

## AGENDA 5.1

**TO:** Markham Public Library Board  
**FROM:** Catherine Biss, CEO & Secretary-Treasurer  
**PREPARED BY:** Michelle Sawh, Director, Administration  
**DATE OF MEETING:** May 29, 2023  
**SUBJECT:** Financial Statements of the Markham Public Library Board, December 31, 2022

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### RECOMMENDATIONS:

That the report entitled “Financial Statements of the Markham Public Library Board, December 31, 2022” be received; and,

That the Board approves the Financial Statements of the City of Markham Public Library Board, December 31, 2022; and,

That the Board Chair be authorized to sign the approved 2022 Financial Statements on behalf of the Board; and,

That the Board authorize Staff to issue the final audited Financial Statements for the fiscal year ended December 31, 2022;

**AND That Staff be authorized and directed to do all things necessary to give effect to this resolution.**

### EXECUTIVE SUMMARY:

KPMG LLP has completed an audit of the Financial Statements of the Library Board and has expressed an unqualified or “clean” opinion that the Financial Statements present fairly, in all material respects, the consolidated financial position of the Library.

The audit process included an examination of the Library’s accounts and review of Board minutes for the calendar year 2022, as well as a review of the organization’s procedures and tests of the Internal Control Systems. The financial statements of the Markham Public Library were prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

### PURPOSE:

The purpose of this Report is to obtain the Board’s approval of the “Financial Statements of the City of Markham Public Library Board, December 31, 2022”.

## AGENDA 5.1

### BACKGROUND:

This Report is prepared in accordance with the *Municipal Act, 2001, S.O. 2001, c. 25 (the Act)*. Section 296 (1) states that:

A municipality shall appoint an auditor licensed under the *Public Accounting Act, 2004* who is responsible for,

- a) annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of those bodies based on the audit; and
- b) performing duties required by the municipality or local board.

Section 1(1) of the *Act* indicates that the definition of “local board” includes a public library board.

The City of Markham’s external auditors, KPMG, have completed the examination of the Financial Statements of the Markham Public Library, for the year ended December 31, 2022. The Financial Statements are attached to this report for the Board’s consideration and review (Appendix “A”).

Approval of the Financial Statements is required each year as a condition of continued funding from the Province of Ontario. The 2022 Ministry of Tourism, Culture and Sport survey was submitted last year, and the Public Library Operating Grant of \$228,778 was received following submission. Financial disclosure to the Ministry is required under the *Public Libraries Act, R.S.O. 1990, P.44*, Regulation 976 “Grants for Public Libraries,” sec. 1(b).

### DISCUSSION:

KPMG LLP has completed an audit of the Financial Statements of the Markham Public Library Board and has expressed an unqualified or “clean” opinion that the Financial Statements present fairly and in all material respects the financial position of the Board.

The audit included an examination of the accounts and Library Board Meeting minutes for 2022. The auditor reviewed the Library’s procedures and conducted tests of the Internal Control Systems. The major part of the audit was conducted from the City’s Financial Services Department, where the Library’s accounting and payroll data is stored.

On May 16, 2022, the Library Board Chair, the CEO, the Director Administration, and the Financial Analyst met with the auditor to review the audited Financial Statements. In attendance from KPMG LLP was Jaanam Desai – Manager - Audit, who provided a summary of the audit results. These will be confirmed at the Board meeting on May 29, 2023.

The Financial Statements of the Markham Public Library Board were prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. These statements indicate the operating results and how the Library financed its activities and met its cash requirements. Additionally, the statements confirm that the resources were obtained and used in accordance with the Operating and Capital Budgets as approved by the Board.

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**Appendix “A”** (*Financial Statements of the City of Markham Public Library Board, December 31, 2022*) is the audited statements document and accompanying notes, consisting of the following:

- Statement of Financial Position
- Statement of Operations
- Statement of Change in Net Financial Assets (Debt)
- Statement of Cash Flows
- Notes to the Financial Statements

(1) **Statement of Financial Position** (Appendix A – page 1 of 9)

The Statement of Financial Position outlines the Library’s financial assets, financial liabilities and non-financial assets.

