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# Financial statements of Oshawa Public Library Board

December 31, 2022

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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 Oshawa

### Opinion

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

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

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Library 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 Library's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte LLP*


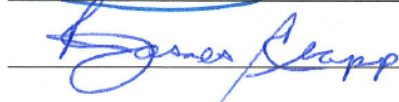
Chartered Professional Accountants  
Licensed Public Accountants  
May 18, 2023

**Oshawa Public Library Board**  
**Statement of financial position**  
As at December 31, 2022

	Notes	<b>2022</b>	2021
		<b>\$</b>	<b>\$</b>
<b>Financial assets</b>			
Cash		<b>3,821,911</b>	2,901,262
Due from City of Oshawa		<b>4,021,264</b>	3,467,013
Accounts receivable		<b>234,517</b>	103,420
		<b>8,077,692</b>	6,471,695
<b>Liabilities</b>			
Accounts payable and accrued liabilities		<b>471,071</b>	631,591
Employee future benefits	4	<b>4,118,209</b>	3,973,844
Deferred revenue	5		
Development charges		<b>4,029,224</b>	3,476,614
Jess Hann Branch		<b>584,238</b>	23,370
		<b>9,202,742</b>	8,105,419
Net debt		<b>(1,125,050)</b>	(1,633,724)
<b>Non-financial assets</b>			
Tangible capital assets	6	<b>1,980,074</b>	2,089,575
Prepaid expenses			
General		<b>61,050</b>	57,038
Jess Hann Branch		<b>584,238</b>	23,370
		<b>2,625,362</b>	2,169,983
<b>Accumulated surplus</b>	7	<b>1,500,312</b>	536,259

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

Approved by the Board

 \_\_\_\_\_, Director  
 \_\_\_\_\_, Director

# Oshawa Public Library Board

## Statement of operations

Year ended December 31, 2022

Notes	Budget \$	2022 Actual \$	2021 Actual \$
<b>Revenue</b>			
Operating			
Municipal contribution	9,279,000	9,279,000	9,052,728
Provincial operating grants	215,400	215,441	215,441
Other government grants	370,000	385,214	52,569
Donations	148,000	174,157	150,526
Development charges earned	100,700	—	—
Interest	12,000	82,195	24,288
Fines	15,000	55,714	19,303
Service charges	18,000	38,886	18,725
	<b>10,158,100</b>	<b>10,230,607</b>	9,533,580
<b>Expenses</b>			
Salaries	5,598,440	4,950,609	4,778,186
Employee benefits	1,807,832	1,410,253	1,561,663
Digital media and periodicals	406,050	391,383	410,933
Utilities	279,440	222,818	196,181
Other supplies	109,089	120,246	98,203
Rents	195,000	182,453	187,195
Maintenance	303,000	320,097	300,941
General	497,610	500,895	497,734
Contribution to library renovations	550,000	548,581	294,873
Amortization	620,000	619,219	651,864
	<b>10,366,461</b>	<b>9,266,554</b>	8,977,773
Annual (deficit) surplus	<b>(208,361)</b>	<b>964,053</b>	555,807
Accumulated surplus (deficit), beginning of year	<b>536,259</b>	<b>536,259</b>	(19,548)
<b>Accumulated surplus, end of year</b>	<b>327,898</b>	<b>1,500,312</b>	536,259

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

**Oshawa Public Library Board**  
**Statement of change in net debt**  
Year ended December 31, 2022

	<b>Budget</b>	<b>2022</b>	2021
	\$	Actual	Actual
	\$	\$	\$
<b>Annual (deficit) surplus</b>	<b>(208,361)</b>	<b>964,053</b>	555,807
Acquisition of tangible capital assets	<b>(543,950)</b>	<b>(509,718)</b>	(534,692)
Amortization	<b>620,000</b>	<b>619,219</b>	651,864
	<b>(132,311)</b>	<b>1,073,554</b>	672,979
(Increase) decrease in prepaid expenses	—	<b>(564,880)</b>	148,869
Change in net debt	<b>(132,311)</b>	<b>508,674</b>	821,848
Net debt, beginning of year	<b>(1,633,724)</b>	<b>(1,633,724)</b>	(2,455,572)
<b>Net debt, end of year</b>	<b>(1,766,035)</b>	<b>(1,125,050)</b>	(1,633,724)

