

Financial Statements of

**THE LONDON PUBLIC LIBRARY
BOARD**

And Independent Auditor's Report thereon

Year Ended December 31, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The London Public Library Board

Opinion

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

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net financial assets (debt) 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 Board as at December 31, 2022, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Board 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 Board'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 Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board'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 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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- 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 Board'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 Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 18, 2023

THE LONDON PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash	\$ 3,555,172	\$ 3,709,402
Accounts receivable		
The Corporation of the City of London	194,316	208,600
London Public Library Board Trust Funds	465,906	65,595
Other	161,027	142,845
	4,376,421	4,126,442
Financial liabilities:		
Accounts payable and accrued liabilities	1,166,392	1,055,805
Deferred revenue	197,757	42,065
Payable to The Corporation of the City of London	19,783	10,599
Employee future benefits and other liabilities (note 3)	2,207,480	2,215,195
	3,591,412	3,323,664
Net financial assets	785,009	802,778
Non-financial assets:		
Tangible capital assets (note 7)	21,595,288	22,292,248
Prepaid expenses	331,015	338,556
	21,926,303	22,630,804
Commitments (note 5)		
Accumulated surplus (note 8)	\$ 22,711,312	\$ 23,433,582

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022	2022	2021
	(note 9)		
Revenue:			
User charges			
Fines	\$ 15,000	\$ 35,678	\$ 20,750
Fee, rental, sundry	422,946	546,951	249,883
Grants			
Federal	-	67,868	12,961
Ontario	598,829	598,829	598,829
Other	-	1,278	-
The Corporation of the City of London			
Current	21,741,937	21,741,937	21,391,623
Capital	473,878	473,877	268,896
Investment income	14,460	93,797	14,698
Contribution from Trust Funds (note 4)	-	407,313	353,573
Total revenues	23,267,050	23,967,528	22,911,213
Expenses:			
Personnel	15,875,581	15,450,541	14,318,714
Amortization of tangible capital assets	-	2,434,513	3,493,767
Facility services	2,312,641	2,421,337	2,105,612
Collections and lending services	2,598,803	1,393,483	1,238,695
Utilities	961,224	942,222	812,215
Purchased services	757,076	714,120	603,610
Technology	722,561	580,465	571,200
Trust fund expenditures (note 4)	-	374,349	344,243
Administrative	160,011	129,333	196,202
Major repairs and maintenance (capital)	473,878	98,977	124,690
Contribution to self-insurance reserve	91,500	92,044	91,104
Program services	41,000	47,849	42,038
Equipment	30,000	8,464	1,516
Contribution to Trust Funds	-	2,101	-
Total expenses	24,024,275	24,689,798	23,943,606
Annual deficit	(757,225)	(722,270)	(1,032,393)
Accumulated surplus, beginning of year	23,433,582	23,433,582	24,465,975
Accumulated surplus, end of year	\$ 22,676,357	\$ 22,711,312	\$ 23,433,582

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Change in Net Financial Assets (Debt)

Year ended December 31, 2022, with comparative information for 2021

	Budget 2022	2022	2021
	(note 9)		
Annual deficit	(757,225) \$	(722,270) \$	(1,032,393)
Acquisition of tangible capital assets	(1,568,009)	(1,737,553)	(1,494,098)
Amortization of tangible capital assets	-	2,434,513	3,493,767
	(2,325,234)	(25,310)	967,276
Change in prepaid expenses	-	7,541	(173,372)
Change in net financial assets (debt)	(2,325,234)	(17,769)	793,904
Net financial assets, beginning of year	802,778	802,778	8,874
Net financial assets (debt), end of year	\$ (1,522,456) \$	785,009 \$	\$ 802,778

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

THE LONDON PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (722,270)	\$ (1,032,393)
Items not involving cash:		
Amortization of tangible capital assets	2,434,513	3,493,767
Change in employee future benefits and other liabilities	(7,715)	(131,003)
Change in non-cash assets and liabilities:		
Receivable from The Corporation of the City of London	14,284	(51,365)
Receivable from London Public Library Board Trust Funds	(400,311)	(61,241)
Other accounts receivable	(18,182)	(30,006)
Accounts payable and accrued liabilities	110,587	225,559
Payable to The Corporation of the City of London	9,184	(10,195)
Deferred revenue	155,692	10,039
Prepaid expenses	7,541	(173,372)
	1,583,323	2,239,790
Capital activities:		
Cash used to acquire tangible capital assets	(1,737,553)	(1,494,098)
Increase (decrease) in cash	(154,230)	745,692
Cash, beginning of year	3,709,402	2,963,710
Cash, end of year	\$ 3,555,172	\$ 3,709,402