**Financial Assets:**

These are the resources controlled by the organization as a result of past events and from which future economic benefits are expected to flow to it. Financial assets include cash, receivables and other assets expected to be converted to cash, sold or consumed either within a year or within the operating cycle. These assets are continually turned over in the course of normal business activities.

The Financial Assets figure in 2022 was \$8,106,954 compared to the 2021 figure of \$6,539,442. The difference between these figures is mostly explained by the “**Due from the City of Markham**” figure, which is a mathematical calculation prepared for the financial statement based on the balances at year-end. This figure varies from year to year.

“**Cash**” consists of the money received at the end of each calendar year, but was actually deposited to the bank at the beginning of the following year. In 2022, the figure was \$2,918 compared to \$6,221 in 2021. There was less outstanding cash to be deposited in January 2022 than there was the previous year.

In 2022, a figure of \$8,034,261 was “**Due from the City of Markham**” compared to \$6,464,829 in 2021. The explanation for this is outlined within Note 5 on page 9 of the Statement.

“**Accounts receivable**” consists of HST receivables, as the government reimburses most of the HST that MPL pays to vendors for products and services. In 2022, there was a small increase in this figure compared to the previous year.

**Financial Liabilities:**

These are financial obligations to outside organizations or individuals that are the result of transactions or events that occurred on or before the end of the accounting period.

“**Accounts payable**” is money owed by the Library to vendors and contractors and is shown as a liability on the balance sheet. In 2022, this figure was \$30,135 compared with \$22,910 in 2021. In 2022, more invoices were received late and therefore could not be processed prior to year-end.

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“**Accrued salaries and wages**” are salaries and wages that were earned at the end of one calendar year, but were actually paid out in January of the next year. This figure varies each year and is a function of the calendar, i.e. the timing of the first pay period in any year and when that pay period is actually paid out to employees. In 2022, this figure was \$729,455 compared with \$381,555 in 2021.

“**Accrued vacation pay**” results from full time employees carrying forward vacation entitlement earned in one calendar year to be used in the next, which represents a liability. In 2022, this figure was \$159,038 compared to \$164,835 in 2021, representing a decline in this liability. The number of carried-over vacation days declined from 527.52 in 2021 to 506.01 in 2022 (see Note 3 on page 8 of the Statement), indicating improved management of this liability. Under the Full Time Collective Agreement and Library policy, full time employees are entitled to carry forward up to 50% of earned vacation entitlement, to be used no later than June 30<sup>th</sup> of the following year.

“**Deferred revenue**” is revenue received in 2022 from customers for paid programs and room rentals that actually commenced in 2023. Deferred revenues are considered a liability until the funds are spent, and they vary from year to year. The increased program fees revenue received in 2022 resulted in a higher deferred revenue figure that year.

### **Non-Financial Assets:**

Non-financial assets are assets that have a physical value such as property. They include “**Tangible capital assets**” (TCAs) and “**Prepaid expenses**”. TCAs includes Library collections, furniture and fixtures. The net book value of TCAs is comprised of the gross capital asset cost, plus additions, less disposals, less accumulated amortization and other adjustments.

The TCAs figure for 2022 of \$6.5M compares to the 2021 figure of \$7.3M. Details of the TCAs can be found in Note 2 on page 8 of the Statement.

“**Prepaid expenses**” include subscriptions and contracts whose terms are for fixed periods commencing in calendar year 2022 and continuing into the next year. This figure includes both paper and electronic subscriptions, including databases to which the Library subscribes. This figure can fluctuate from year to year based on timing differences related to the payment of invoices. In 2022, there was a very small decrease in this figure compared to the previous year.

### **Accumulated Surplus:**

This is the sum of Net Debt and Non-Financial Assets. This is the go-forward balance and is equivalent to Retained Earnings.

#### **(2) Statement of Operations** (Appendix A – page 2 of 9)

This statement accounts for the Library’s operating revenues and expenditures, and includes amortization of TCAs in the accounting period – the second line under **EXPENSES**.

#### **(3) Statement of Change in Net Financial Assets (Debt)** (Appendix A – page 3 of 9)

This statement presents changes in net financial assets such as TCAs and describes the change in value of the Library’s non-financial assets from the previous year.

