

Financial Statements of

**KINGSTON FRONTENAC
PUBLIC LIBRARY BOARD**

Year ended December 31, 2022

KINGSTON FRONTENAC PUBLIC LIBRARY BOARD

Table of Contents

Year ended December 31, 2022

	Page
• Independent Auditor's Report	
• Financial Statements	
• Statement of Financial Position	1
• Statement of Operations and Municipal Equity	2
• Statement of Changes in Net Financial Liabilities	3
• Statement of Cash Flows	4
• Notes to Financial Statements	5



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Tel 613-549-1550
Fax 613-549-6349

INDEPENDENT AUDITOR'S REPORT

To the Members of the Kingston Frontenac Public Library Board

Opinion

We have audited the financial statements of the Kingston Frontenac Public Library Board (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations and municipal equity for the year then ended
- the statement of changes in net financial liabilities 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, 2022, and its results of operations, its changes in net financial liabilities, 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 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.



Page 3

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.
- 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

Kingston, Canada

May 24, 2023

KINGSTON FRONTENAC PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash on hand	\$ 1,040	\$ 1,040
Investments (note 2)	18,762	20,267
Accounts receivable	985	420
Due from the Corporation of the City of Kingston (note 4)	252,782	–
Due from County of Frontenac	80,626	14,246
	<u>354,195</u>	<u>35,973</u>
Financial liabilities:		
Accrued liabilities	21,621	17,170
Accrued vacation pay	47,319	40,878
Accrued payroll	31,179	24,469
Deferred revenue	1,246	16,698
Due to the Corporation of the City of Kingston (note 4)	–	69,388
Employee future benefit obligations (note 8)	832,600	769,800
	<u>933,965</u>	<u>938,403</u>
Net financial liabilities	(579,770)	(902,430)
Non-financial assets:		
Tangible capital assets (note 7)	3,163,308	3,314,437
Prepaid expenses	112,497	143,025
	<u>3,275,805</u>	<u>3,457,462</u>
Municipal equity (note 9)	\$ 2,696,035	\$ 2,555,032

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

KINGSTON FRONTENAC PUBLIC LIBRARY BOARD

Statement of Operations and Municipal Equity

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

	Budget 2022 (note 6)	Actual 2022	Actual 2021
Revenue:			
Municipal operating contributions - City of Kingston	\$ 6,948,848	\$ 6,948,848	\$ 6,811,820
Municipal surplus recovered (note 4)	–	–	(1,148,964)
Municipal operating contributions - County of Frontenac	906,458	906,459	886,505
Municipal Operating Contribution - County of Frontenac surplus recovered	–	(18,677)	–
Province of Ontario grant	297,138	297,138	297,138
Project grant funding	30,000	15,026	40,047
Sundry	50,000	53,856	38,129
Donations	11,000	13,530	24,343
Rentals, fines and damages recovered	78,865	40,360	16,042
Non-resident fees	9,339	8,337	6,357
Investment income	–	410	522
	8,331,648	8,265,287	6,971,939
Expenses:			
Operating:			
Salaries and wages	4,684,478	4,474,533	4,173,868
Fringe benefits	1,510,067	1,435,963	1,330,646
Books and reference materials	915,296	923,705	927,476
Amounts recognized as tangible capital assets	–	(611,591)	(642,992)
Amortization expense	–	845,273	857,340
Repairs and replacements	494,805	514,192	502,622
Utilities, telephone, fax and internet	347,749	287,831	295,234
Equipment rental and other supplies	199,783	184,676	174,420
Sundry	112,370	125,484	131,133
Education and training	40,600	39,365	39,935
Professional fees	26,500	23,955	7,152
	8,331,648	8,243,386	7,796,834
Excess (deficiency) of revenue over expenses before the undernoted items	–	21,901	(824,895)
Municipal capital contributions - City of Kingston	380,000	110,596	46,927
Municipal capital contributions - County of Frontenac	10,000	8,506	5,410
Return of capital contributions - City of Kingston (note 4)	–	–	(201,863)
Annual surplus (deficit)	390,000	141,003	(974,421)
Municipal equity, beginning of year	2,555,032	2,555,032	3,529,453
Municipal equity, end of year	\$ 2,945,032	\$ 2,696,035	\$ 2,555,032