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

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

The financial statements of The London Public Library Board (the "Board"), a registered charity and a local board of the Corporation of the City of London (the "City"), are prepared in accordance with Canadian generally accepted accounting principles for governments as required by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada. Significant accounting policies adopted by the Board are as follows:

(a) Basis of accounting:

The Board follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Municipal funding:

The City provides funding to the Board for both operating and capital expenditures such as refurbishment, replacement and major repairs and maintenance to the Library buildings. Government transfer payments from the City are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

(c) Deferred revenue:

Deferred revenues represent grants and other designated funding which has been received but for which the service has yet to be performed. These amounts will be recognized as revenues in the fiscal year in which the services are performed.

(d) Investment income:

Investment income is reported as revenue in the period earned.

(e) Employee future benefits:

The Board provides certain employee benefits which will require funding in future periods. These benefits include life insurance, extended health and dental benefits for early retirees.

The costs of life insurance, extended health and dental benefits are actuarially determined using management's best estimate of salary escalation, insurance and health care cost trends, long term inflation rates and discount rates.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(f) Pension contributions:

The Board has a pension agreement with the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer defined contribution benefit plan. The Board's costs are the contributions due to the plan in the period.

(g) 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:

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

Asset	Useful Life - Years
Buildings	15 - 60 years
Leasehold improvements	40 years
Shelving	40 years
Furniture and equipment	7 years
Collections	7 years
Computers	3 years

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(ii) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(iii) Leased tangible capital assets:

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

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(h) Budget data:

Budget information has been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

(i) Use of estimates:

The preparation of financial statements 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 revenue and expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities and in preparing actuarial valuations for employee future benefits.

In addition, the Board's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets.

Actual results could differ from those estimates.

(j) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. This Standard relates to sites that are not in productive use and sites in productive use where an unexpected event resulted in contamination.

(k) Future accounting pronouncements:

These standards and amendments were not yet effective for the year ending 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) Asset Retirement Obligations

PS 3280, Asset Retirement Obligations, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of tangible capital assets in productive use. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Board's December 31, 2023 year-end).

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Employee future benefits and other liabilities:

Employee future benefits and other liabilities are comprised of the following:

	2022	2021
Liability for vested sick leave benefits (a)	\$ 29,665	\$ 29,665
Vacation pay liability	183,815	197,530
Employee future benefits obligation (b)	1,994,000	1,988,000
	\$ 2,207,480	\$ 2,215,195

(a) Liability for vested sick leave benefits:

Under the sick leave benefit plan, employees hired prior to May 1, 1985 can accumulate unused sick leave and may become entitled to a cash payment when they leave the employment of the Board.

The liability of these accumulated days, to the extent that they have vested and could be taken in cash by an employee upon ceasing employment with the Board as at December 31, 2022, amounts to \$29,665 (2021 - \$29,665). This amount is fully funded by a reserve held by the City in the amount of \$44,565 (2021 - \$43,792).

(b) Retiree benefits:

The Board provides certain post-employment and post-retirement employee benefits which will require funding in future periods.

The Board pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age sixty-five. The Board recognizes these post-retirement costs in the period in which the employees rendered the services. The most recent actuarial valuation was performed as at December 31, 2021.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2022

3. Employee future benefits and other liabilities (continued):

(b) Retiree benefits (continued):

Detailed information about retiree benefits is as follows:

	2022	2021
Accrued employee future benefit obligation:		
Balance, beginning of year	\$ 1,990,000	\$ 1,467,000
Current period benefit cost	79,000	70,000
Interest cost	59,000	48,000
Benefits paid	(123,000)	(90,000)
Actuarial loss	-	495,000
Balance, end of year	2,005,000	1,990,000
Unamortized actuarial loss	(11,000)	(2,000)
Employee future benefits obligation	\$ 1,994,000	\$ 1,988,000

Post-employment and post-retirement benefit expenses included in total expenditures consist of the following:

	2022	2021
Current year benefit cost	\$ 79,000	\$ 70,000
Interest on accrued benefit obligation	59,000	48,000
Amortization of net actuarial gain	(9,000)	(44,000)
Total expense	\$ 129,000	\$ 74,000

Significant assumptions used in the actuarial valuation are as follows:

Discount rate	3.00%
Rate of compensation increase	2.00%
Healthcare cost increases	4.00%

The actuarial gain is amortized over the expected average remaining service life of the related employee group of fourteen years.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2022

4. Trust funds:

Trust funds administered by the Board amounting to \$4,071,340 (2021 - \$3,693,730) have not been included in the statement of financial position nor have their operations been included in the statement of operations. They are reported separately on The London Public Library Board Trust Fund Financial Statements ("Trust Funds").