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(4) **Statement of Cash Flows** (Appendix A – page 4 of 9)

This statement presents changes in cash and cash equivalents by highlighting the sources and uses of cash. The statement indicates how the Library's activities were financed and how cash requirements were met.

(5) **Notes to the Financial Statements** (Appendix A – pages 5 to 9)

Detailed discussion and explanations of the following:

1. Significant Accounting Policies, including:
  - Basis of Accounting
  - Government Transfers
  - Non-Financial Assets
  - Deferred Revenue
  - Pension Agreement
  - Use of Estimates
  - Vacation Pay
  - Related Party Transactions
  - Future Accounting Pronouncements
2. Tangible Capital Assets
3. Accrued Vacation Pay
4. Pension Agreements
5. Due from the City of Markham
6. Budget



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Catherine Biss  
CEO & Secretary-Treasurer

**ATTACHMENTS:**

- **Appendix "A"** – Financial Statements of the City of Markham Public Library Board,  
December 31, 2022

*Financial Statements of*

**CITY OF MARKHAM PUBLIC LIBRARY BOARD**

*December 31, 2022*

**CITY OF MARKHAM PUBLIC LIBRARY BOARD**  
**Statement of Financial Position**  
**December 31, 2022, with comparative information for 2021**

	Note	2022	2021
<b>FINANCIAL ASSETS</b>			
Cash		\$ 2,918	\$ 6,221
Due from the City of Markham	5	8,034,261	6,464,829
Accounts receivable		69,775	68,392
		<b>8,106,954</b>	<b>6,539,442</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts payable		30,135	22,910
Accrued salaries and wages		729,455	381,555
Accrued vacation pay	3	159,038	164,835
Deferred revenue		116,838	75,804
		<b>1,035,466</b>	<b>645,104</b>
<b>NET FINANCIAL ASSETS</b>		<b>7,071,488</b>	<b>5,894,338</b>
<b>NON-FINANCIAL ASSETS</b>			
Tangible capital assets	2	6,467,573	7,302,657
Prepaid expenses		88,792	90,497
		<b>6,556,365</b>	<b>7,393,154</b>
<b>ACCUMULATED SURPLUS</b>		<b>13,627,853</b>	<b>13,287,492</b>

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

**CITY OF MARKHAM PUBLIC LIBRARY BOARD**  
**Statement of Operations**  
**For the year ended December 31, 2022, with comparative information for 2021**

	2022 Budget (note 6)	2022 Actual	2021 Actual
<b>REVENUES</b>			
City of Markham grants	\$ 16,662,008	\$ 16,662,008	\$ 16,654,994
Province of Ontario			
Per household grant	228,778	228,778	228,778
Federal Grant: Summer Employment	-	45,691	-
Program fees	495,918	251,452	52,933
Fines and Fees	249,728	53,805	30,956
Rentals	54,469	7,628	439
Photocopying	30,250	13,224	2,228
Sales	71,186	28,379	4,110
Miscellaneous	16,791	41,341	1,160
	<b>17,809,128</b>	<b>17,332,306</b>	<b>16,975,598</b>
<b>EXPENSES</b>			
Salaries, wages and benefits	12,756,306	11,442,492	8,494,186
Amortization	2,175,584	2,125,538	2,272,475
Library materials and supplies	1,200,000	1,403,979	1,293,453
Property rental/leased equipment	931,996	919,895	917,137
Contracts and service agreements	250,122	240,127	227,218
Maintenance and repairs	218,126	238,187	186,589
Utilities	166,112	140,443	120,816
Communication	121,386	132,025	88,829
Program expenses	111,282	102,384	24,026
Training and travel	112,999	95,113	88,219
Professional services	77,642	78,183	48,328
Printing and office supplies	35,957	33,801	20,486
Promotion	31,000	33,795	30,287
Office furniture and equipment	6,000	5,982	5,369
	<b>18,194,512</b>	<b>16,991,945</b>	<b>13,817,418</b>
Annual Surplus (Deficit)	<b>(385,384)</b>	<b>340,361</b>	<b>3,158,180</b>
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<b>13,287,492</b>	<b>13,287,492</b>	<b>10,129,312</b>
ACCUMULATED SURPLUS, END OF YEAR	<b>\$ 12,902,108</b>	<b>\$ 13,627,853</b>	<b>\$ 13,287,492</b>

