2,388,270	269,858	2,878,415
Less: amortization on disposals	(124,990)	(8,183)	(2,749,809)	(437,794)	(3,320,776)
End of year	$ 302,018	$ 22,080	$ 8,838,949	$ 1,334,064	$ 10,497,111
Net book value	$ 495,243	$ 6,106	$ 7,608,288	$ 1,320,484	$ 9,430,121

The Board has no contributed assets and no tangible capital assets recognized at nominal value. The Board has works of art, historical treasures, sculptures, and murals that are preserved by the Board but are not recorded as tangible capital assets.