

# **Toronto Public Library Board**

Financial Statements  
**December 31, 2018**



## *Independent auditor's report*

To the Members of Toronto Public Library Board

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### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Toronto Public Library Board (the Toronto Public Library Board) as at December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### **What we have audited**

The Toronto Public Library Board's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of operations and accumulated surplus for the year then ended;
- the statement of change in net debt for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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### *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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Toronto Public Library Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### *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.

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



In preparing the financial statements, management is responsible for assessing the Toronto Public Library 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 Toronto Public Library Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Toronto Public Library Board's financial reporting process.

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### *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 these 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 Toronto Public Library Board'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 Toronto Public Library 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 Toronto Public Library 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.



We 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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

May 27, 2019

# Toronto Public Library Board

## Statement of Financial Position

As at December 31, 2018

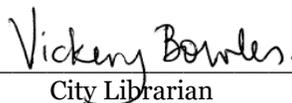
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	2018 \$	2017 \$
<b>Financial Assets</b>		
Cash and cash equivalents	12,963,402	14,006,616
Accounts receivable		
City of Toronto (note 3)	15,410,807	17,430,561
Other accounts receivable (note 3)	2,698,094	3,948,410
	<u>31,072,303</u>	<u>35,385,587</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities		
City of Toronto (note 3)	-	6,016,570
Other accounts payable and accrued liabilities	26,639,932	25,357,816
Deferred revenues (note 3)	3,109,355	2,132,170
Employee benefits (note 4)	82,721,363	84,420,159
Payable to Canada Life Assurance Company	-	148,424
	<u>112,470,650</u>	<u>118,075,139</u>
<b>Net debt</b>	(81,398,347)	(82,689,552)
<b>Non-financial assets</b>		
Tangible capital assets (note 6)	<u>340,900,518</u>	<u>325,374,100</u>
<b>Accumulated Surplus</b>		
Accumulated operating surplus	<u>259,502,171</u>	<u>242,684,548</u>
<b>Commitments and contingencies</b> (notes 5 and 7)		

### Approved by the Board



Toronto Public Library Board Chair



City Librarian

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

**Toronto Public Library Board**  
**Statement of Operations and Accumulated Surplus**  
**For the year ended December 31, 2018**

	<b>Budget</b> \$ (note 2)	<b>Actual</b> <b>2018</b> \$	<b>Actual</b> <b>2017</b> \$
<b>Revenues</b>			
City of Toronto (note 3)	219,869,798	214,288,896	207,425,496
Province of Ontario	5,678,427	5,845,281	6,000,980
Federal government	-	194,005	796,194
Fines and user charges	4,286,426	4,285,453	4,318,533
Investment income	139,500	445,094	264,751
Donations and other grants (note 3)	162,800	2,875,012	1,981,032
Other income	3,292,065	3,113,911	3,753,233
	<u>233,429,016</u>	<u>231,047,652</u>	<u>224,540,219</u>
<b>Expenses</b>			
Staff costs	148,860,675	143,856,341	140,520,085
Maintenance and supplies	13,371,825	15,780,862	14,568,129
Utility costs	9,860,180	9,772,078	9,588,028
Administration costs	3,459,049	4,619,736	3,728,477
Rental costs	2,735,863	3,024,076	3,054,747
Library materials	-	288,784	140,054
Transfers to City of Toronto and other (note 3)	1,046,409	918,420	1,065,642
Amortization of tangible capital assets	35,969,732	35,969,732	33,339,084
	<u>215,303,733</u>	<u>214,230,029</u>	<u>206,004,246</u>
<b>Surplus for the year</b>	<u>18,125,283</u>	16,817,623	18,535,973
<b>Accumulated surplus – Beginning of year</b>		<u>242,684,548</u>	<u>224,148,575</u>
<b>Accumulated surplus – End of year</b>		<u>259,502,171</u>	<u>242,684,548</u>

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

# Toronto Public Library Board

## Statement of Change in Net Debt

For the year ended December 31, 2018

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	2018 \$	2017 \$
<b>Surplus for the year</b>	16,817,623	18,535,973
Acquisition of tangible capital assets	(51,496,150)	(49,206,250)
Amortization of tangible capital assets	35,969,732	33,339,084
<b>Change in net debt</b>	1,291,205	2,668,807
<b>Net debt – Beginning of year</b>	(82,689,552)	(85,358,359)
<b>Net debt – End of year</b>	(81,398,347)	(82,689,552)