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

**Oshawa Public Library Board****Statement of cash flows**

Year ended December 31, 2022

	<b>2022</b>	2021
	<b>\$</b>	\$
<b>Operating activities</b>		
Annual surplus	<b>964,053</b>	555,807
Items not involving cash		
Amortization	<b>619,219</b>	651,864
Changes in non-cash assets and liabilities		
Due from City of Oshawa	<b>(554,251)</b>	(254,505)
Accounts receivable	<b>(131,097)</b>	(2,158)
Accounts payable and accrued liabilities	<b>(160,520)</b>	78,090
Employee future benefits	<b>144,365</b>	194,686
Deferred revenue	<b>1,113,478</b>	(526,501)
Prepaid expense	<b>(564,880)</b>	148,869
	<b>1,430,367</b>	846,152
<b>Capital activity</b>		
Acquisition of tangible capital assets	<b>(509,718)</b>	(534,692)
Increase in cash	<b>920,649</b>	311,460
Cash, beginning of year	<b>2,901,262</b>	2,589,802
<b>Cash, end of year</b>	<b>3,821,911</b>	2,901,262

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



## **1. Significant accounting policies**

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

The significant accounting policies adopted by the Library Board are as follows:

### *Basis of accounting*

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the year in which transactions or events occur that give rise to the revenue. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

### *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.

#### *(a) Tangible capital assets*

Tangible capital assets are recorded at cost. The cost, less residual value of the tangible capital assets, is amortized on a straight-line basis over their estimated useful lives as follows:

Collections	7 years
Furniture	10 years
Computer equipment	5 years
Vehicles	10 years

#### *(b) Leases*

Leases are classified as operating or capital leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

#### *(c) Prepaid expenses – Jess Hann Branch*

The Library entered into an agreement with the lessor of the Jess Hann library branch. Under this agreement rent was prepaid for the term of the lease and an equivalent donation made to the Library Board. The prepaid rent is being expensed over the term of the lease. The donation was deferred and is being amortized to income over the term of the lease.

### *Post-employment benefits*

The present value of providing employees with post-employment benefits is recognized as employees earn these entitlements through service.

**1. Significant accounting policies (continued)**

*Deferred revenue*

Certain grants contain conditions specifying the use of the funds received. Any unspent portion of conditional grants is reported as deferred revenue.

The Library Board receives development charge contributions under authority of provincial legislation and a by-law of the City of Oshawa. These funds by their nature are restricted in their use and until applied to applicable capital works are recorded as deferred revenue. Amounts applied to qualifying capital projects are recorded as revenue in the fiscal year the funds are expended.

*Reserve and reserve funds*

Certain amounts, as approved by the Board, are set aside in reserves for future operating and capital purposes. Transfers to/from reserves and reserve funds are recorded when approved.

*Government transfers*

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

*Investment income*

Investment income earned (other than development charge funds) are reported as revenue in the year earned. Investment income earned on unspent development charge funds is added to the deferred revenue balance.

*Budget figures*

The budget figures included in the statements of operations and change in net debt were derived from the original budget as approved by the Board with adjustments to present the information on a basis consistent with Public Sector Accounting Standards.

*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 amounts of assets and 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 those estimates. Accounts subject to estimates include employee future benefits, certain accrued liabilities and net book value of tangible capital assets.

**2. Contribution to Library renovations**

During the year, the Library incurred costs of \$568,698 (\$294,873 in 2021) in respect of renovations to library branches. As the renovations pertain to buildings owned by the City and are not recorded as tangible capital assets in the Library's financial statements, the amount paid has been expensed in the Library's financial statements.

