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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Essex County Library Board, Members of Council and Ratepayers of the Corporation of the County of Essex

### ***Opinion***

We have audited the financial statements of Essex County Library Board (the Board), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations and accumulated surplus for the year then ended
- the statement of statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and the 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 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 responsibility 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 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.



### ***Responsibility 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 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 risk 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, internal 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 purposes 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 the 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's 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.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

June 21, 2023

**ESSEX COUNTY LIBRARY BOARD**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2022,**  
**WITH COMPARATIVE INFORMATION FOR 2021**

	<b>2022</b>	<b>2021</b>
	<u>\$</u>	<u>\$</u>
<b>Financial Assets</b>		
Cash	3,648,360	3,015,550
Accounts receivable	63,244	171,244
<b>Total Financial Assets</b>	<u><b>3,711,604</b></u>	<u><b>3,186,794</b></u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,274,099	1,356,642
Employee benefits payable (Note 2)	327,275	325,039
<b>Total Liabilities</b>	<u><b>1,601,374</b></u>	<u><b>1,681,681</b></u>
<b>Net Financial Assets</b>	<u><b>2,110,230</b></u>	<u><b>1,505,113</b></u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 3)	2,519,078	2,656,972
Prepaid expenses	114,015	207,266
<b>Total Non-Financial Assets</b>	<u><b>2,633,093</b></u>	<u><b>2,864,238</b></u>
<b>Accumulated Surplus (Note 4)</b>	<u><u><b>4,743,323</b></u></u>	<u><u><b>4,369,351</b></u></u>

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

**ESSEX COUNTY LIBRARY BOARD**  
**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022,**  
**WITH COMPARATIVE INFORMATION FOR 2021**

	2022	Budget	2021
	\$	\$	\$
<b>Revenue</b>			
Requisition on participating municipalities	6,026,200	6,026,200	5,869,850
Province of Ontario grants	380,990	347,200	402,595
Fees, fines, book sales and other	43,011	106,000	19,859
<b>Total Revenue</b>	<b>6,450,201</b>	<b>6,479,400</b>	<b>6,292,304</b>
<b>Expenses</b>			
Advertising	22,833	25,000	24,606
Amortization of tangible capital assets	646,616	659,405	643,203
Books, films and records	321,174	443,100	304,565
Board members' expenses	7,811	11,000	7,845
Capital	113,782	75,000	161,565
Computerization	147,014	230,700	99,754
Copier rental and maintenance	21,284	25,000	14,932
Data transmission	90,371	144,000	85,486
Employee benefits	905,269	974,800	861,225
Insurance	34,765	37,100	41,579
Maintenance	40,241	38,000	28,142
Miscellaneous	9,420	6,000	3,650
Mileage	10,807	10,000	5,191
Memberships	875	1,200	1,027
Office	23,972	61,200	18,245
Pandemic Supplies	15,862	21,000	14,439
Periodicals and newspapers	52,593	52,000	63,654
Professional services	349,835	243,500	214,224
Salaries and wages	2,996,664	3,479,500	2,840,712
Staff training	23,863	50,000	23,052
Telephone	10,363	12,000	7,526
Utilities	230,815	229,000	213,871
<b>Total Expenses</b>	<b>6,076,229</b>	<b>6,828,505</b>	<b>5,678,493</b>
<b>Annual Surplus (Deficit)</b>	<b>373,972</b>	<b>(349,105)</b>	<b>613,811</b>
<b>Accumulated Surplus, beginning of year</b>	<b>4,369,351</b>	<b>4,369,351</b>	<b>3,755,540</b>
<b>Accumulated Surplus, end of year</b>	<b>4,743,323</b>	<b>4,020,246</b>	<b>4,369,351</b>

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

**ESSEX COUNTY LIBRARY BOARD**  
**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022,**  
**WITH COMPARATIVE INFORMATION FOR 2021**

