

DRAFT #5
May 23, 2025

Financial Statements of

**RICHMOND HILL PUBLIC
LIBRARY BOARD**

And Independent Auditor's Report thereon

Year ended December 31, 2024

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2024
- the statement of operations for the year then ended
- the statement of change in net financial assets 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, 2024, and its results of operations, its change 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 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.

Other Matter - Comparative Information

The financial statements for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 24, 2024.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

RICHMOND HILL PUBLIC LIBRARY BOARD

DRAFT Statement of Financial Position

December 31, 2024, with comparative information for 2023

	2024	2023
Financial Assets		
Cash	\$ 496,673	\$ 222,931
Accounts receivable:		
City of Richmond Hill (note 6)	1,370,005	1,607,055
Other	111,505	48,918
	1,978,183	1,878,904
Financial Liabilities		
Accounts payable and accrued liabilities	1,066,664	492,160
Accrued vacation pay	123,095	154,550
Employee future benefits (note 2)	123,856	132,009
	1,313,615	778,719
Net financial assets	664,568	1,100,185
Non-Financial Assets		
Prepaid expenses	123,680	125,636
Tangible capital assets (note 4)	4,663,677	4,837,755
	4,787,357	4,963,391
Accumulated surplus (note 5)	\$ 5,451,925	\$ 6,063,576

See accompanying notes to financial statements.

RICHMOND HILL PUBLIC LIBRARY BOARD

DRAFT Statement of Operations

Year ended December 31, 2024, with comparative information for 2023

	Budget 2024 (note 7)	Actual 2024	Actual 2023
Revenue:			
Municipal contribution:			
Operating	\$ 8,864,200	\$ 9,000,766	\$ 8,501,000
Contribution from the City	948,400	988,725	982,387
Contributed tangible capital assets	733,338	638,484	583,277
Repairs and replacement	535,700	535,700	558,900
Grants:			
Province of Ontario	118,500	122,199	118,499
Other	3,700	57,472	4,494
York Region District School Board	316,200	316,200	300,900
Sales	223,800	53,715	40,677
Fees	75,700	67,432	70,084
Interest	42,021	42,021	28,630
Fines	13,800	15,102	14,957
Other Income	4,500	1,696	—
Donations and bequests	2,000	14,153	7,695
	11,881,859	11,853,665	11,211,500
Expenses:			
Salaries and benefits	7,964,800	8,028,844	7,605,133
Contracts and services	1,505,800	1,491,783	1,299,470
Amortization of tangible capital assets	1,315,488	1,315,488	1,407,883
Maintenance, utility and supply charges	954,820	995,145	982,524
Collection development	559,817	539,060	427,433
Materials and supplies	137,537	94,996	117,048
	12,438,262	12,465,316	11,839,491
Annual deficit	(556,403)	(611,651)	(627,991)
Accumulated surplus, beginning of year	6,063,576	6,063,576	6,691,567
Accumulated surplus, end of year	\$ 5,507,173	\$ 5,451,925	\$ 6,063,576

See accompanying notes to financial statements.

RICHMOND HILL PUBLIC LIBRARY BOARD

DRAFT Statement of Change in Net Financial Assets

Year ended December 31, 2024, with comparative information for 2023

	Budget 2024 (note 7)	Actual 2024	Actual 2023
Annual deficit	\$ (556,403)	\$ (611,651)	\$ (627,991)
Net acquisition of tangible capital assets	(1,147,830)	(1,147,830)	(1,185,102)
Amortization of tangible capital assets	1,315,488	1,315,488	1,407,883
Loss on disposal of tangible capital assets	6,420	6,420	138
Change in prepaid expenses	—	1,956	(31,951)
Change in net financial assets	(382,325)	(435,617)	(437,023)
Net financial assets, beginning of year	1,100,185	1,100,185	1,537,208
Net financial assets, end of year	\$ 717,860	\$ 664,568	\$ 1,100,185

See accompanying notes to financial statements.

RICHMOND HILL PUBLIC LIBRARY BOARD

DRAFT Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (611,651)	\$ (627,991)
Items not involving cash:		
Amortization of tangible capital assets	1,315,488	1,407,883
Revenue recognized on contributed tangible capital assets	(638,484)	(583,277)
Loss on disposal of tangible capital assets	6,420	138
Change in non-cash operating items:		
Accounts receivable - City of Richmond Hill	237,050	784,486
Accounts receivable - other	(62,587)	44,255
Accounts payable and accrued liabilities	574,504	(270,948)
Accrued vacation pay	(31,455)	(28,290)
Employee future benefits liability	(8,153)	(1,654)
Prepaid expenses	1,956	(31,951)
	783,088	692,651
Capital activities:		
Acquisition of tangible capital assets	(509,346)	(601,825)
Increase in cash	273,742	90,826
Cash, beginning of year	222,931	132,105
Cash, end of year	\$ 496,673	\$ 222,931

See accompanying notes to financial statements.

