

Financial statements of

**Richmond Hill Public
Library Board**

December 31, 2022

Richmond Hill Public Library Board

December 31, 2022

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Independent auditor's report

To the members of the Board of Directors of the Richmond Hill Public Library Board

Opinion

We have audited the financial statements of the Richmond Hill 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 financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Richmond Hill Public Library Board as at December 31, 2022, and its results of operations, its changes in its 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 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 these 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 Library Board's ability to continue as a going concern, disclosing, as applicable, matters related to a 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 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 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 these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Markham, Canada
Month XX, 2023

Chartered Professional Accountants
Licensed Public Accountants

RICHMOND HILL PUBLIC LIBRARY BOARD
Statement of Financial Position
December 31, 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
FINANCIAL ASSETS		
Cash	132,105	221,200
Accounts receivable		
City of Richmond Hill	2,391,541	2,380,357
Other	93,173	59,387
	<u>2,616,819</u>	<u>2,660,944</u>
LIABILITIES		
Accounts payable and accrued charges	763,108	622,896
Accrued vacation pay	182,840	147,001
Employee future benefits (Note 3)	133,663	138,227
	<u>1,079,611</u>	<u>908,124</u>
NET FINANCIAL ASSETS	<u>1,537,208</u>	<u>1,752,820</u>
NON - FINANCIAL ASSETS		
Tangible capital assets (Note 5)	5,060,674	5,050,873
Prepaid expenses	93,685	79,641
	<u>5,154,359</u>	<u>5,130,514</u>
Accumulated Surplus (Note 6)	<u>6,691,567</u>	<u>6,883,334</u>

RICHMOND HILL PUBLIC LIBRARY BOARD
Statement of Operations
Year ended December 31, 2022

	2022 <u>Budget</u> \$	2022 <u>Actual</u> \$	2021 <u>Actual</u> \$
REVENUE			
Municipal contribution			
Operating	7,969,400	7,969,400	7,777,500
Contribution from City for maintenance, utility and supply charges	919,400	965,642	865,059
Repairs and replacement	900,000	900,000	600,000
Contributed tangible capital assets	1,143,876	968,529	295,493
Grants			
Province of Ontario	118,500	118,499	118,499
Other	3,700	39,700	24,115
York Region District School Board	322,100	297,200	310,400
Fines	19,300	16,380	15,636
Fees	153,600	44,794	24,856
Sales	-	24,481	5,192
Interest income	19,417	19,417	17,896
Donations and bequests	-	2,179	1,828
	11,569,293	11,366,221	10,056,474
EXPENSES			
Salaries and benefits	7,056,400	6,802,187	5,979,172
Amortization of tangible capital assets	1,482,866	1,482,866	1,597,673
Maintenance, utility and supply charges	933,336	979,578	865,563
Contracts & services	1,721,800	1,408,962	1,122,560
Transfer (from) to reserve of the City of Richmond Hill	(216,200)	300,000	652,424
Collection development	321,989	405,386	374,322
Materials & supplies	67,537	97,580	82,883
Special projects	-	81,429	12,436
	11,367,728	11,557,988	10,687,033
Annual surplus (deficit)	201,565	(191,767)	(630,559)
Accumulated surplus, beginning of year	6,883,334	6,883,334	7,513,893
Accumulated surplus, end of year	7,084,899	6,691,567	6,883,334

RICHMOND HILL PUBLIC LIBRARY BOARD
Statement of Change in Net Financial Assets
Year ended December 31, 2022

	2022 Budget	2022 Actual	2021 Actual
	\$	\$	\$
Annual surplus (deficit)	201,565	(191,767)	(630,559)
Acquisition of tangible capital assets	(1,506,603)	(1,506,604)	(725,705)
Amortization of capital assets	1,482,866	1,482,867	1,597,673
Loss on disposal of tangible capital assets	-	13,936	504
	(23,737)	(9,801)	872,472
Change in prepaid expenses	-	(14,044)	(14,054)
	(23,737)	(23,845)	858,418
Change in net financial assets	177,827	(215,612)	227,859
Net Financial assets, beginning of year	1,752,820	1,752,820	1,524,961
Net Financial assets, end of year	1,930,647	1,537,208	1,752,820

RICHMOND HILL PUBLIC LIBRARY BOARD
Statement of Cash Flows
Year ended December 31, 2022

