

Financial Statements of

**THE WATERLOO PUBLIC  
LIBRARY BOARD**

And Independent Auditor's Report thereon

Year ended December 31, 2023



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## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholder of The Waterloo Public Library Board

### ***Opinion***

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

- the statement of financial position as at December 31, 2023
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes 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, 2023 and its results of operations 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.

### ***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.



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- 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.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

May 28, 2024

# THE WATERLOO PUBLIC LIBRARY BOARD

## Statement of Financial Position

December 31, 2023, with comparative information for 2022

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 3,072,966	\$ 2,268,456
Investments (note 2)	177,951	177,951
Accounts receivable	85,206	70,611
	<u>3,336,123</u>	<u>2,517,018</u>
Financial liabilities:		
Accounts payable and accrued liabilities	408,151	182,465
Due to City of Waterloo (note 6)	572,528	134,940
Post-employment benefits (note 4)	293,283	431,101
Deferred revenue (note 6)	613,742	586,940
	<u>1,887,704</u>	<u>1,335,446</u>
Net financial assets	1,448,419	1,181,572
Non-financial assets:		
Tangible capital assets (note 3)	4,213,296	4,294,388
Prepaid expenses	-	62,673
	<u>4,213,296</u>	<u>4,357,061</u>
Accumulated surplus	<u>\$ 5,661,715</u>	<u>\$ 5,538,633</u>

See accompanying notes to financial statements.

# THE WATERLOO PUBLIC LIBRARY BOARD

## Statement of Operations and Accumulated Surplus

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget	2023 Actual	2022 Actual
<b>Revenue:</b>			
Municipal contribution (note 6)	\$ 7,364,900	\$ 7,451,844	\$ 8,105,040
Grant revenue	378,888	397,388	370,888
Fees, operating interest and miscellaneous income	24,000	55,265	47,259
Donations	4,000	41,338	125,782
Investment income	40,000	146,695	56,687
	<u>7,811,788</u>	<u>8,092,530</u>	<u>8,705,656</u>
<b>Expenses:</b>			
Salaries and wages	4,349,852	4,305,541	4,204,647
Amortization of tangible capital assets	-	1,014,568	1,135,569
Benefits	1,227,212	989,035	906,388
Maintenance	404,000	460,681	427,044
Automation	314,495	355,708	250,986
Office supplies	225,550	276,274	194,419
Utilities	218,000	182,868	131,556
Other	105,100	163,277	391,543
Other collections and services	160,000	155,863	161,827
Periodicals	65,000	65,633	44,885
	<u>7,069,209</u>	<u>7,969,448</u>	<u>7,848,864</u>
Annual surplus	742,579	123,082	856,792
Accumulated surplus, beginning of year	5,538,633	5,538,633	4,681,841
<b>Accumulated surplus, end of year</b>	<b>\$ 6,281,212</b>	<b>\$ 5,661,715</b>	<b>\$ 5,538,633</b>

See accompanying notes to financial statements.

# THE WATERLOO PUBLIC LIBRARY BOARD

## Statement of Changes in Net Financial Assets

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Annual surplus	\$ 123,082	\$ 856,792
Acquisition of tangible capital assets	(933,476)	(1,828,952)
Amortization of tangible capital assets	1,014,568	1,135,569
Change in prepaid expenses	62,673	(2,776)
	266,847	160,633
Net financial assets, beginning of year	1,181,572	1,020,939
Net financial assets, end of year	\$ 1,448,419	\$ 1,181,572

See accompanying notes to financial statements.

# THE WATERLOO PUBLIC LIBRARY BOARD

## Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 123,082	\$ 856,792
Items not involving cash:		
Amortization of tangible capital assets	1,014,569	1,135,569
Change in post-employee benefits	(137,818)	(102,800)
Changes in non-cash operating working capital:		
Accounts receivable	(14,595)	14,211
Accounts payable and accrued liabilities	225,685	(423,080)
Deferred revenue	26,802	-
Due to City of Waterloo	437,588	(69,083)
Prepaid expenses	62,673	(2,776)
	<u>1,737,986</u>	<u>1,408,833</u>
Capital activities:		
Cash used to acquire tangible capital assets	(933,476)	(1,828,952)
Net change in cash and cash equivalents,	804,510	(420,119)
Cash and cash equivalents, beginning of year	2,268,456	2,688,575
Cash and cash equivalents, end of year	<u>\$ 3,072,966</u>	<u>\$ 2,268,456</u>

See accompanying notes to financial statements.



# THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2023

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The Waterloo Public Library Board (the "Board"), as established by the Corporation of the City of Waterloo (the "City") and the Public Libraries Act, is a corporation under the laws of Ontario and is a not-for-profit as well as a registered charitable organization. The Board governs the Waterloo Public Library system and is dependent on the City for a significant portion of its operating and capital funding.

The Board is a key partner in supporting literacy and intellectual, cultural and economic vitality of the community. Through its resources and services, both physical and virtual, the Board offers people of all ages innovative lifelong learning and leisure opportunities.

These financial statements of the Board are the representation of management and have been prepared in accordance with Canadian generally accepted accounting policies for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgment. The following is a summary of the significant accounting policies followed in the preparation of these financial statements.

## 1. Significant accounting policies:

### (a) Change in accounting policies:

Effective Sunday, January 1, 2023 the Board adopted Public Accounting Standards PS 3450 - Financial Instruments and PS 2601 - Foreign Currency Translation. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized costs based on the characteristics of the instrument and the Organization's accounting policy choices.

On January 1, 2023, the Board also adopted Public Accounting Standard PS 3280 - Asset Retirement Obligations. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets such as asbestos removal.

There was no impact to the financial statements upon adoption of the standards.

# THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 1. Significant accounting policies (continued):

### (b) Financial instruments:

#### (i) Initial measurement:

Financial instruments are measured at fair value on origination or acquisition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

All of the Board's financial instruments are measured at cost or amortized cost.

The Board's financial instruments include cash and cash equivalents, investments, accounts receivable, accounts payable, Due to City of Waterloo, and deferred revenue. The carrying value approximates fair value due to the short-term nature of these financial assets and liabilities.

#### (ii) Subsequent to initial recognition:

Investments in equity instruments that are quoted in an active market and free standing derivatives that are not designated in a qualifying hedging relationship are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

As there have been no remeasurement gains or losses as the Board's financial instruments are measured at cost or amortized cost, the Statement of Remeasurement Gains (Losses) has been excluded.

# THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 1. Significant accounting policies (continued):

### (b) Financial instruments (continued):

#### (iii) Impairment:

At year end, the Board assesses whether there are any indications that a financial asset measured at cost or amortized cost may be impaired. For purposes of impairment testing, each individually significant asset is assessed individually; the balance of the assets are grouped on the basis of similar credit risk characteristics. When there is an indication of impairment, the Board determines whether a significant adverse change has occurred during the year in the expected timing or amount of future cash flows from the financial asset. When there has been a significant adverse change, the carrying amount of the asset is reduced to the highest of the present value of expected cash flows; the amount that could be realized by selling the asset; and the amount that could be realized by exercising the Board's right to any collateral held as security.

When the extent of impairment decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment is reversed to the extent of the improvement in the year the reversal occurs.

### (c) Tangible capital assets:

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

Asset	Rate
Books and audio-visual resources	7 years
Shelving	25 years
Computer hardware	3 years
Computer software	10 years
Furniture, fixtures and equipment	10 years

A half-year of amortization is charged in the year of acquisition and in the year of disposal.

### (d) Accrual basis of accounting:

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

# THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 1. Significant accounting policies (continued):

### (e) Employee future benefits:

The contributions to the Ontario Municipal Employers Retirement System ("OMERS"), a multi-employer defined benefit pension plan, are expensed when contributions are due.

The costs of post-employment benefits are recognized when the event that obligates the Board occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The cost of pensions and other retirement benefits is actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs and plan investment performance. Any actuarial gains or losses from changes in assumptions are amortized over the average remaining service period for active employees.

## 2. Investments:

Investments include The Kitchener and Waterloo Community Foundation Library Endowment Fund, which represents amounts held by The Kitchener and Waterloo Community Foundation for The Waterloo Public Library Board. The interest earned on the restricted principal of \$50,000 is to be used toward a summer reading program. The use of the balance of the interest earned by the Fund is decided annually. The principal is not available for purposes other than investing. Investments are recorded at cost. Fair value of the investments at December 31, 2023 is \$238,597 (2022 - \$230,232).

# THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 3. Tangible capital assets:

2023	Books and audio-visual resources	Shelving	Computer hardware	Computer software	Furniture, fixtures and equipment	Work in progress	Total
Balance, beginning of year	\$ 6,090,289	\$ 681,177	\$ 473,131	\$ 25,960	\$ 782,307	\$ 16,913	\$ 8,069,777
Additions	863,446	-	13,815	-	56,215	-	933,476
Disposals	(749,063)	-	(39,087)	-	(18,018)	-	(806,168)
Transfers	-	-	-	-	16,913	(16,913)	-
<b>Balance, end of year</b>	<b>\$ 6,204,672</b>	<b>\$ 681,177</b>	<b>\$ 447,859</b>	<b>\$ 25,960</b>	<b>\$ 837,417</b>	<b>\$ -</b>	<b>\$ 8,197,085</b>
Balance, beginning of year	\$ 2,769,947	\$ 330,984	\$ 364,372	\$ 18,702	\$ 291,384	\$ -	\$ 3,775,389
Disposals	(749,063)	-	(39,087)	-	(18,018)	-	(806,168)
Amortization expense	878,212	23,127	47,256	764	65,209	-	1,014,568
<b>Balance, end of year</b>	<b>\$ 2,899,096</b>	<b>\$ 354,111</b>	<b>\$ 372,541</b>	<b>\$ 19,466</b>	<b>\$ 338,575</b>	<b>\$ -</b>	<b>\$ 3,983,789</b>
Net book value, end of year	\$ 3,305,576	\$ 327,066	\$ 75,318	\$ 6,494	\$ 498,842	\$ -	\$ 4,213,296

# THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 3. Tangible capital assets (continued):

2022	Books and audio-visual resources	Shelving	Computer hardware	Computer software	Furniture, fixtures and equipment	Work in progress	Total
Balance, beginning of year	\$ 5,468,050	\$ 544,098	\$ 409,952	\$ 55,016	\$ 452,916	\$ 11,194	6,941,226
Additions	1,225,138	137,079	123,982	7,643	318,197	16,913	1,828,952
Disposals	(602,899)	-	(60,803)	(36,699)	-	-	(700,401)
Transfers	-	-	-	-	11,194	(11,194)	-
Balance, end of year	\$ 6,090,289	\$ 681,177	\$ 473,131	\$ 25,960	\$ 782,307	\$ 16,913	8,069,777
Balance, beginning of year	\$ 2,328,333	\$ 310,599	\$ 400,885	\$ 54,103	\$ 246,301	\$ -	3,340,221
Disposals	(602,899)	-	(60,803)	(36,699)	-	-	(700,401)
Amortization expense	1,044,513	20,385	24,290	1,298	45,083	-	1,135,569
Balance, end of year	\$ 2,769,947	\$ 330,984	\$ 364,372	\$ 18,702	\$ 291,384	\$ -	3,775,389
Net book value, end of year	\$ 3,320,342	\$ 350,193	\$ 108,759	\$ 7,258	\$ 490,923	\$ 16,913	4,294,388

# THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

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#### 4. Post-employment benefits:

The Library provides certain employee benefits, which may require funding in future periods. An actuarial estimate of future liabilities, dated December 31, 2023, has been completed for the year ended December 31, 2023, and forms the basis for the estimated liability reported in these financial statements.

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	2023	2022
Accumulated sick leave benefit plan entitlements	\$ 49,350	\$ 100,035
Other liabilities	243,933	331,066
	<b>\$ 293,283</b>	<b>\$ 431,101</b>

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The significant actuarial assumptions adopted in measuring the Library's accrued benefit obligations for the accumulated sick leave benefit plan entitlements and other liabilities at December 31, 2023 are as follows:

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Discount rate	2.55 %
Expected long-term rate of return	6.00 %
Salary increase	3.00 %
Dental cost increase	3.00 %
Health care cost increase	4.50 %

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# THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

## 4. Post-employment benefits (continued):

Information about the Library's benefit plans is as follows:

	2023	2022
Accrued benefit obligation:		
Balance, beginning of year	\$ (409,154)	\$ (436,609)
Current benefit cost	(33,841)	(32,999)
Interest	(10,148)	(10,857)
Benefits paid	90,072	54,921
Estimation adjustment	-	16,390
Balance, end of year	(363,071)	(409,154)
Unamortized actuarial loss (gain)	69,788	(21,947)
Liability for benefits	\$ (293,283)	\$ (431,101)
Amortization of actuarial gain	\$ (91,735)	\$ (91,735)

The City funds the expenditures related to this liability from its sick leave reserve fund.