RICHMOND HILL PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements

Year ended December 31, 2024

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). The library is economically dependent on the City for financial support through municipal contributions

1. Significant accounting policies:

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

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

(a) Revenue and expenses:

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the year 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.

(b) 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.

RICHMOND HILL PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(i) 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 collections	7 years
Machine and equipment	4 - 15 years
Furniture and fixtures	3 -10 years

(ii) 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.

(iii) 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.

(iv) 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.

RICHMOND HILL PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(c) 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.

(d) Reserves and Reserve Funds:

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

The Reserve Fund comprises:

- (i) Donations and bequests to The Richmond Hill Public Library Board; and
- (ii) 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 City. 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 Library Board for special purposes.

(e) Investment income:

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

RICHMOND HILL PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

(f) 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.

(g) 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 revenue and expenses during the year. Actual results could differ from these amounts.

(h) Change in accounting policy by adopting new standards:

Effective January 1, 2024, the Library Board adopted the following standards issued by the PSAB:

- (i) PS 3400, Revenue, establishes a single framework to categorize revenue of enhance the consistency of revenue recognition and its measurement. This standard is effective for fiscal years beginning on or after April 1, 2023 (the Entity's December 31, 2024 year end).
- (ii) Public Sector Guideline 8, Purchased Intangibles, allows public sector entities to recognize intangibles purchased through an exchange transaction. This guideline is effective for fiscal years beginning on or after April 1, 2023 (the Entity's December 31, 2024 year end).

RICHMOND HILL PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2024

1. Significant accounting policies (continued):

- (iii) PS 3160, Public Private Partnerships ("P3s"), identifies requirements on how to account for and disclose transactions in which public sector entities procure major infrastructure assets and/or services from private sector entities. Recognition of assets arising from P3s arrangements is ultimately dependent on whether public sector entities control the purpose and use of the assets, access to the future economic benefits and exposure to the risks associated with the assets, and significant residual interest in the asset, if any, at the end of the term of P3s. Measurement of the asset and related liability will also be dependent on the overall model used to compensate the private sector entity. The standard is effective for fiscal years beginning on or after April 1, 2023 (the Entity's December 31, 2024 year end).

The Library Board's adoption of these amendments during the year ended December 31, 2024 did not have a material impact on the financial statements.

(i) Future accounting pronouncements:

These standards and amendments were not yet effective for the year ended December 31, 2024, and have therefore 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 1202, Financial Statement Presentation, was approved in March 2023. This standard supersedes PS 1201 and covers a new conceptual framework and reporting model. Prior period amounts would need to be restated to conform to the presentation requirements for comparative financial information. This standard is effective for fiscal years beginning on or after April 1, 2026 (the first effective year for the City being the year ending December 31, 2027).
- (ii) PS 3251, Employee Benefits, will replace the current section PS 3250 and PS 3255. The proposed section is currently undergoing discussions where further changes are expected as a result of the re-exposure comments. Effective date is currently not determined.

RICHMOND HILL PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2024

2. Employee future benefits liability:

The accrued benefit liability as at December 31, 2024 of \$123,856 (2023 - \$132,009) was based on an actuarial update used for the December 31, 2024 valuation. The accrued benefit liability and the expense for the year were based on assumptions used for the December 31, 2023 actuarial valuation.

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

(a) General inflation:

Future general inflation levels were assumed to be 1.75% in 2024 (2023 - 1.75%) and thereafter.

(b) Interest (discount) rate:

The present value of the future benefits as at December 31, 2024 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%.

(c) Health costs:

The 12-month ending March 31, 2020 Combined (active and 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 2024 as compared to 2023 and decreasing by 0.3333% per year over the following 5 years, to 2.75% in 2029 as compared to 2028 and later.

(d) Dental costs:

Dental costs were assumed to increase at 2.75 % for 2024 and thereafter.

RICHMOND HILL PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2024

3. Pension agreements:

The Library Board makes contributions to the Ontario Municipal Employee Retirement Fund ("OMERS"). OMERS is a multi-employer defined benefit pension plan ("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. Since OMERS is a multi-employer pension plan, the Library Board does not recognize any share of the pension plan surplus (deficit) of (\$2.9 billion) (2023 - (\$4.2 billion)) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. The Library Board recognizes the expense related to this plan as contributions are made. The contribution rate was 9% for wages up to \$68,500 (2023 - 9%) and 14.6% for wages in excess of Canadian Pension Plan earning limit \$68,500 (2023 - 14.6%). The amount contributed to OMERS for 2024 was \$525,464 (2023 - \$509,072) for current services and is included as an expense in the statement of operations.