During the year, the Trust Funds transferred \$407,313 (2021 - \$353,573) to the Board for capital and operating expenses. This amount and the related expenditures have been included in the statement of operations.

5. Commitments:

The Board is committed under operating leases for the rental of premises and equipment. The minimum annual payments under these leases are as follows:

2023	\$	889,716
2024		881,876
2025		698,779
2026		677,439
2027 and beyond		1,966,851
	\$	5,114,661

6. Pension agreement:

The Board has a pension agreement with OMERS, which is a multi-employer plan, on behalf of its full and part-time staff. The plan is a contributory defined benefit plan which specifies the amount of retirement benefit to be received by the employees based on the length of service and rates of pay. The amount contributed to OMERS for 2022 is \$1,036,431 (2021 - \$970,908) for current service and is included as an expenditure in the statement of operations.

The last available report for the OMERS plan was on December 31, 2022. At that time, the plan reported a \$6.6 billion actuarial deficit (2021 - \$3.13 billion), based on actuarial liabilities for \$130.3 billion (2021 - \$120.8 billion) and actuarial assets for \$123.7 billion (2021 - \$117.67 billion). If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in contributions will be required in the future.

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2022

7. Tangible capital assets:

Cost	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Land	\$ 3,904,165	\$ -	\$ -	\$ 3,904,165
Buildings	39,339,985	72,223	-	39,412,208
Leasehold improvements	4,966,344	15,508	-	4,981,852
Collections	9,070,271	1,211,886	1,243,569	9,038,588
Shelving	1,281,713	-	-	1,281,713
Computers	1,030,852	319,661	692,531	657,982
Furniture and equipment	1,268,943	118,275	247,721	1,139,497
Total	\$ 60,862,273	\$ 1,737,553	\$ 2,183,821	\$ 60,416,005

Accumulated amortization	Balance at December 31, 2021	Additions	Disposals	Balance at December 31, 2022
Buildings	\$ 30,896,114	\$ 480,611	\$ -	\$ 31,376,725
Leasehold improvements	765,065	121,785	-	886,850
Collections	4,708,155	1,293,490	1,243,569	4,758,076
Shelving	783,855	32,043	-	815,898
Computers	690,200	281,471	692,531	279,140
Furniture and equipment	726,636	225,113	247,721	704,028
Total	\$ 38,570,025	\$ 2,434,513	\$ 2,183,821	\$ 38,820,717

	Net book value December 31, 2021	Net book value December 31, 2022
Land	\$ 3,904,165	\$ 3,904,165
Buildings	8,443,871	8,035,483
Leasehold improvements	4,201,279	4,095,002
Collections	4,362,116	4,280,512
Shelving	497,858	465,815
Computers	340,652	378,842
Furniture and equipment	542,307	435,469
Total	\$ 22,292,248	\$ 21,595,288

THE LONDON PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2022

8. Accumulated surplus:

Accumulated surplus consists of surplus and reserve funds as follows:

	2022	2021
Surplus:		
Invested in tangible capital assets	\$ 21,595,288	\$ 22,292,248
Unfunded:		
Employee benefits, accrued sick and vacation	(213,480)	(227,195)
Employee benefits, future benefit liability	(1,994,000)	(1,988,000)
Total surplus	19,387,808	20,077,053
Reserves set aside by the Board:		
Stabilization fund	3,098,938	2,931,612
Collections encumbrance fund	180,000	381,125
Total reserves	3,278,938	3,312,737
Reserve held by the City on behalf of the Board:		
Sick leave reserve	44,566	43,792
	\$ 22,711,312	\$ 23,433,582

9. Budget data:

Budget information has been provided for comparison purposes. Given differences between the budgeting model and generally accepted accounting principles established by PSAB, certain budgeted amounts have been reclassified to reflect the presentation adopted under PSAB.

	Budget amount
Revenues:	
Operating budget	\$ 23,550,395
Expenses:	
Operating budget	23,550,395
Annual surplus, as per approved budget	\$ -
Capital funding from the City	\$ 473,878
Major repairs and maintenance	(473,878)
Drawdown from Stabilization fund	(556,100)
Drawdown from Collections encumbrance fund	(201,125)
Annual deficit, revised	\$ (757,225)