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

KINGSTON FRONTENAC PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Liabilities

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

	2022	2021
Annual surplus (deficit)	\$ 141,003	\$ (974,421)
Amortization of tangible capital assets	845,273	857,340
Acquisition of tangible capital assets	(694,144)	(695,329)
Acquisition of prepaid expenses	30,528	32,782
Change in net financial liabilities	322,660	(779,628)
Net financial liabilities, beginning of year	(902,430)	(122,802)
Net financial liabilities, end of year	\$ (579,770)	\$ (902,430)

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

KINGSTON FRONTENAC PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2022, with comparative information 2021

	2022	2021
Operating activities:		
Annual surplus (deficit)	\$ 141,003	\$ (974,421)
Items not involving cash:		
Amortization of tangible capital assets	845,273	857,340
Accrued vacation pay	6,441	(10,284)
Employee future benefit obligations	62,800	11,800
Net change in non-cash working capital items:		
Accounts receivable	(565)	(79)
Prepaid expenses	30,528	32,782
Due from County of Frontenac	(66,380)	65,934
Due from the Corporation of the City of Kingston	(322,170)	623,014
Accrued liabilities	4,451	4,370
Accrued payroll	6,711	4,916
Deferred revenue	(15,452)	3,158
Due to the Corporation of the City of Kingston	–	69,388
	692,640	687,918
Capital activities:		
Purchase of tangible capital assets	(694,145)	(695,329)
Decrease in cash and investments	(1,505)	(7,411)
Cash and investments, beginning of year	21,307	28,718
Cash and investments, end of year	\$ 19,802	\$ 21,307
Represented by:		
Cash on hand	\$ 1,040	\$ 1,040
Investments	18,762	20,267
	\$ 19,802	\$ 21,307

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

KINGSTON FRONTENAC PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

The financial statements of the Kingston Frontenac Public Library Board (the "Library Board") are the representation of management prepared in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the Library Board are as follows:

(a) Reporting entity:

These statements reflect the assets, liabilities, revenue and expenses of the Library Board.

(b) Basis of accounting:

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which transactions or events occurred that gave rise to the revenues; expenses are recognized in the period the goods and services are acquired and/or there is a legal obligation to pay.

(c) Investments:

Investments are comprised of cash and term deposits and are recorded at cost plus accrued interest. If the market value of investments becomes lower than cost and this decline is considered to be other than temporary, the investments are written down to market value.

(d) Deferred revenue:

Deferred revenue represents certain grants and donations which have been collected but for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the services are performed or related expenses incurred.

(e) Employee future benefit obligations:

The Library Board accrues for 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 these benefits earned by employees are actuarially determined using management's best estimate of salary escalation, retirement ages of employees, expected health care costs, and long-term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as compensated absences and health, dental and life insurance benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses, which can arise from changes in actuarial assumptions, are amortized over the expected average remaining service life of the employee group.

KINGSTON FRONTENAC PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(e) Employee future benefit obligations (continued):

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are amortized over a period linked to the specific benefit plan.

(f) Tangible capital assets:

- i. Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, development or betterment of the asset. The Library Board does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.
- ii. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt or transfer with an offsetting amount recorded as revenue.
- iii. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over estimated useful lives as follows:

Asset	Useful Life - Years
Vehicles	5 to 20
Equipment	5 to 20
Computer equipment	5 to 10
Books and materials	7
Furniture and fixtures	20 to 40

Assets under construction or development are classified as capital works in progress and are not amortized until the asset is available for productive use.

- iv. When tangible capital assets are disposed of, either by way of a sale, destruction or loss, or abandonment of the asset, the asset's net book value, historical cost less accumulated amortization, is written off. Any resulting gain or loss, equal to the proceeds on disposal less the asset's net book value, is reported on the Statement of Operations and Municipal Equity in the year of disposal. Transfers of assets to third parties are recorded as an expense equal to the net book value of the asset as of the date of transfer.
- v. When conditions indicate that the tangible capital asset no longer contributes to the Library Board's ability to provide services or the value or the future economic benefits associated with the tangible capital asset are less than its book value, and the decline is expected to be permanent, the cost and accumulated amortization of the asset are reduced to reflect the revised estimate of the value of the asset's remaining service potential. The resulting net adjustment is reported as an expense on the Statement of Operations and Municipal Equity.