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

# Toronto Public Library Board

## Statement of Cash Flows

For the year ended December 31, 2018

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	2018 \$	2017 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Surplus for the year	16,817,623	18,535,973
Items not affecting cash		
Amortization of tangible capital assets	35,969,732	33,339,084
Employee benefits expense	(1,698,796)	(2,021,483)
	<hr/> 51,088,559	<hr/> 49,853,574
Changes in non-cash assets and liabilities		
Accounts receivable	3,270,070	(7,707,284)
Accounts payable and accrued liabilities	(4,734,454)	9,583,841
Deferred revenues	977,185	794,112
	<hr/> 50,601,360	<hr/> 52,524,243
<b>Capital activities</b>		
Acquisition of tangible capital assets	(51,496,150)	(49,206,250)
<b>Financing activities</b>		
Repayment of Canada Life Assurance Company payable	(148,424)	(187,429)
	<hr/> (1,043,214)	<hr/> 3,130,564
<b>(Decrease) increase in cash and cash equivalents during the year</b>		
	(1,043,214)	3,130,564
<b>Cash and cash equivalents – Beginning of year</b>	<hr/> 14,006,616	<hr/> 10,876,052
<b>Cash and cash equivalents – End of year</b>	<hr/> <hr/> 12,963,402	<hr/> <hr/> 14,006,616

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

# Toronto Public Library Board

## Notes to Financial Statements

December 31, 2018

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### 1 Operations

The Toronto Public Library Board (the Board or the Library) is a local board of the City of Toronto (the City) deemed to be a public library board established under the Public Libraries Act (Ontario) and is responsible for providing public library services that reflect the community's unique needs. The Public Libraries Act (Ontario) has also designated the Board as a special library service board to provide library resources and services to the Ontario library community.

The Board is not subject to income taxes under Section 149(1) of the Income Tax Act (Canada).

The Toronto Public Library Foundation (the Foundation) has responsibility for most of the fundraising activities for the Library. Fundraising efforts of the Foundation are to benefit the Library. The Foundation's net assets, revenues and expenses are not included in these financial statements as the Board does not control the Foundation (note 3).

### 2 Summary of significant accounting policies

#### Basis of accounting

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS) for local governments as defined by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is as follows.

#### Revenue recognition

Government transfers, which include municipal, provincial and federal grants, are recognized in the year in which 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.

Donations and other grants are recognized as revenue when received or receivable if the amount to be received can be reasonably measured and collection is reasonably assured. Donations and other grants received that have restrictions are recognized as revenue to the extent the funds have been spent, with any unspent amounts recorded as deferred revenue.

Revenues from user charges and other related services are recognized at the point of sale or when services have been provided and collection is reasonably assured. Investment income earned on available current funds is reported as revenue in the year earned.

#### Cash and cash equivalents

Cash and cash equivalents include cash on deposit, money market funds and short-term securities with original terms to maturity of less than 90 days.

Included in cash is \$136,694 (2017 – \$159,216) of restricted amounts held in trust for employees eligible for the sabbatical leave program and a \$299,750 Irrevocable Standby Letter of Credit issued for a construction project.

# Toronto Public Library Board

## Notes to Financial Statements

December 31, 2018

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### Materials and supplies

Materials and supplies purchased for consumption in the Library's activities are reported as an expense on the statement of operations and accumulated surplus in the year of acquisition.

### Tangible capital assets

Tangible capital assets are non-financial assets that 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.

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. The Board recognizes disposals when the tangible capital assets are considered fully amortized, which is at the end of the useful lives for capital assets and vehicles and at the end of the lease for leasehold improvements, or when the asset has been disposed of. Amortization is recognized on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Leasehold improvements	term of the lease or useful life estimated by management
Furniture, fixtures and equipment	5 to 20 years
Vehicles	8 to 12 years
Library materials	6 years

Assets under construction are not amortized until the date of substantial completion.

Contributed rare books and other collections are expensed in the year received.

The cost of normal maintenance and repairs, which does not significantly enhance the service potential of tangible capital assets, is recognized as an expense in the year it has been incurred.

### Impairment of tangible capital assets

The Board reviews the carrying amount, amortization and useful lives of its tangible capital assets regularly. If the capital asset no longer has any long-term service potential to the Board, the excess of the net carrying amount over any residual value is recognized as an expense in the statement of operations and accumulated surplus.

### Contributed materials and services

Donated materials and services are not recorded in the financial statements except for special collections and works of art, which are measured at fair value. During the year, there were contributions of special collections of \$186,542 (2017 – \$144,538) and works of art of \$7,640 (2017 – \$13,660), which have been recorded as revenues and expenses in the statement of operations and accumulated surplus.

# Toronto Public Library Board

## Notes to Financial Statements

December 31, 2018

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### Employee benefits

The Board has adopted the following policies with respect to employee benefit plans:

- the Board makes contributions to the Ontario Municipal Employees' Retirement System plan (OMERS), a multi-employer pension plan, on behalf of most of its employees. OMERS is a 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. Employees and employers contribute jointly to the plan. The Board's contributions to OMERS are expensed when contributions are due, as the plan is accounted for as a defined contribution plan;
- the costs of termination benefits and compensated absences are recognized when the event that obligates the Board occurs. Costs include projected future income payments, health-care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis;
- the costs of other employee benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health-care costs and plan investment performance;
- past service costs from plan amendments related to prior years' employee services are accounted for in the year of the plan amendment;
- employee future benefit liabilities are discounted using the City's cost of borrowing;
- net actuarial gains and losses are amortized over the expected average remaining service life of the related employee group, which ranges from 12 to 16 years; and
- the effects of a gain or loss from settlements or curtailments are expensed in the year they occur.