**3. Pension agreement**

The Library makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan, on behalf of eligible staff members. The plan is a defined benefit plan which specifies the amount of retirement benefit to be received by the employee based on the length of service and rates of pay. Contributions paid by the Library in 2022 were \$416,080 (\$433,580 in 2021).

As at December 31, 2022, the OMERS plan had a funding deficit of approximately \$6.7 billion. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the library does not recognize any share of the OMERS pension surplus or deficit.

**4. Employee future benefits**

Employee future benefits are comprised as follows:

	<b>2022</b>	2021
	<b>\$</b>	\$
Accumulated sick leave benefit plan entitlements	<b>962,428</b>	930,683
Post-employment benefits	<b>3,155,781</b>	3,042,980
	<b>4,118,209</b>	3,973,663

*(a) Accumulated sick leave benefit plan entitlements*

Under the sick leave benefit plan, applicable only to employees hired prior to January 1, 1992, unused sick leave can accumulate, and employees may become entitled to a cash payment when they leave the Library's employment.

*(b) Post-employment benefits*

The Library makes available to qualifying employees certain non-pension post-employment benefits for extended health care and life insurance.

The significant actuarial assumptions adopted in estimating the Library's employee future benefits are as follows:

Discount rate	5.0% (Post-employment benefits), 5.0% (sick leave benefits)
Future inflation rates	3% for salary, 2% general inflation
Medical benefit cost escalation	5.8% (reducing yearly to 4.5% after 4 years)

The Library has established a reserve to mitigate the future impact of these obligations as detailed on the Schedule of Reserves and Reserve Funds. The balance of the sick leave reserve is \$108,940 (\$107,302 in 2021).

The date of the most recent actuarial valuation for accounting purposes was December 31, 2022.

**4. Employee future benefits (continued)**

Information about the Library's employee future benefits is as follows:

*Continuity of accrued benefit liability*

	<b>2022</b>	2021
	\$	\$
Accrued benefit liability, beginning of year	<b>3,973,844</b>	3,779,158
Expenses for the year	<b>292,195</b>	311,095
Benefits paid	<b>(147,830)</b>	(116,409)
Accrued benefit liability, end of year	<b>4,118,209</b>	3,973,844

*Reconciliation of accrued benefit obligation*

	<b>2022</b>	2021
	\$	\$
Accrued benefit obligation at December 31	<b>2,577,628</b>	3,930,026
Unamortized actuarial gain	<b>1,540,581</b>	43,818
	<b>4,118,209</b>	3,973,844

*Expense*

	<b>2022</b>	2021
	\$	\$
Current service cost	<b>176,012</b>	187,638
Amortization of actuarial (gain) loss	<b>(545)</b>	23,101
Interest on accrued benefit obligations	<b>116,728</b>	100,356
	<b>292,195</b>	311,095

**5. Deferred revenue**

Deferred revenue represents development charges, donations, charges and municipal contributions which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenue in the fiscal year the related services are performed. The following is the current status of the deferred revenue:

	<b>2022</b>	2021
	\$	\$
Obligation Reserve Fund - development charges	<b>4,029,224</b>	3,476,614
Deferred revenue		
Jess Hann Branch	<b>584,238</b>	23,370
	<b>4,613,462</b>	3,499,984

**5. Deferred revenue (continued)**

Continuity of deferred revenue is as follows:

	<b>2022</b>	2,021
	\$	\$
Balance, beginning of year	<b>3,499,984</b>	4,026,485
Developer contributions collected	<b>522,612</b>	363,452
Interest earned	<b>29,998</b>	7,685
Other donations	<b>701,085</b>	—
	<b>1,253,695</b>	371,137
Less		
General deferred revenues earned	<b>140,217</b>	143,244
Other contributions earned	—	754,394
	<b>140,217</b>	897,638
	<b>4,613,462</b>	3,499,984

