

AGENDA 5.1

TO: Markham Public Library Board

FROM: Catherine Biss, CEO & Secretary-Treasurer

PREPARED BY: Michelle Sawh, Director, Administration

DATE OF MEETING: May 26, 2025

SUBJECT: Financial Statements of the Markham Public Library Board, December 31, 2024

RECOMMENDATIONS:

That the report entitled “Financial Statements of the City of Markham Public Library Board, December 31, 2024” be received; and,

That the Board approves the Financial Statements of the City of Markham Public Library Board, December 31, 2024; and,

That the Board Chair be authorized to sign the approved 2024 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, 2024;

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 2024, 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 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.

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, 2024”.

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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, 2024. 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 2024 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 2024. The auditor reviewed the Library’s procedures and conducted tests of the Internal Control Systems. A major part of the audit was conducted from the City of Markham’s Financial Services Department, where the Library’s accounting and payroll data is stored.

On May 13, 2025, 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 were Maria Khoushnood, Partner, Audit, and Theresa Ho, Manager, Private Enterprise. They provided a summary of the audit results which will be confirmed at the Board meeting on May 26, 2025.

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 City of Markham Public Library Board, December 31, 2024*) 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 2024 was \$7,642,244 compared to the 2023 figure of \$7,669,187. 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.

“**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 2024, the figure was \$2,770 compared to \$3,510 in 2023.

In 2024, \$7,561,850 was “**Due from the City of Markham**” compared to \$7,561,850 in 2023. This 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’s operations and capital expenditure incurred by the City on behalf of the Markham Public Library Board and is consolidated with the City’s financial statements. See further explanation outlined within Note 5 on page 8 of the Statement.

“**Other**” consists of HST receivables, as the government reimburses most of the HST that MPL pays to purchase products and services. This figure was lower in 2024 than it was in 2023 due to sale tax free period started on Dec 15, 2024, until Feb 15, 2025.

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.

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“Accounts payable” is a figure representing amounts owed by the Library to vendors and contractors and is shown as a liability on the balance sheet. In 2024, this figure was \$24,209 compared to \$53,118 in 2023. In 2024, invoices were received and processed on time prior to year-end.

“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 2024, this figure was \$633,267 compared with \$528,868 in 2023.

“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 2024, this figure was \$186,572 compared to \$180,689 in 2023, representing an increase in this liability due to the cost-of-living adjustment. The number of carried-over vacation days declined to 525.02 (2024) from 537.51 (2023) – see Note 3 on page 8 of the Statement. 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 30th of the following year.

“Deferred revenue” is revenue received in 2024 from customers for paid for programs and room rentals that actually commenced in calendar year 2025. Deferred revenue is considered a liability until the funds are spent, and it varies from year to 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 2024 of \$6.16M compares to the 2023 figure of \$6.04M. 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 2024 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 through Financial Services. In 2024, there was a decline 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**.

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(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.

(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
 - Adoption of New Accounting Standards
 - Future Accounting Pronouncements
2. Tangible Capital Assets
3. Accrued Vacation Pay
4. Pension Agreements
5. Due from the City of Markham
6. Budget
7. Financial Instruments



Catherine Biss
CEO & Secretary-Treasurer

ATTACHMENTS:

- **Appendix "A"** – Financial Statements of City of Markham Public Library Board, December 31, 2024

Financial Statements of

CITY OF MARKHAM PUBLIC LIBRARY BOARD

December 31, 2024

CITY OF MARKHAM PUBLIC LIBRARY BOARD
Statement of Financial Position
December 31, 2024, with comparative information for 2023

	Note	2024	2023
FINANCIAL ASSETS			
Cash		\$ 2,770	\$ 3,510
Due from the City of Markham	5	7,567,244	7,561,850
Other		72,680	103,827
		7,642,694	7,669,187
FINANCIAL LIABILITIES			
Accounts payable		24,209	53,118
Accrued salaries and wages		633,267	528,868
Accrued vacation pay	3	186,572	180,689
Deferred revenue		115,643	135,568
		959,691	898,243
NET ASSET		6,683,003	6,770,944
NON-FINANCIAL ASSETS			
Tangible capital assets	2	6,158,665	6,041,761
Prepaid expenses		97,561	217,196
		6,256,226	6,258,957
ACCUMULATED SURPLUS		\$ 12,939,229	\$ 13,029,901

