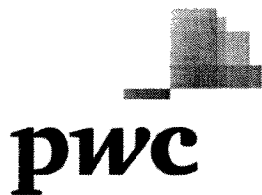

Toronto Public Library Board

*2014 year-end report
to the Board*

*Prepared as of
May 7, 2015*





May 7, 2015

The Board Members
Toronto Public Library Board

Dear Board Members:

We have substantially completed our audit of the financial statements of the Toronto Public Library Board (the Library) prepared in accordance with Canadian public sector accounting standards (PSAS) for the year ended December 31, 2014. We propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included in Appendix A.

We prepared the accompanying report to assist you in your review of the financial statements. It includes an update on the status of our work, as well as a discussion on the significant accounting and financial reporting matters dealt with during the audit process.

We will review the key elements of this report at the upcoming meeting and discuss our findings with you.

We would like to express our sincere thanks to the management and staff who have assisted us in carrying out our work, and we look forward to our meeting on May 25, 2015. If you have any questions or concerns prior to the Board meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accounts

c.c.: Ms. Vickery Bowles, City Librarian
Mr. Larry Hughsam, Director of Finance and Treasurer

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Communications to the Board

<i>Key matters for discussion</i>	<i>Comments</i>
Status of the audit	<p>PricewaterhouseCoopers LLP (PwC or we) have substantially completed our audit of the financial statements (the financial statements).</p> <p>Significant outstanding items at time of mailing include the following:</p> <ul style="list-style-type: none"> • Update on legal confirmations; • Board approval of final financial statements; • Subsequent events procedures; • Management representation letter.
Significant accounting, auditing and reporting matters discussed with management	
Management override of controls	<p>To address the risk of management override of controls, and as part of our fraud procedures, we reviewed a sample of manual journal entries to ensure they are appropriate, and that they have been approved. No matters arose that require your attention.</p> <p>In addition to this and apart from the inherent unpredictable nature of our sample based procedures, we performed an unpredictable procedure of testing a sample of management expense reports for reasonability of business expenses and proper approvals. No exceptions were noted during this testing.</p>
Revenue recognition	<p>The risk related to revenue recognition is the risk that revenues may be recognized in the inappropriate period, as well as completeness of donation revenues.</p> <p>PwC obtained confirmation letter from City of Toronto for the funding received from City and on a sample basis tested provincial funding agreeing it to the funding letters received. Other revenue items were vouched to support on a sample basis. There are no items to bring to your attention.</p> <p>To address risks, specified above, we noted that government grants are supported by approved documents, which specify the period the funding relates to.</p> <p>The risk of incompleteness of donation revenues is minimal as the entire amount of donation revenue is from the Toronto Public Library Foundation.</p> <p>Other income consists primarily of rental revenue relating to properties, is reconciled monthly, and is agreed to the lease agreements for the period in which it is earned.</p>

<i>Key matters for discussion</i>	<i>Comments</i>
Overstatement of accruals and expenses	<p>There is an inherent risk of an overstatement of accruals and expenses as there is an incentive to expend the budgeted funds received from the City of Toronto and minimize the amount of unspent funds payable back to the City.</p> <p>Our audit approach consisted of combination of controls and substantive testing over the appropriateness of expenses and accruals to ensure they are supported by proper evidence, approved and has been recorded in the proper period. There were no exceptions noted.</p>
Valuation of employee future benefits	<p>Accounting for post-employment benefits requires significant management judgments, particularly in the determination of assumptions used in the valuation process. The Library relies on a third party actuary, Buck Consultants, to value the employee future benefits.</p> <p>We reviewed management's process for determining the assumptions that are used in the calculations, as well as utilized our internal pension specialists to assess their reasonableness. We also relied on the City of Toronto's actuary who provided a reliance letter to us. Based on the testing completed, the assumptions appear reasonable.</p>
Budgeted figures	<p>Currently, under PSAS for government not-for-profit organizations, presentation of the budgeted figures is not a requirement. This budgeted information has been presented and audited to comply with the City audit team's reporting requirements. We agreed the budgeted figures per the statement of operations to the City of Toronto's approved budget for the Toronto Public Library Board. No issues were noted.</p>
Fraud and illegal acts	<p>No fraud involving senior management, or employees with a significant role in internal control or that would cause a material misstatement of the financial statements and no illegal acts came to our attention as a result of our audit procedures.</p> <p>We wish to reconfirm that the Board is not aware of any known, suspected or alleged incidents of fraud or illegal acts not previously discussed with us.</p>
Internal controls recommendations	<p>We have no significant internal control recommendations to report for the current year. Update on recommendations provided in past is included in Appendix C.</p>
Subsequent events	<p>No subsequent events which would impact the financial statements other than those disclosed have come to our attention.</p> <p>We would like to reconfirm that the Board is not aware of any other subsequent events that might affect the financial statements.</p>

<i>Other required communications</i>	<i>Summary</i>
Significant difficulties or disagreements that occurred during the audit	No difficulties or disagreements occurred while performing our audit that requires the attention of the Board.
Unadjusted or adjusted differences accountants	Final materiality level determined for the year ended December 31, 2014 was \$4,978,000 (previously communicated a materiality level of \$4,800,000). We did not note any audit differences greater than the threshold of \$498,000 as a result of our work. In addition, there were no differences adjusted by management.
Management's representations	Under Canadian GAAS, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix B.
Significant related party transactions	PwC reviewed related party transactions conducted in the normal course of operations related to the transfer of grants from the Foundation or the City of Toronto to the Board and the allocation of certain shared costs. No other non-routine transactions were noted.

The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. Comments and conclusions should only be taken in context of the financial statements as a whole, as we do not mean to express an opinion on any individual item or accounting estimate. This report has been prepared solely for your use. It was not prepared for, and is not intended for, any other purpose. No other person or entity shall place any reliance upon the accuracy or completeness of statements made herein. PwC does not assume responsibility to any third party, and, in no event, shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person or entity other than you.

Appendix A: Draft financial statements

See Final Financial Statements – Appendix 1

Appendix B: Management representation letter

Not Included

Appendix C: Internal control recommendations

<i>Control deficiencies – prior year</i>	
<p>Documentation for review and approval of vacation carry-over was not consistently maintained.</p> <p>According to the 2012-2015 Collective Agreement (Article 23.02), a total of 105 hours can be banked and carried forward, and any amounts above 105 are to be assessed on a case by case basis by the Director or designate. No such request can be unreasonably denied.</p> <p>Vacation carry-over for non-union staff is a maximum of one year's vacation entitlement.</p> <p>As of December 31, 2013, there were 200 employees with vacation carry-over hours greater than the 105 hour limit or one year's vacation entitlement, and there was no evidence of a consistently applied written approval of these carry-over hours.</p>	<p>PwC recommendation PwC recommends that on an annual basis banked vacation hours are reviewed and written approval is provided for each individual with hours banked above the 105 hour limit, or above the one year's vacation entitlement.</p> <p>Management's response Management agrees with the recommendation.</p> <p>In the third quarter of each year, the Human Resources Department generates reports of those unionized employees who have an outstanding vacation entitlement greater than 105 hours and of non-union employees with an outstanding balance greater than one year's vacation entitlement, and forwards them to Directors for follow up and review.</p> <p>In 2014, required written approvals for vacation carried forward will be retained.</p>
<p>2014 update: In the current year, the Director for each department has approved all vacation hours over the 105 hour limit for carry over.</p>	