(a) WSIB:

The Workplace Safety and Insurance Board ("WSIB") administers injured worker benefit payments on behalf of the Library as a Schedule 1 employer. The expense for the year was \$12,240 (2022 - \$7,555).

(b) Sick leave:

Under the sick leave benefit plan, unused sick leave can accumulate and certain employees may become entitled to a cash payment when they leave the Library's employment. The expense for the year, prior to the amortization of actuarial gain was \$22,650 (2022 - \$22,216).



# THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 4. Post-employment benefits (continued):

### (c) Pension plan:

The Library makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS"), which is a multi-employer plan on behalf of all permanent full-time and qualifying part-time members 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 service and rates of pay.

Contribution rates for employees earning below and above the year's maximum pensionable earnings were 9.0 % and 14.6% (2022 - 9.0% and 14.6%) respectively.

OMERS is a multi-employer plan, therefore, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, Waterloo Public Library does not recognize any share of the OMERS pension surplus or deficit. The last available report for the OMERS plan was at December 31, 2023. At that time, the plan reported a \$4.2 billion actuarial deficit (2022 - \$6.7 billion actuarial deficit).

The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employee based upon length of service and rates of pay.

The amount contributed to OMERS for 2023 was \$366,265 (2022 - \$323,465) for current service and is included as an expenditure on the statement of revenue and expenses and accumulated surplus.

## 5. Commitments:

The board has committed to the following amounts as at December 31, 2023 representing rental expenses for certain equipment.

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2024	\$	27,285
2025		27,285
2026		27,285
2027		27,285
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		\$ 109,140

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# THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 6. Related party transactions:

The Board is appointed by the City of Waterloo Council, and as such, the City of Waterloo (the "City") has the ability to exercise significant influence over the Board. For this reason, the City is considered to be a related party to the Board.

The City provides municipal contributions to the Board. Municipal contributions received in 2023 amounted to \$7,451,844 (2022 - \$8,105,040).

The City approves capital grants for the Board to purchase specific capital items. Capital grants for 2023 totaled \$264,000 (2022 - \$243,000) and are included in grants revenue on the statement of operations.

In the normal course of operations, amounts are paid by the City on behalf of the Library, and subsequently invoiced to the Library.

	2023		2022	
Payroll	\$	607,072	\$	207,361
Capital funding		(34,544)		(72,421)
	\$	572,528	\$	134,940

In 2023, the Library contributed \$Nil (2022 - \$205,000) to the City of Waterloo for the Eastside Library Branch Project, which has been recorded within the Other expenses line on the statement of operations. As at December 31, 2023, the City has advanced amounts related to the 2023 municipal contribution, which has been reflected as deferred revenue on the statement of financial position.

# THE WATERLOO PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2023

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## 7. Financial risks and concentration of risk:

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Board is exposed to credit risk with respect to its accounts receivable and cash. The Board assesses on a continuous basis and provides for any amounts that are not collectible in the allowance for doubtful accounts.

### (b) Liquidity risk:

Liquidity risk is the risk that the Board will be unable to fulfil its obligations on a timely basis or at a reasonable cost. The Board manages its liquidity risk by monitoring its operating requirements. The Board prepares budget and cash forecasts to ensure it has sufficient funds to fulfil its obligations. There has been no change to the risk exposures from 2022.

### (c) Interest rate risk:

The Board is not currently exposed to any significant interest rate risk as there are no borrowings as at December 31, 2023 attracting interest.

## 8. Budget:

The Board does not budget for amortization expense, as reflected in the 2023 budget column on the statement of operations and accumulated surplus. The Board's 2023 budget excluded amortization expense however the Board's budget reflected an amount of \$742,579 of tangible capital asset additions.