

Financial Statements of

**ESSEX COUNTY
LIBRARY BOARD**

And Independent Auditors' Report thereon

Year ended December 31, 2023



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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, 2023
- 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, 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 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 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.



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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that serves as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Canada

June 26, 2024

ESSEX COUNTY LIBRARY BOARD
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023,
WITH COMPARATIVE INFORMATION FOR 2022

	2023	2022
	<u>\$</u>	<u>\$</u>
Financial Assets		
Cash	2,174,104	3,648,360
Accounts receivable	147,565	63,244
Total Financial Assets	<u>2,321,669</u>	<u>3,711,604</u>
Liabilities		
Accounts payable and accrued liabilities	637,656	1,274,099
Employee benefits payable (Note 3)	366,754	327,275
Total Liabilities	<u>1,004,410</u>	<u>1,601,374</u>
Net Financial Assets	<u>1,317,259</u>	<u>2,110,230</u>
Non-Financial Assets		
Tangible capital assets (Note 4)	2,354,168	2,519,078
Prepaid expenses	179,181	114,015
Total Non-Financial Assets	<u>2,533,349</u>	<u>2,633,093</u>
Accumulated Surplus (Note 5)	<u><u>3,850,608</u></u>	<u><u>4,743,323</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, 2023,
WITH COMPARATIVE INFORMATION FOR 2022

	2023	Budget	2022
	\$	\$	\$
Revenue			
Requisition on participating municipalities	6,029,600	6,029,600	6,026,200
Province of Ontario grants	376,423	287,700	380,990
Fees, fines, book sales and other	50,707	55,000	43,011
Total Revenue	6,456,730	6,372,300	6,450,201
Expenses			
Advertising	19,924	25,000	22,833
Amortization of tangible capital assets	660,947	650,000	646,616
Books, films and records	368,788	443,100	321,174
Board members' expenses	11,182	55,000	7,811
Capital	106,615	90,000	113,782
Computerization	112,455	162,700	147,014
Copier rental and maintenance	22,846	25,000	21,284
Data transmission	99,924	105,000	90,371
Employee benefits	1,323,025	1,031,500	905,269
Insurance	34,653	38,000	34,765
Maintenance	48,776	46,000	40,241
Miscellaneous	5,788	8,000	9,420
Mileage	17,693	10,000	10,807
Memberships	550	1,200	875
Office	45,338	55,700	23,972
Pandemic Supplies	-	-	15,862
Periodicals and newspapers	39,309	52,000	52,593
Professional services	264,991	248,000	349,835
Salaries and wages	3,902,051	3,694,400	2,996,664
Staff training	26,933	50,000	23,863
Telephone	11,663	10,400	10,363
Utilities	225,994	256,100	230,815
Total Expenses	7,349,445	7,057,100	6,076,229
Annual Surplus (Deficit)	(892,715)	(684,800)	373,972
Accumulated Surplus, beginning of year	4,743,323	4,743,323	4,369,351
Accumulated Surplus, end of year	3,850,608	4,058,523	4,743,323

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, 2023,
WITH COMPARATIVE INFORMATION FOR 2022

	2023	Budget	2022
	\$	\$	\$
Annual Surplus (Deficit)	(892,715)	(684,800)	373,972
Net acquisition of tangible capital assets	(496,037)	(1,000,000)	(517,046)
Amortization of tangible capital assets	660,947	650,000	646,616
(Gain) Loss on disposal of tangible capital assets	-	-	8,324
	(727,805)	(1,034,800)	511,866
Net acquisition (consumption) of prepaid expenses	(65,166)	-	93,251
Change in Net Financial Assets	(792,971)	(1,034,800)	605,117
Net Financial Assets, beginning of year	2,110,230	2,110,230	1,505,113
Net Financial Assets, end of year	1,317,259	1,075,430	2,110,230

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, 2023,
WITH COMPARATIVE INFORMATION FOR 2022