**6. Tangible capital assets**

	<b>Collections</b>	<b>Furniture</b>	<b>Computer equipment</b>	<b>Vehicles</b>	<b>2022 Total</b>	2021 Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance, beginning of year	<b>4,901,271</b>	<b>801,650</b>	<b>153,201</b>	<b>73,778</b>	<b>5,929,900</b>	6,107,316
Additions	<b>509,718</b>	—	—	—	<b>509,718</b>	534,692
Write-offs	<b>(653,754)</b>	—	—	—	<b>(653,754)</b>	(712,108)
	<b>4,757,235</b>	<b>801,650</b>	<b>5,558,885</b>	<b>73,778</b>	<b>5,785,864</b>	5,929,900
Accumulated amortization						
Balance, beginning of year	<b>2,979,897</b>	<b>705,146</b>	<b>151,593</b>	<b>3,689</b>	<b>3,840,325</b>	3,900,569
Amortization expense	<b>582,069</b>	<b>29,312</b>	<b>460</b>	<b>7,378</b>	<b>619,219</b>	651,864
Write-offs	<b>(653,754)</b>	—	—	—	<b>(653,754)</b>	(712,108)
Balance, end of year	<b>2,908,212</b>	<b>734,458</b>	<b>152,053</b>	<b>11,067</b>	<b>3,805,790</b>	3,840,325
Net book value, end of year	<b>1,849,023</b>	<b>67,192</b>	<b>5,406,832</b>	<b>62,711</b>	<b>1,980,074</b>	2,089,575

**7. Accumulated surplus**

Accumulated surplus consists of the following:

	<b>2022</b>	2021
	\$	\$
Operating fund	—	67,729
Capital fund	—	(118,371)
Unfunded liabilities	<b>(4,118,209)</b>	(3,973,844)
Reserves and reserve funds (Schedule)	<b>3,638,447</b>	2,471,170
Invested in capital assets	<b>1,980,074</b>	2,089,575
	<b>1,500,312</b>	536,259

**8. Budget**

The budget adopted by the Library Board was not prepared on a basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis. The budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net debt represent the budget adopted by Council February 1, 2019 with adjustments as follows:

	<b>2022</b>	2021
	<b>\$</b>	<b>\$</b>
Budgeted deficit for the year	—	—
Add		
Tangible capital asset additions	<b>543,950</b>	522,600
Interfund transfers	<b>212,689</b>	212,689
Other grants	<b>350,000</b>	—
Less		
Library renovations	<b>(550,000)</b>	(200,000)
Estimated amortization	<b>(620,000)</b>	(690,000)
Employee future benefits	<b>(145,000)</b>	(195,000)
	<b>(208,361)</b>	(349,711)

**9. Contractual obligations**

Contractual obligations for library renovation work in progress total approximately \$28,400 (\$380,000 in 2021). Financing for these commitments has been approved by the Library Board.

## Oshawa Public Library Board

### Schedule – Schedule of reserves and reserve funds

Year ended December 31, 2022

	Balance, beginning of year \$	Interest earned \$	Donations \$	Appropriations to (from) \$	2022 Balance, end of year \$	2021 Balance, end of year \$
<b>Reserves</b>						
Capital	2,202,140	28,243	—	(147,603)	2,082,780	2,202,140
Operating						
Equipment	—	—	—	474,159	474,159	—
Growth and program development	—	—	—	600,000	600,000	
Program materials	—	—	—	200,000	200,000	
Friends of the library	34,319	788	19,229	(11,404)	42,932	
South Oshawa library	105,375	1,839	—	—	107,214	
	<b>2,341,834</b>	<b>30,870</b>	<b>19,229</b>	<b>1,115,152</b>	<b>3,507,085</b>	
<b>Bequest reserve funds</b>	<b>22,034</b>	<b>385</b>	<b>—</b>	<b>—</b>	<b>22,419</b>	22,034
<b>Sick leave reserve – held by City of Oshawa</b>	<b>107,302</b>	<b>2,042</b>	<b>—</b>	<b>(401)</b>	<b>108,943</b>	107,302
	<b>2,471,170</b>	<b>33,297</b>	<b>19,229</b>	<b>1,114,751</b>	<b>3,638,447</b>	129,336