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



**CITY OF MARKHAM PUBLIC LIBRARY BOARD**  
**Statement of Change in Net Financial Assets (Debt)**  
**For the year ended December 31, 2022, with comparative information for 2021**

	<b>2022</b>	<b>2021</b>
	<b>Actual</b>	<b>Actual</b>
<b>ANNUAL SURPLUS</b>	<b>\$ 340,361</b>	<b>\$ 3,158,180</b>
Acquisition of tangible capital assets	<b>(1,290,452)</b>	<b>(1,631,317)</b>
Amortization of tangible capital assets	<b>2,125,538</b>	<b>2,272,475</b>
Change in non-financial assets and liabilities	<b>1,703</b>	<b>79,140</b>
<b>CHANGE IN NET FINANCIAL ASSETS</b>	<b>1,177,150</b>	<b>3,878,478</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>5,894,338</b>	<b>2,015,860</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>\$ 7,071,488</b>	<b>\$ 5,894,338</b>

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

**CITY OF MARKHAM PUBLIC LIBRARY BOARD**  
**Statement of Cash Flows**  
**For the year ended December 31, 2022, with comparative information for 2021**

	2022	2021
<b>Cash provided by (used in)</b>		
<b>Operating Activities:</b>		
Annual surplus	\$ 340,361	\$ 3,158,180
Amortization of tangible capital assets	2,125,538	2,272,475
Change in other non-cash assets and liabilities		
Accounts receivable	(1,384)	(5,346)
Accounts payable	7,225	(14,795)
Accrued salaries and wages	347,900	129,561
Accrued vacation pay	(5,797)	(18,814)
Deferred revenue	41,034	1,192
Prepaid expenses	1,705	79,140
<b>Net Change in cash from operating activities</b>	<b>2,856,583</b>	<b>5,601,593</b>
<b>Capital Activities:</b>		
Purchase of tangible capital assets	(1,290,452)	(1,631,317)
<b>Net Change in cash from capital activities</b>	<b>(1,290,452)</b>	<b>(1,631,317)</b>
<b>Financing Activities:</b>		
Due from the City of Markham	(1,569,434)	(3,965,532)
<b>Net Change in cash from financing activities</b>	<b>(1,569,434)</b>	<b>(3,965,532)</b>
<b>NET CHANGE IN CASH</b>	<b>(3,303)</b>	<b>4,744</b>
<b>OPENING CASH</b>	<b>6,221</b>	<b>1,477</b>
<b>CLOSING CASH</b>	<b>\$ 2,918</b>	<b>\$ 6,221</b>

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

## 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Markham Library Board (the "Library Board") have been prepared by management in accordance with Canadian generally accepted accounting principles established 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:

### *BASIS OF ACCOUNTING*

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognize revenues as they become available and measurable; expenditures are the cost of goods or services acquired in the period whether or not payment has been made or invoices received.

### *GOVERNMENT TRANSFERS*

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. The Corporation of the City of Markham's (the "City") contribution consists of the current year's requisition as approved by Council.

### *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

The estimated useful lives as follows:

<b>Asset</b>	<b>Useful Life - Years</b>
Library Furniture & Fixtures	10
Library Media Collection	7

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## **1. SIGNIFICANT ACCOUNTING POLICIES**

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The City of Markham Public Library Board applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, CPI was used to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

Library Media Collections include all non-electronic publications with a useful life extending beyond one year. Electronic products are expensed in the year of acquisition as library materials and supplies within the Statement of Operations. Amortization is pro-rated to 6 months in the year of acquisition and in the year of disposal.

### **(ii) Works of art, culture and historic assets**

Works of art, culture and historic assets are not recorded as assets in these financial assets.

### ***DEFERRED REVENUE***

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

### ***PENSION AGREEMENT***

The Library Board contributes to the Ontario Municipal Employees Retirement System on behalf of its staff. The plan is a defined benefit plan and specifies the amount the retirement benefit to be received by the employees based upon length of credited service and average earnings. As the plan is a multi-employer plan, the Library Board accounts for the plan as if it were a defined contribution plan.