KINGSTON FRONTENAC PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2022

1. Significant accounting policies (continued):

(f) Tangible capital assets (continued):

- vi. The Library Board has a capitalization threshold of \$10,000. Individual tangible capital assets of lesser value are expensed, unless they are pooled because, collectively, they have significant value, or for operational reasons.

(g) Government transfers:

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

(h) Other revenues:

Non-resident fees, rentals, fines and damages recovered, investment income, donations and sundry are recognized in the period earned.

(i) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards 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. Actual results could differ from those estimates.

2. Investments:

Investments are term deposits have a market value of \$18,762 at December 31, 2022 (2021 - \$20,267).

3. Provincial grants:

Certain provincial grants are subject to annual final reviews and approvals by the Ontario Ministry of Tourism, Culture and Sport. Any adjustments resulting from the review will be reflected in the year of Ontario Ministry of Tourism, Culture and Sport's approval as an adjustment to provincial grant revenue on the Statement of Operations and Municipal Equity.

4. Due from/to the Corporation of the City of Kingston:

The Library Board is provided with financial, payroll and legal services from the Corporation of the City of Kingston. As at December 31, 2022, the Library Board has an amount due from the Corporation of the City of Kingston of \$252,782 (2021 – due to \$69,388) representing the net balance of cash receipts, year-end payroll accruals, disbursements processed on behalf of the Library Board, and accruals for other year-end reimbursements.

KINGSTON FRONTENAC PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2022

4. Due from/to the Corporation of the City of Kingston (continued):

In previous years, the Library Board received funding for capital projects related to assets owned by the Corporation of the City of Kingston. During the year, the Library Board returned the capital receipts relating to prior year closed capital projects of \$Nil (2021 - \$201,863) and surplus funds of \$Nil (2021 - \$1,148,964).

5. Pension agreements:

The Library Board makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS) which is a multi-employer plan, on behalf of 66 (2021 - 68) members of its staff.

The plan is a contributory 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.

The amount contributed to OMERS for 2022 was \$312,367 (2021 - \$326,404) for current service and is included as an expense on the Statement of Operations and Municipal Equity.

As a result, the Library Board does not recognize any share of the OMERS pension surplus or deficit. The last available report was at December 31, 2022. At that time, the plan reported a \$6.7 million actuarial deficit (2021 - \$3.1 billion actuarial deficit).

6. Budget figures:

Budget figures reflected on the Statement of Operations and Municipal Equity are based on the 2022 operating budget as approved by the Board of Directors on October 20, 2021.

Capital budgets are established for capital investment in tangible capital assets as well as for non-tangible capital expenditures that are included as expenses on the Statement of Operations and Municipal Equity.

Budget figures have been reclassified for the purposes of these financial statements to comply with PSAB reporting requirements. Amortization was not contemplated on development of the budget and, as such, has not been included in the budget figures reflected on the financial statements.

The chart below reconciles the approved operating budget to the budget figures reported in these financial statements:

	Budget Amount
Approved operating budget revenue	\$ 8,331,648
Approved operating budget expenses	(8,331,648)
Net operating budget expenses	\$ —

KINGSTON FRONTENAC PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2022

6. Budget figures (continued):

The chart below reconciles the approved capital budget to the budget figures reported in these financial statements:

	Budget Amount
Approved capital budget revenue	\$ 141,003
Approved capital budget expenses	(141,003)
Net capital budget expenses	\$ -