	2022	Budget	2021
	\$	\$	\$
<b>Annual Surplus (Deficit)</b>	<b>373,972</b>	<b>(349,105)</b>	<b>613,811</b>
Acquisition of Tangible Capital Assets	(517,046)	(786,000)	(719,795)
Amortization of Tangible Capital Assets	646,616	659,405	643,203
Loss on disposal of Tangible Capital Assets	8,324	-	-
	<b>511,866</b>	<b>(475,700)</b>	<b>537,219</b>
Net acquisition (consumption) of prepaid expenses	93,251	-	(6,504)
<b>Change in Net Financial Assets</b>	<b>605,117</b>	<b>(475,700)</b>	<b>530,715</b>
<b>Net Financial Assets, beginning of year</b>	<b>1,505,113</b>	<b>1,505,113</b>	<b>974,398</b>
<b>Net Financial Assets, end of year</b>	<b>2,110,230</b>	<b>1,029,413</b>	<b>1,505,113</b>

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

**ESSEX COUNTY LIBRARY BOARD**  
**STATEMENT OF CHANGE IN CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022,**  
**WITH COMPARATIVE INFORMATION FOR 2021**

	<b>2022</b>	<b>2021</b>
	<u>\$</u>	<u>\$</u>
Cash provided by (used in):		
<b>Operating Activities</b>		
Annual Surplus	<b>373,972</b>	<b>613,811</b>
Items not involving cash:		
Amortization of tangible capital assets	646,616	643,203
Loss on disposal of tangible capital assets	8,324	-
Employee benefits payable	2,236	12,166
Change in non-cash assets and liabilities:		
Accounts receivable	108,000	19,842
Prepaid expense	93,251	(6,504)
Accounts payable and accrued liabilities	(82,543)	(69,475)
<b>Net change in cash from operating activities</b>	<b><u>1,149,856</u></b>	<b><u>1,213,043</u></b>
<b>Capital Activities</b>		
Cash used to acquire tangible capital assets	<u>(517,046)</u>	<u>(719,795)</u>
<b>Net change in cash from capital activities</b>	<b><u>(517,046)</u></b>	<b><u>(719,795)</u></b>
<b>Net change in cash</b>	<b>632,810</b>	<b>493,248</b>
<b>Cash, beginning of year</b>	<b><u>3,015,550</u></b>	<b><u>2,522,302</u></b>
<b>Cash, end of year</b>	<b><u><u>3,648,360</u></u></b>	<b><u><u>3,015,550</u></u></b>

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

# ESSEX COUNTY LIBRARY BOARD

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2022

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#### 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Essex County Library Board (the "Board") are prepared in accordance with accounting policies prescribed by the Canadian public sector accounting standards of the Chartered Professional Accountants Canada.

(a) Accrual Basis of Accounting

The accrual basis of accounting recognizes revenue as it becomes available and is measurable. Expenses are recognized as they are incurred and are measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

(b) 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 asset. 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:

<b>Asset</b>	<b>Useful Life - Years</b>
Library resource materials	7
Vehicles	5 – 8
Machinery and equipment	5 – 20
Computer systems	3
Furniture and fixtures	15



**ESSEX COUNTY LIBRARY BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(ii) Amortization

Tangible capital assets shall be recorded at historical cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. Where historical cost is not available, the Board shall use deflated replacement values. The cost of the tangible capital assets will be amortized on a straight-line basis over the above noted useful lives. The only exception, per the above, is for Land which is considered to have an infinite life. One half of the annual amortization shall be 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. Gains and/or losses on the disposal shall be recorded on the statement of operations and accumulated surplus as "Gain/Loss on disposal of tangible capital assets."

(iii) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are to be recorded at their fair market value at the date of receipt and are also to be recorded as revenue.

(iv) Leased Assets

Leases shall be classified as either operating or capital leases. Lease agreements which substantially transfer all the risks and rewards of ownership to the Board shall be accounted for as a capital lease and will be capitalized. All other leases shall be considered operating leases and the related payments shall be charged to operating expense as incurred.

(c) Employee Future Benefit Obligations

The Board has adopted the accrued method of accounting for employee future benefits as required by the Canadian public sector accounting standards. The cost of future benefits earned by employees is actuarially determined using the projected benefit method prorated on service and assumptions of mortality and termination rates, retirement age and expected inflation rate.

**ESSEX COUNTY LIBRARY BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The accumulated actuarial gain (loss) of the accrued benefit obligation is amortized over the average remaining service period of active employees, which is 13 years.