4. Tangible capital assets:

	Library collections	Machine and equipment	Furniture and fixtures	Work in progress	2024	2023
Cost						
Balance, beginning of year	\$ 6,811,526	\$ 3,918,042	\$ 2,658,824	\$ 522,942	\$ 13,911,334	\$ 13,882,446
Additions	946,957	465,579	–	(264,706)	1,147,830	1,185,102
Disposals	(1,344,653)	(1,277,636)	–	–	(2,622,289)	(1,156,214)
Balance, end of year	\$ 6,413,830	\$ 3,105,985	\$ 2,658,824	\$ 258,236	\$ 12,436,875	\$ 13,911,334
Accumulated amortization						
Balance, beginning of year	\$ 4,002,278	\$ 3,037,753	\$ 2,033,548	\$ –	\$ 9,073,579	\$ 8,821,772
Amortization	944,668	280,040	90,780	–	1,315,488	1,407,883
Disposals	(1,344,653)	(1,271,216)	–	–	(2,615,869)	(1,156,076)
Balance, end of year	\$ 3,602,293	\$ 2,046,577	\$ 2,124,328	\$ –	\$ 7,773,198	\$ 9,073,579
Net book value	\$ 2,811,537	\$ 1,059,408	\$ 534,496	\$ 258,236	\$ 4,663,677	\$ 4,837,755

RICHMOND HILL PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2024

5. Accumulated surplus:

Accumulated surplus consists of the following:

	2024	2023
Invested in tangible capital assets	\$ 4,663,677	\$ 4,837,755
Unfunded employee future benefits	(123,856)	(132,009)
Unfunded vacation pay	(123,095)	(154,550)
Special Purpose Reserve Fund	331,256	847,458
Donation and Bequest Reserve Fund	703,943	664,922
	<u>\$ 5,451,925</u>	<u>\$ 6,063,576</u>

(a) Reserves and Reserve Fund:

The Reserve Fund is comprised of the following funds designated for projects as approved by the Library Board:

	2024	2023
Special Purpose Reserve	\$ 331,256	\$ 847,458
Local History Digitization	123,000	123,000
Undesignated	580,943	541,922
	<u>\$ 1,035,199</u>	<u>\$ 1,512,380</u>

(b) Development Charges Reserve Fund:

The City 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 \$4,123,078 (2023 - \$2,278,482) 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

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2024

6. Related party transactions:

There are no specific terms of repayment for the amount due from the City and the amount does not bear any interest due from the City.

The City provides contributions to the operations and capital projects of the Library Board through municipal contributions as noted in 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.

The Library Board operates from buildings owned by the City. 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.

7. Budget figures:

The 2024 budget figures included in the statement of operations and accumulated surplus are those adopted by the Library Board and approved by the City Council on December 13, 2023.

The budgets originally approved by the Library Board for 2024, adjusted as noted below, are reflected in 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.

RICHMOND HILL PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2024

7. Budget figures (continued):

- (c) Amounts included in the original Library Board approved capital budget which are not recognized as tangible capital assets are included in the statement of operations under the appropriate functional expense category, while those recognized as tangible capital assets are included in the statement of change in net financial assets.

	Adopted budget
Budgeted annual surplus	\$ —
Adjustments to the adopted budget	—
Increase in the Reserves and Reserve Funds	39,021
Amortization of tangible capital assets	(1,315,488)
Acquisition of contributed tangible assets	720,064
Budgeted deficit per statement of operations	\$ (556,403)

8. Risk management:

The Library Board has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk (interest rate risk).

(a) Credit risk:

Credit risk is the risk of a financial loss to the Library Board if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Library Board consistent of accounts receivables. The Library Board's exposure to credit risk associated with accounts receivable is assessed as low.

(b) Liquidity risk:

Liquidity risk is the risk that the Library Board will not be able to meet its financial obligations as they become due. The Library Board's objective is to have sufficient liquidity to meet these liabilities when due. The Library Board monitors its cash balance and cash flows generated from operations to meet its liquidity requirements. The liquidity risk arises from the financial liabilities consisting of accounts payable and accrued liabilities.

RICHMOND HILL PUBLIC LIBRARY BOARD

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2024

8. Risk management (continued):

(c) Market risk:

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Library Board manages its interest rate risk by maintaining fixed income investments that are not subject to fair value fluctuations.

9. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the financial presentation used in the current year.