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, 2024, with comparative information for 2023**

	2024 Budget (note 6)	2024 Actual	2023 Actual
REVENUES			
City of Markham grants	\$ 18,060,382	\$ 18,060,382	\$ 17,571,865
Province of Ontario			
Per household grant	228,778	228,778	228,778
Seniors grant	-	12,659	3,341
Federal Grant: Summer Employment	-	-	42,075
Program fees	515,319	500,491	400,848
Fines and Fees	222,648	47,039	48,014
Rentals	57,148	28,131	15,812
Photocopying	30,250	49,828	28,754
Sales	71,186	90,668	57,498
Miscellaneous	21,791	28,296	19,718
	19,207,502	19,046,272	18,416,703
EXPENSES			
Salaries, wages and benefits	13,739,737	13,624,100	13,312,553
Amortization	1,864,944	1,898,630	2,021,651
Library materials and supplies	1,648,218	1,528,567	1,616,616
Property rental/leased equipment	926,870	927,551	924,024
Contracts and service agreements	280,721	264,322	239,956
Maintenance and repairs	212,768	193,913	190,814
Communication	164,270	153,815	150,041
Utilities	175,810	152,203	158,490
Professional services	79,131	122,694	118,158
Program expenses	111,115	107,944	116,883
Training and travel	107,937	107,396	108,100
Printing and office supplies	44,753	29,866	28,641
Promotion	32,588	22,237	23,412
Office furniture and equipment	7,000	3,706	5,316
	19,395,862	19,136,944	19,014,655
Annual deficit	(188,360)	(90,672)	(597,952)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	13,029,901	13,029,901	13,627,853
ACCUMULATED SURPLUS, END OF YEAR	\$ 12,841,541	\$ 12,939,229	\$ 13,029,901

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

CITY OF MARKHAM PUBLIC LIBRARY BOARD**Statement of Change in Net Financial Assets****For the year ended December 31, 2024, with comparative information for 2023**

	2024 Actual	2023 Actual
ANNUAL DEFICIT	\$ (90,672)	\$ (597,952)
Acquisition of tangible capital assets	(2,015,534)	(1,595,843)
Amortization of tangible capital assets	1,898,630	2,021,651
Change in non-financial assets and liabilities	119,635	(128,404)
CHANGE IN NET FINANCIAL ASSETS	(87,941)	(300,544)
NET ASSET, BEGINNING OF YEAR	6,770,944	7,071,488
NET ASSET, END OF YEAR	\$ 6,683,003	\$ 6,770,944

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, 2024, with comparative information for 2023**

	2024	2023
Cash provided by (used in)		
Operating Activities:		
Annual deficit	\$ (90,672)	\$ (597,952)
Amortization of tangible capital assets	1,898,630	2,021,651
Change in other non-cash assets and liabilities		
Accounts receivable	31,147	(34,052)
Accounts payable	(28,909)	22,984
Accrued salaries and wages	104,399	(200,587)
Accrued vacation pay	5,883	21,651
Deferred revenue	(19,925)	18,729
Prepaid expenses	119,635	(128,404)
Net Change in cash from operating activities	2,020,188	1,124,020
Capital Activities:		
Purchase of tangible capital assets	(2,015,534)	(1,595,839)
Net Change in cash from capital activities	(2,015,534)	(1,595,839)
Financing Activities:		
Due from the City of Markham	(5,394)	472,411
Net Change in cash from financing activities	(5,394)	472,411
NET CHANGE IN CASH	(740)	592
CASH, BEGINNING OF YEAR	3,510	2,918
CASH, END OF YEAR	\$ 2,770	\$ 3,510

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. The Library Board is economically dependent on the City of Markham for financial support through grants.

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

BASIS OF ACCOUNTING

Revenues and expenses 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:

Asset	Useful Life - Years
Library Furniture & Fixtures	10
Library Media Collection	7

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 (Markham Public Library) 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.