(d) Use of Estimates

The preparation of the 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 dates of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Significant items subject to such estimates and assumptions include the valuation of accounts receivable and the valuation of employee future benefits.

**2. EMPLOYEE BENEFITS AND OTHER LIABILITIES**

The employee benefit and other liabilities, reported on the statement of financial position, are made up of the following:

	<b>2022</b>	<b>2021</b>
Post retirement benefits	\$ 264,231	\$ 279,749
WSIB	63,044	45,290
Total	\$ 327,275	\$ 325,039

**ESSEX COUNTY LIBRARY BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**2. EMPLOYEE BENEFITS AND OTHER LIABILITIES (continued)**

Information about the Board's future obligation with respect to post retirement benefits and WSIB is as follows:

	<b>2022</b>	<b>2021</b>
Accrued benefit obligations:		
Balance, beginning of year	\$ 325,039	\$ 312,873
Current service cost	25,141	28,115
Interest	14,687	15,112
Amortization of actuarial loss	1,460	6,760
WSIB future benefits adjustment	10,581	10,854
Expected benefit payments	(49,633)	(48,675)
Balance, end of year	327,275	325,039
Unamortized net actuarial (gain)	(71,510)	(80,719)
Obligation for benefits	\$ 255,765	\$ 244,320

**Retiree benefits**

The Board pays certain extended health and dental benefits for early retirees to age 65. 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, 2019. The actuarial valuation is based on the following significant actuarial assumptions:

	<b>2022</b>	<b>2021</b>
Discount rate	3.75%	3.75%
Medical costs		
Initial	6.08%	6.42%
Ultimate	3.75%	3.75%
Year of ultimate level	2029	2029
Dental	3.75%	3.75%

The medical trend rate has an initial rate of 6.75% but reduces by 0.3333% per year to 3.75% in 2029.

**ESSEX COUNTY LIBRARY BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**3. TANGIBLE CAPITAL ASSETS**

<b>Cost</b>	<b>Balance at December 31, 2021</b>			<b>Additions</b>	<b>Disposals</b>	<b>Balance at December 31, 2022</b>	
Library materials	\$	3,690,985	\$	451,544	\$	507,769	\$ 3,634,760
Machinery and equipment		623,264		205,598		45,136	783,726
Motor vehicles		91,965		-		-	91,965
Furniture and fixtures		1,251,774		-		16,648	1,235,126
Computer systems		103,415		-		54,666	48,749
Assets under construction		213,801		73,705		213,801	73,705
<b>Total</b>	<b>\$</b>	<b>5,975,204</b>	<b>\$</b>	<b>730,847</b>	<b>\$</b>	<b>838,020</b>	<b>\$ 5,868,031</b>

<b>Accumulated amortization</b>	<b>Balance at December 31, 2021</b>			<b>Disposals</b>	<b>Amortization expense</b>	<b>Balance at December 31, 2022</b>	
Library materials	\$	2,132,087	\$	507,769	\$	451,910	\$ 2,076,228
Machinery and equipment		314,762		45,136		116,747	386,373
Motor vehicles		66,208		-		7,359	73,567
Furniture and fixtures		704,425		8,324		67,935	764,036
Computer systems		100,750		54,666		2,665	48,749
Assets under construction		-		-		-	-
<b>Total</b>	<b>\$</b>	<b>3,318,232</b>	<b>\$</b>	<b>615,895</b>	<b>\$</b>	<b>646,616</b>	<b>\$ 3,348,953</b>

	<b>Net book value December 31, 2021</b>		<b>Net book value December 31, 2022</b>	
Library materials	\$	1,558,898	\$	1,558,532
Machinery and equipment		308,502		397,353
Motor vehicles		25,757		18,398
Furniture and fixtures		547,349		471,090
Computer systems		2,665		-
Assets under construction		213,801		73,705
<b>Total</b>	<b>\$</b>	<b>2,656,972</b>	<b>\$</b>	<b>2,519,078</b>

Assets under construction having a value of \$ 73,705 (2021 - \$ 213,801) have not been amortized. Amortization of these assets will commence when the asset is put into service.