### ***USE OF ESTIMATES***

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

### ***VACATION PAY***

Vacation entitlements are accrued for as earned by the employee. Values are derived by the employees current wage rate and vacation entitlement, unless specified otherwise in employment contracts or union agreements.

## **1. SIGNIFICANT ACCOUNTING POLICIES**

### *RELATED PARTY TRANSACTIONS*

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties also include key management personnel, such as City Councillors, as well as their close family members.

PS 2200 - Related Party Disclosure, requires the City to disclose circumstances in which the entity enters into transactions with its related parties at a value different from that which would have been arrived at if the parties were unrelated (i.e. not at arm's length) and these transactions are considered to have a significant financial impact on the City's consolidated financial statements. In the event qualifying transactions are identified, the City would disclose the nature of relationships with all involved parties, type of related party transaction, and amounts recognized in the consolidated financial statements.

### *FUTURE ACCOUNTING PRONOUNCEMENTS*

These standards and amendments were not yet effective for the year ended December 31, 2022, 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 1201, Financial Statement Presentation, was issued in June, 2011. This standard requires entities to present a new statement of remeasurement gains and losses separate from the statement of operations and accumulated surplus. This new standard includes unrealized gains and losses arising from remeasurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is effective for fiscal years beginning on or after April 1, 2022 and applies when PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation, are adopted (the Library Board's December 31, 2023 year-end).

(ii) PS 3450, Financial Instruments, establishes the standards on accounting for and reporting all types of financial instruments including derivatives. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Library Board's December 31, 2023 year-end).

(iii) PS 2601, Foreign Currency Translation, establishes the standards on accounting for and reporting transactions that are denominated in a foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Library Board's December 31, 2023 year-end). Earlier adoption is permitted. A public sector entity adopting this standard must also adopt the new financial instruments standard.

(iv) PS 3041 - Portfolio Investments, replaces PS 3040 - Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of portfolio investments to conform to PS 3450 - Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 - Temporary Investments, will no longer apply. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Library Board's December 31, 2023 year-end).

## 1. SIGNIFICANT ACCOUNTING POLICIES

(v) PS 3280, Asset Retirement Obligations, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets either in productive use or no longer in productive use. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Library Board's December 31, 2023 year-end).

(vi) 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 P3 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. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Library Board's December 31, 2023 year-end).

(vii) PS 3400, Revenue, establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. This standard is effective for fiscal years beginning on or after April 1, 2023 (the Library Board's December 31, 2024 year-end).

(viii) 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 Library Board's December 31, 2024 year-end).

## 2. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated Depreciation				Net book value	
	Jan 1, 2022	Additions	Disposals	Dec 31, 2022	Jan 1, 2022	Additions	Disposals	Dec 31, 2022	Dec 31, 2022	Dec 31, 2021
Library Furniture & Fixtures	2,948,126	110,080	(458,988)	2,599,218	1,903,459	228,767	(458,988)	1,673,237	925,981	1,044,667
Library Media Collection	15,871,594	1,180,372	(2,158,686)	14,893,280	9,613,604	1,896,771	(2,158,686)	9,351,688	5,541,592	6,257,990
Total	18,819,720	1,290,452	(2,617,674)	17,492,498	11,517,063	2,125,538	(2,617,674)	11,024,925	6,467,573	7,302,657

## 3. ACCRUED VACATION PAY

Full-time staff is entitled to carry forward up to fifty percent of the earned vacation, to be used no later than June of the following year.

At year-end, the number of unused vacation days for full-time staff totaled 506.01 days (2021 – 527.52 days).

**4. PENSION AGREEMENTS**

The Library Board makes contributions to the Ontario Municipal Employees Retirement System (“OMERS”), which is a multi-employer public sector pension plan, on behalf of 147 members (2020 - 180) 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 services and rates of pay.

The amount contributed to OMERS for current services for 2022 was \$712,159 (2021 - \$594,497).

**5. DUE FROM THE CITY OF MARKHAM**

The amount due from the City is not subject to any specific terms of repayment and does not bear any interest. The amount arises primarily as the result of net current year operations and capital expenditures incurred by the City on behalf of the Markham Public Library Board and is consolidated with the City’s financial statements.

**6. BUDGET**

The 2022 operating budget, as approved by Council, was adopted by the Library Board at the April 25, 2022 meeting.