	2023	2022
	<u>\$</u>	<u>\$</u>
Cash provided by (used in):		
Operating Activities		
Annual Surplus	(892,715)	373,972
Items not involving cash:		
Amortization of tangible capital assets	660,947	646,616
(Gain) Loss on disposal of tangible capital assets	-	8,324
Employee benefits payable	39,479	2,236
Change in non-cash assets and liabilities:		
Accounts receivable	(84,321)	108,000
Prepaid expense	(65,166)	93,251
Accounts payable and accrued liabilities	(636,443)	(82,543)
Net change in cash from operating activities	(978,219)	1,149,856
Capital Activities		
Cash used to acquire tangible capital assets	(496,037)	(517,046)
Net change in cash from capital activities	(496,037)	(517,046)
Net change in cash	(1,474,256)	632,810
Cash, beginning of year	3,648,360	3,015,550
Cash, end of year	2,174,104	3,648,360

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, 2023

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:

Asset	Useful Life - Years
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, 2023

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, 2023

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. CHANGE IN ACCOUNTING POLICY – ADOPTION OF NEW ACCOUNTING STANDARDS

The Essex County Library Board considered the adoption of the following standards concurrently beginning July 1, 2023: PS1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments, PS 3280 Asset Retirement Obligations and PS 3450 Financial Instruments.

PS 1201 Financial Statement Presentation replaces PS 1200 Financial Statement Presentation. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 Foreign Currency Translation, PS 3450 Financial Instruments, and PS 3041 Portfolio Investments, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses. A Statement of Remeasurement Gains and Losses has not been prepared, as there is no activity to present.

PS 2601 Foreign Currency Translation replaces PS 2600 Foreign Currency Translation. The standard requires monetary assets and liabilities denominated in a foreign currency and nonmonetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect

ESSEX COUNTY LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

at the financial statement date. There were no unrealized gains or losses arising from foreign currency changes.

PS 3041 Portfolio Investments replaces PS 3040 Portfolio Investments. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 Financial Instruments. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 Temporary Investments no longer applies.

PS 3450 Financial Instruments establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. There were no unrealized gains or losses arising from changes in fair value.

PS 3280 Asset Retirement Obligations (ARO) establishes the accounting and reporting requirements for legal obligations associated with the retirement of TCA controlled by a government or government organization. A liability for a retirement obligation can apply to TCA either in productive use or no longer in productive use. The standard was adopted using the modified retrospective method at the date of adoption. Under the modified retrospective method, the assumptions used on initial recognition are those as of the date of adoption of the standard. The adoption of PS 3280 had no impact to the financial statements.

3. EMPLOYEE BENEFITS AND OTHER LIABILITIES

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

	2023	2022
Post retirement benefits	\$ 285,720	\$ 264,231
WSIB	81,034	63,044
Total	\$ 366,754	\$ 327,275

ESSEX COUNTY LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

3. EMPLOYEE BENEFITS AND OTHER LIABILITIES (continued)

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

	2023	2022
Accrued benefit obligations:		
Balance, beginning of year	\$ 539,591	\$ 442,840
Current service cost	48,861	25,180
Interest	23,351	14,687
Actuarial gain	0	106,518
Expected benefit payments	(56,073)	(49,634)
Balance, end of year	555,730	539,591
Unamortized actuarial loss	(188,976)	(212,316)
Liability for benefits	\$ 366,754	\$ 327,275

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, 2022. The actuarial valuation is based on the following significant actuarial assumptions:

	2023	2022
Discount rate	5.00%	3.75%
Medical costs		
Initial	6.00%	6.75%
Ultimate	4.00%	3.75%
Year of ultimate level	2029	2029
Dental	4.00%	3.75%

The medical trend rate has an initial rate of 6.00% but reduces by 0.3333% per year to 4.00% in 2029 and remains at 4.00% per year thereafter.