7. Tangible capital assets:

	GENERAL ASSETS					TOTALS	
	Vehicles	Equipment	Computer Equipment	Books and Materials	Furniture and Fixtures	2022	2021
Cost							
Balance, beginning of year	\$ 78,577	\$ 452,204	\$ 749,831	\$ 5,038,957	\$ 1,463,350	\$ 7,782,919	\$ 7,767,761
Add: Additions	\$ -	\$ -	\$ 22,548	\$ 611,591	\$ 60,005	\$ 694,144	\$ 695,329
Less: Disposals	\$ -	\$ -	\$ -	\$ -	\$ (33,974)	\$ (33,974)	\$ (680,170)
Reclassification of assets						\$ -	\$ -
Balance, end of year	\$ 78,577	\$ 452,204	\$ 772,379	\$ 5,650,549	\$ 1,489,381	\$ 8,443,090	\$ 7,782,919
Accumulated Amortization							
Balance, beginning of year	\$ 35,290	\$ 299,357	\$ 613,467	\$ 2,517,256	\$ 1,003,111	\$ 4,468,482	\$ 4,291,312
Add: Amortization	\$ 6,548	\$ 27,903	\$ 48,783	\$ 711,122	\$ 50,917	\$ 845,273	\$ 857,340
Less: Accumulated amortization on disposals	\$ -	\$ -	\$ -	\$ -	\$ (33,974)	\$ (33,974)	\$ (680,170)
Reclassification of assets						\$ -	\$ -
Balance, end of year	\$ 41,838	\$ 327,260	\$ 662,250	\$ 3,228,378	\$ 1,020,054	\$ 5,279,781	\$ 4,468,482
Net Book Value of Tangible Capital Assets	\$ 36,739	\$ 124,944	\$ 110,129	\$ 2,422,171	\$ 469,326	\$ 3,163,308	\$ 3,314,437

The above table provides additional information on the tangible capital assets and accumulated amortization of the Library Board by major asset class. The following information relates to other valuation and reporting aspects of the Library Board's tangible capital assets.

(a) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$Nil (2021 - \$Nil).

(b) Works of art and historical treasures:

The definition of tangible capital assets specifically excludes gallery collections and other works of art. The Library Board owns a number of paintings, other pieces of artwork artifacts that are displayed in the central building. These assets are not recorded as tangible capital assets and are not amortized.

KINGSTON FRONTENAC PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2022

8. Employee future benefits:

Extended health care, dental and life insurance:

The Library Board pays certain life insurance benefits on behalf of retired employees as well as extended health and dental benefits for early retirees to age 65. The Library Board recognizes these post-employment and post-retirement costs in the period in which the employees rendered the services. An independent actuarial study of the post-retirement and post-employment benefits was undertaken at December 31, 2022 in order to determine the estimated accrued benefit liability to be reported in these financial statements.

Actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service life of the related employee groups, which is estimated to be 9 years (2021 - 11 and 13 years).

At December 31, 2022, the Library Board's accrued benefit liability relating to post-retirement and post-employment benefit plans is \$832,600 (2021 - \$769,800).

The significant actuarial assumptions adopted in estimating the Library Board's accrued benefit obligation for extended health, dental and life insurance are as follows:

Discount rate		4.6% per annum
Inflation rate		2.5% per annum
Salary escalation		3.0% per annum
Dental benefits escalation	7.12% in 2022 decreasing by 0.13% per annum to ultimate rate of 4.50 by 2043	
Health benefits escalation	6.70% in 2022 decreasing by 0.22% per annum to ultimate rate of 4.50% by 2033	

Information with respect to the Library Board's post-retirement and post-employment obligations is as follows:

	2022	2021
Accrued benefit liability, January 1	\$ 769,800	\$ 758,000
Expense recognized for the period	75,600	78,500
Benefits paid for the period	(49,300)	(104,200)
Amortization of actuarial losses	36,500	37,500
Accrued benefit liability, December 31	\$ 832,600	\$ 769,800

The accrued benefit liability at December 31, 2022 includes the following components:

	2022	2021
Accrued benefit obligation	\$ 678,100	\$ 841,100
Unamortized actuarial gain (loss)	154,500	(71,300)
Accrued benefit liability	\$ 832,600	\$ 769,800

KINGSTON FRONTENAC PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2022

9. Municipal equity:

	2022	2021
Operating surplus	\$ 360,813	\$ -
Reserve and reserve funds:		
Reserves	33,071	31,006
Reserve funds	18,762	20,267
	51,833	51,273
Investment in tangible capital assets:		
Tangible capital assets	3,163,308	3,314,437
	3,163,308	3,314,437
Unfunded liabilities:		
Employee future benefit obligations plus accrued vacation pay	879,919	(810,678)
Municipal equity	\$ 2,696,035	\$ 2,555,032