ADOPTION OF NEW ACCOUNTING STANDARDS

The Markham Public Library adopted the following new public sector accounting standards ("PS") for the year ended December 31, 2024.

- (i) PS 3160, Public Private Partnerships ("P3s")
- (ii) PS 3400, Revenue
- (iii) Public Sector Guideline 8 Purchased Intangibles

The adoption of these new accounting standards did not have a significant impact on the financial statements of the Markham Public Library.

FUTURE ACCOUNTING PRONOUNCEMENTS

Standards applicable for fiscal years beginning on or after April 1, 2026 (the Library Boards's December 31, 2027, year end).

(i) The Conceptual Framework for Financial Reporting in the Public Sector, the revised framework defines and elaborates on the characteristics of public sector entities and financial reporting objectives. The revised conceptual framework will replace the existing conceptual framework, which consists of Section PS 1000, Financial Statement Concepts, and Section PS 1100, Financial Statement Objectives. The conceptual framework is to be applied prospectively.

(ii) PS 1202 – Financial Statement Presentation: this new reporting model will be built upon the existing Section PS 1201 of the same name to better respond to the need for understandable financial statements.

(iii) 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.

CITY OF MARKHAM PUBLIC LIBRARY BOARD
Notes to the Financial Statements
Year ended December 31, 2024

2. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated Depreciation				Net book value	
	Jan 1, 2024	Additions	Disposals	Dec 31, 2024	Jan 1, 2024	Additions	Disposals	Dec 31, 2024	Dec 31, 2024	Dec 31, 2023
Library Furniture & Fixture	2,405,430	146,154	(226,966)	2,324,618	1,373,460	218,059	(226,966)	1,364,553	960,065	1,031,970
Library Media Collection	14,118,504	1,869,380	(1,642,571)	14,345,313	9,108,713	1,680,571	(1,642,571)	9,146,713	5,198,600	5,009,791
Total	16,523,934	2,015,534	(1,869,537)	16,669,931	10,482,173	1,898,630	(1,869,537)	10,511,266	6,158,665	6,041,761

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 525.02 days (2023 – 537.51 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 184 members (2023 - 189) 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 2024 was \$892,129 (2023 - \$921,310).

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 expenditure incurred by the City on behalf of the Markham Public Library Board and is consolidated with the City's financial statements.

	<u>2024</u>	<u>2023</u>
	\$	\$
Balance, beginning of the year	7,561,850	8,034,261
Deficit for the year	(90,672)	(597,952)
Amortization	1,898,630	2,021,651
Purchase of fixed assets	(2,015,534)	(1,595,840)
Change in cash and working capital	212,970	(300,270)
Due from the City of Markham	7,567,244	7,561,850

6. BUDGET

The 2024 operating budget was approved by the Council on February 28, 2024, and subsequently approved by the Library Board on May 27, 2024.

7. FINANCIAL INSTRUMENTS

(a) Fair value measurement hierarchy:

All financial instruments must be classified in accordance with the significance of the inputs used in making fair value measurements. The fair value hierarchy prioritizes the valuation techniques used to determine the fair value of a financial instrument based on whether the inputs to those techniques are observable or unobservable:

- Level 1: when valuation can be based on quoted prices in active markets for identical assets and liabilities.
- Level 2: when they are valued using quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or models using inputs that are observable; and
- Level 3: when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

Fair value inputs are taken from observable markets where possible, but if they are unavailable, judgement is required in establishing fair value. The Library Board's fair value hierarchy is classified as Level 1 for all financial assets and liabilities.

(b) 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 City consisting of accounts receivables.

As at December 31, 2024 there were no significant balances of accounts receivable due except for the City of Markham as per note 5.

(c) Liquidity Risk:

Liquidity risk is the risk that the Library Board will not be able to meet its 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. There has been no change to the risk exposure from 2023.

(d) Market Risk:

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and other price risks, will affect the entity's net results of operations or the fair value of its holdings of financial instruments. The Library Board does not have any market risk.