ESSEX COUNTY LIBRARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

4. TANGIBLE CAPITAL ASSETS

Cost	Balance at December 31, 2022			Balance at December 31, 2023		
		Additions	Disposals			
Library materials	\$ 3,634,760	\$ 425,312	\$ 491,233	\$ 3,568,839		
Machinery and equipment	823,135	61,845	-	884,980		
Vehicles	91,965	-	-	91,965		
Furniture and fixtures	1,206,800	-	10,672	1,196,128		
Computer systems	37,666	29,336	-	67,002		
Assets under construction	73,705	-	20,454	53,251		
Total	\$ 5,868,031	\$ 516,493	\$ 522,359	\$ 5,862,165		

Accumulated amortization	Balance at December 31, 2022			Balance at December 31, 2023		
		Disposals	Amortization expense			
Library materials	\$ 2,076,228	\$ 491,233	\$ 447,970	\$ 2,032,965		
Machinery and equipment	406,508	-	136,082	542,590		
Vehicles	73,567	-	7,359	80,926		
Furniture and fixtures	754,984	10,670	66,602	810,916		
Computer systems	37,666	-	2,934	40,600		
Assets under construction	-	-	-	-		
Total	\$ 3,348,953	\$ 501,903	\$ 660,947	\$ 3,507,997		

	Net book value December 31, 2022		Net book value December 31, 2023	
Library materials	\$ 1,558,532		\$ 1,535,874	
Machinery and equipment	416,627		342,390	
Vehicles	18,398		11,039	
Furniture and fixtures	451,816		385,212	
Computer systems	-		26,402	
Assets under construction	73,705		53,251	
Total	\$ 2,519,078		\$ 2,354,168	

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, 2023

4. TANGIBLE CAPITAL ASSETS (continued)

Cost	Balance at December 31, 2021			Balance at December 31, 2022		
		Additions	Disposals			
Library materials	\$ 3,690,985	\$ 451,544	\$ 507,769	\$ 3,634,760		
Machinery and equipment	662,673	205,598	45,136	823,135		
Vehicles	91,965	-	-	91,965		
Furniture and fixtures	1,223,448	-	16,648	1,206,800		
Computer systems	92,332	-	54,666	37,666		
Assets under construction	213,801	73,705	213,801	73,705		
Total	\$ 5,975,204	\$ 730,847	\$ 838,020	\$ 5,868,031		

Accumulated amortization	Balance at December 31, 2021			Balance at December 31, 2022		
		Disposals	Amortization expense			
Library materials	\$ 2,132,087	\$ 507,769	\$ 451,910	\$ 2,076,228		
Machinery and equipment	334,897	45,136	116,747	406,508		
Vehicles	66,208	-	7,359	73,567		
Furniture and fixtures	695,263	8,324	68,045	754,984		
Computer systems	89,777	54,666	2,555	37,666		
Assets under construction	-	-	-	-		
Total	\$ 3,318,232	\$ 615,895	\$ 646,616	\$ 3,348,953		

	Net book value December 31, 2021		Net book value December 31, 2022	
Library materials	\$ 1,558,898		\$ 1,558,532	
Machinery and equipment	327,776		416,627	
Vehicles	25,757		18,398	
Furniture and fixtures	528,185		451,816	
Computer systems	2,555		-	
Assets under construction	213,801		73,705	
Total	\$ 2,656,972		\$ 2,519,078	

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, 2023

5. ACCUMULATED SURPLUS

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

	2023	2022
Surplus		
Invested in tangible capital assets	\$ 2,354,168	\$ 2,519,078
Unfunded		
Employee benefits	(366,754)	(327,275)
Total surplus	1,987,414	2,191,803
Reserves		
Capital expenses	1,286,142	1,303,078
Contingencies	247,077	944,317
Enhanced services	36,581	36,581
Vehicles	158,660	143,260
WSIB	134,734	124,284
Total reserves	1,863,194	2,551,520
	\$ 3,850,608	\$ 4,743,323

6. BUDGET DATA

The budget data presented in these financial statements is based upon the 2023 Budget approved by the Board on January 11, 2023. Amortization was not contemplated on development of the budget, and, as such, has been estimated based on 2023 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, 2023

6. BUDGET DATA (continued)

	Budget Amount
Revenues	
Operating budget	\$ 6,407,100
Capital budget	1,000,000
Less:	
Transfers from other funds	(1,034,800)
Total surplus	6,372,300
Expenses	
Operating budget	7,057,100
Capital budget	1,000,000
Less:	
Capital expenses	(1,000,000)
Total expenses	7,057,100
Annual deficit	\$ (684,800)