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

**ESSEX COUNTY LIBRARY BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**3. TANGIBLE CAPITAL ASSETS (continued)**

<b>Cost</b>	<b>Balance at December 31, 2020</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at December 31, 2021</b>
Library materials	\$ 3,701,926	\$ 466,192	\$ 477,133	\$ 3,690,985
Machinery and equipment	603,609	19,655	-	623,264
Motor vehicles	91,965	-	-	91,965
Furniture and fixtures	1,231,627	20,147	-	1,251,774
Computer systems	103,415	-	-	103,415
Assets under construction	-	213,801	-	213,801
<b>Total</b>	<b>\$ 5,732,542</b>	<b>\$ 719,795</b>	<b>\$ 477,133</b>	<b>\$ 5,975,204</b>

<b>Accumulated amortization</b>	<b>Balance at December 31, 2020</b>	<b>Disposals</b>	<b>Amortization expense</b>	<b>Balance at December 31, 2021</b>
Library materials	\$ 2,151,505	\$ 477,133	\$ 457,715	\$ 2,132,087
Machinery and equipment	216,762	-	98,000	314,762
Motor vehicles	54,865	-	11,343	66,208
Furniture and fixtures	636,052	-	68,373	704,425
Computer systems	92,978	-	7,772	100,750
Assets under construction	-	-	-	-
<b>Total</b>	<b>\$ 3,152,162</b>	<b>\$ 477,133</b>	<b>\$ 643,203</b>	<b>\$ 3,318,232</b>

	<b>Net book value December 31, 2020</b>	<b>Net book value December 31, 2021</b>
Library materials	\$ 1,550,421	\$ 1,558,898
Machinery and equipment	386,847	308,502
Motor vehicles	37,100	25,757
Furniture and fixtures	595,575	547,349
Computer systems	10,437	2,665
Assets under construction	-	213,801
<b>Total</b>	<b>\$ 2,580,380</b>	<b>\$ 2,656,972</b>

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

**ESSEX COUNTY LIBRARY BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**4. ACCUMULATED SURPLUS**

Accumulated surplus consists of individual fund surplus and reserve funds as follows:

	<b>2022</b>	<b>2021</b>
<b>Surplus</b>		
Invested in tangible capital assets	\$ 2,519,077	\$ 2,656,972
Unfunded		
Employee benefits	(327,275)	(325,039)
Total surplus	2,191,802	2,331,933
<b>Reserves</b>		
Capital expenses	1,303,078	1,273,078
Contingencies	944,317	480,156
Enhanced services	36,581	36,581
Vehicles	143,260	127,860
WSIB	124,284	119,743
Total reserves	2,551,520	2,037,418
	<b>\$ 4,743,322</b>	<b>\$ 4,369,351</b>

**5. BUDGET DATA**

The budget data presented in these financial statements is based upon the 2022 Budget approved by the Board on October 27, 2021. Amortization was not contemplated on development of the budget, and, as such, has been estimated based on 2022 tangible capital asset data and budgeted capital expenses. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

**ESSEX COUNTY LIBRARY BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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**5. BUDGET DATA (continued)**

	<b>Budget Amount</b>
<b>Revenues</b>	
Operating budget	\$ 6,169,100
Capital budget	786,000
Less:	
Transfers from other funds	(475,700)
Total surplus	6,479,400
<b>Expenses</b>	
Operating budget	6,828,505
Capital budget	786,000
Less:	
Capital expenses	(786,000)
Total expenses	6,828,505
Annual deficit	\$ (349,105)

**6. CONTINGENT LIABILITY**

In late 2022, The Essex County Library Board and the Canadian Union of Public Employees Local 2318 reached a settlement regarding a pay equity dispute, retroactive to 2013. At year-end, the amount of the retroactive portion of the settlement terms was estimated at approximately \$1.6 million, however the reasonability of this estimate could not be confirmed. In January 2023, the Essex County Library Board and Essex County Council approved a funding model, utilizing a combination of accrued liabilities and rate stabilization reserve transfers, to fund the retroactive costs of the settlement. The final determination of retroactive costs will be confirmed, paid and recorded in 2023.