	2022	2021
	<u>Actual</u>	<u>Actual</u>
Operating activities		
Annual deficit	(191,767)	(630,559)
Change in non-cash items		
Amortization of tangible capital assets	1,482,867	1,597,673
Revenue recognized on contributed capital assets	(968,530)	(295,493)
Loss on disposal of tangible capital assets	13,936	504
	528,273	1,302,684
Change in non-cash assets and liabilities		
Change in accounts receivable - City of Richmond Hill	(11,184)	1,022,454
Change in accounts receivable - Other	(33,786)	(657)
Change in accounts payable and accrued liabilities	140,212	(1,382,901)
Change in accrued vacation pay	35,839	37,401
Change in employee future benefits liability	(4,564)	(5,101)
Change in prepaid expenses	(14,044)	(14,054)
	112,473	(342,858)
	448,979	329,267
Capital activities		
Acquisition of tangible capital assets	(538,074)	(430,212)
Net change in cash	(89,095)	(100,945)
Cash, beginning of year	221,200	322,145
Cash, end of year	132,105	221,200

Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2022

1. Nature of operations

The Richmond Hill Public Library Board (the "Library Board") is a local board of The City of Richmond Hill (the "City") and operates under the provision of the Public Libraries Act. The Library Board is a registered charity and is not subject to income taxes under Section 149(1) of the Income Tax Act (Canada).

2. Significant accounting policies

The financial statements of the Richmond Hill Public Library Board (the "Library Board") are the representations of management prepared in accordance with accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants (CPA) Canada.

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

i) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits and bankers acceptances, all of which are highly liquid, subject to insignificant risk of changes in value and have a short-term maturity of less than 90 days.

ii) Revenues and expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired, and a legal liability is incurred or transfers are due.

iii) 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 lives extending beyond the current year and are not intended for sale in the ordinary course of operations. Tangible capital assets and other non-financial assets are accounted for as assets by the Library Board because they can be used in the provision of services in future periods.

Tangible capital assets

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

Library collection	7 years
Machinery and equipment	4 - 15 years
Furniture and fixtures	3 - 10 years
Other	15 years

Amortization

One half of the 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.

Contribution of tangible capital assets

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

Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2022

2. Significant accounting policies (continued)

Interest capitalization

The Library Board's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition of tangible capital assets.

iv) *Employee future benefits*

The present value of the cost of providing employees with future benefits programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs.

Any actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of all employees covered.

v) *Reserve and Reserve Funds*

The Richmond Hill Public Library Board Donation and Bequest Reserve Fund is to be used for such special purposes as may be approved by The Richmond Hill Public Library Board.

The reserve fund comprises:

- a) Donations and bequests to The Richmond Hill Public Library Board; and
- b) Earnings derived from investments held in this reserve fund.

Unrestricted donations and bequests are recorded as income in the statement of operations in the year of receipt and are transferred to the Donation and Bequest Reserve Fund. The Reserve Fund earns interest based on the rates earned through the investment portfolio managed by the Corporation of the City of Richmond Hill. Expenses incurred will be recorded in the year the cost is incurred, with an annual offsetting transfer from the Reserve Fund.

The Special Purpose Reserve relates to grants and other monies which have been allocated by the Board for special purposes.

vi) *Investment income*

Investment income earned (other than on restricted funds) is reported as revenue in the period earned.

vii) *Government transfers*

Government transfers are recognized in the financial statements as revenue in the financial period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be determined.

viii) *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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these amounts.

3. Employee future benefits liability

The accrued benefit liability as at December 31, 2022 of \$133,663 (2021 - \$138,227) was based on an actuarial update used for the December 31, 2022 valuation.

The significant actuarial assumptions employed in the actuarial valuations are as follows:

i) *General inflation*

Future general inflation levels were assumed to be 1.75% in 2022 and thereafter.

Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2022

3. Employee future benefits liability (continued)

ii) Interest (discount) rate

The present value of the future benefits as at December 31, 2022 was determined using a discount rate of 3.25%. This corresponds to the assumed inflation rate plus an assumed rate of return of 1.50%.

iii) Health costs

The 12-month ending March 31, 2020 Combined (active & retiree) Health Cost Rates, projected to July 1, 2022, are used as the basis for projecting the future retiree Health Cost Rates. The management assumption for the annual Health Cost Rate escalation for the Library Board is 4.4167% for 2023 vs. 2022 and decreasing by 0.3333% per year over the following 5 years, to 2.75% in 2028 vs. 2027 and later.

iv) Dental costs

Dental costs were assumed to increase at 2.75 % for 2021 and thereafter.

4. Pension agreements

The Library Board makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS). OMERS is a multi-employer defined benefit pension plan which provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The pension plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund. The most recent actuarial valuation of the Plan was conducted at December 31, 2022. The results of this valuation disclosed total actuarial liabilities of \$130,306 million with respect to 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 Plan surpluses or deficits are joint responsibility of Ontario municipal organizations and their employees. As a result, the Library does not recognize any share of the Plan surplus or deficit. The Library Board recognizes the expense related to this plan as contributions are made. The contribution rate was 9% for wages up to \$64,900 (2021 - 9%) and 14.6% for wages in excess of CPP earning limit \$64,900 (2021 - 14.6%). The amount contributed to OMERS for 2022 was \$466,314 (2021 - \$442,429) for current services and is included as an expense on the statement of operations.

5. Tangible capital assets

	Library Collections	Machinery and Equipment	Furniture and Fixtures	W.I.P.	Total 2022	Total 2021
Cost						
Balance, beginning of year	7,989,259	3,347,768	2,474,950	154,858	13,966,835	14,692,251
Add: Additions during the year	620,380	392,239	395,539	98,446	1,506,604	725,704
Less: Disposals during the year	1,289,051	59,508	242,434	-	1,590,993	1,451,120
Balance, end of year	7,320,588	3,680,499	2,628,055	253,304	13,882,446	13,966,835
Accumulated amortization						
Balance, beginning of year	4,315,851	2,496,810	2,103,301	-	8,915,962	8,768,906
Add: Amortization	1,093,560	299,253	90,053	-	1,482,867	1,597,673
Less: Accum amortization on disposals	1,289,051	59,508	228,498	-	1,577,057	1,450,617
Balance, end of year	4,120,360	2,736,555	1,964,856	-	8,821,772	8,915,962
Net Book Value	3,200,228	943,944	663,199	253,304	5,060,674	5,050,873

Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2022

6. Accumulated surplus

Accumulated surplus consists of the following:

	2022	2021
	\$	\$
Invested in tangible capital assets	5,060,674	5,050,873
Unfunded employees future benefits	(133,663)	(138,227)
Unfunded vacation pay	(182,840)	(147,001)
Special Purpose Reserve Fund	1,308,104	1,494,811
Donation and Bequest Reserve Fund	639,292	622,875
	6,691,567	6,883,331

Reserves and Reserve Fund

The Richmond Hill Public Library Board Donation and Bequest Reserve Fund is comprised of the following funds designated for projects as approved by the Library Board:

Note 6 - reserve and reserve funds

	2022	2021
	\$	\$
Special Purpose Reserve	1,308,104	1,494,811
Local History Digitization	123,000	123,000
Undesignated	516,292	499,875
	1,947,396	2,117,686

DC Reserve Fund

The City of Richmond Hill levies, collects and holds development charges, a component of which is specifically to fund expansion of library services to accommodate growth. Allocations from these funds are approved by the Library Board as part of the annual budget process. Currently, the City is reflecting a balance of \$1,706,427 (2021 - \$1,226,549) of the Library Board's related Development Charges in their segregated Development Charges accounts. This reserve fund is not reflected in these statements.

Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2022

7. Related party transactions

The City of Richmond Hill provides contributions to the operations and capital projects of the Library Board through Municipal Contributions as noted on the statement of operations.

The Statement of Operations reflects the fair value of the contribution from the City for maintenance, utility and supply charges which are provided for nil consideration.⁷

The Library Board operates from buildings owned by the City of Richmond Hill. The cost of these buildings are not included in these financial statements.

Additionally, the City provides accounting services to the Library Board and no fees are charged for these services.

8. Budget figures

The budgets originally approved by the Richmond Hill Public Library Board for 2022, adjusted as noted below, are reflected on the statement of operations and of change in net financial assets.

- a) An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original Library Board approved budget.
- b) Amounts for the cost of contributed tangible capital assets and the related revenue have been added and are based on management's best estimate of the value of contributed tangible capital assets determined at the beginning of the year. Neither the cost of the contributed tangible capital assets nor the revenue was included in the original Library Board approved budget.
- c) Amounts included in the original Library Board approved capital budget which are not recognized as tangible capital assets are included in statement of operations under the appropriate functional expense category, while those recognized as tangible capital assets are included in the consolidated statement of change in net financial assets.

Adopted budget	2022
	\$
Budgeted annual surplus	-
Adjustments to the adopted budget	-
Increase in the Reserves and Reserve Funds	16,417
Amortization of tangible capital assets	(1,482,866)
Acquisition of contributed tangible assets	1,668,014
Budgeted surplus per statement of operations:	201,565