### Financial instruments

PSAS allows the Library to classify its financial instruments as either fair value or amortized cost. Currently, the Library only classifies cash and cash equivalents at fair value. Financial instruments carried at amortized cost include accounts receivable and accounts payable and accrued liabilities. They are initially recognized at cost and subsequently carried at amortized cost, less any impairment losses on financial assets, except for contributions, which are initially recognized at fair value.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown recognized in the statement of operations and accumulated surplus.

# Toronto Public Library Board

## Notes to Financial Statements

December 31, 2018

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### Budget figures

Budget data presented is based on the 2018 operating and capital budgets approved by the City's council. Adjustments to budgeted values were required to provide comparative budget values based on the PSAS basis of accounting. The following chart reconciles the approved budget with the budget figures as presented in the statement of operations and accumulated surplus.

	<b>Budget amount \$</b>
Revenues	
Approved budgets	
Operating	201,606,802
Capital	34,328,852
Less: Inter-budget transfers	<u>(2,506,638)</u>
	<u>233,429,016</u>
Expenses	
Approved budgets	
Operating	201,606,802
Capital	34,328,852
Less: Inter-budget transfers	<u>(2,506,638)</u>
	233,429,016
Adjustments	
Tangible capital assets	
Library materials – included in operating expenses	(19,766,163)
Building and equipment – capitalized for GAAP purposes	(34,328,852)
Amortization	<u>35,969,732</u>
	<u>215,303,733</u>
Adjusted annual budget surplus on PSAS basis	<u>18,125,283</u>

### Use of estimates

The preparation of the financial statements in accordance with PSAS requires management to make estimates and assumptions. The employee benefits liability and related costs charged to the statement of operations and accumulated surplus depend on certain actuarial and economic assumptions. These estimates and assumptions are based on the Board's best information and judgment and may differ significantly based on actual results.

## 3 Related party balances and transactions

### City of Toronto

As part of the terms of the agreement between the Board and the City, the Board is funded by the City as approved in its operating and capital budgets on an annual basis. Any operating excess or deficiency and any unexpended capital project funding is to be transferred to or recovered from the City. In addition, in the normal

# Toronto Public Library Board

## Notes to Financial Statements

December 31, 2018

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course of operations, the Board incurs costs for various expenses payable to the City. Such transactions between the City and the Board are made at the agreed exchange amount. The Board also manages on behalf of the City the capital program for libraries. As a result, the Board will incur capital expenses that are recoverable from the City.

Accounts receivable from (payable to) the City consist of the following:

	2018 \$	2017 \$
City funding receivable	14,822,367	19,346,945
Rental receivable	155,453	-
Operating expenses	(229,953)	(460,169)
Operating surplus payable	(59,390)	(69,490)
Hydro charges	(532,262)	(1,386,725)
Capital project funding receivable	1,254,592	-
<b>City of Toronto Receivables</b>	<b>15,410,807</b>	<b>17,430,561</b>
Capital project funding payable	-	(1,440,632)
Unexpended capital advance	-	(4,575,938)
<b>City of Toronto Payables</b>	<b>-</b>	<b>(6,016,570)</b>
<b>City of Toronto – Net Receivables</b>	<b>15,410,807</b>	<b>11,413,991</b>

Payments to the City that are included in the statement of operations and accumulated surplus consist of the following:

	2018 \$	2017 \$
Maintenance	366,767	394,053
Rent	575,623	586,541
Utilities	6,401,476	5,604,906
Other	204,538	187,408
	<b>7,548,404</b>	<b>6,772,908</b>

In addition, the City provided funding for capital purposes in the amount of \$2,601,285 (2017 – \$125,928). The Board received \$268,121 (2017 – \$289,423) from the City, consisting of \$254,828 (2017 – \$254,048) in rental income and \$13,293 (2017 – \$35,375) in miscellaneous income.

### Insurance fund

The Board contributes to a fund held by the City that provides funding for vehicle, property and liability insurance claim payments and related legal and adjusting expenses. The fund is established for insurance claim costs below deductible levels and for payments that exceed insurance coverage levels. Contributions are paid to the City, which makes insurance premium payments on behalf of the Board. During the year, the Board made

# Toronto Public Library Board

## Notes to Financial Statements

December 31, 2018

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\$609,543 (2017 – \$609,543) in contributions. This amount is included in Transfers to City of Toronto and other in the statement of operations and accumulated surplus.

### **Vehicle and equipment reserve fund**

The City maintains a reserve fund on behalf of the Board. The reserve fund was established by the City Council and is detailed in the City's Municipal Code.

The purpose of this fund is to provide funding to purchase or acquire any vehicles or equipment for the Library. The funding promotes efficiencies and provides budget stabilization by moderating large fluctuations in the annual replacement of vehicles and equipment. During the year, the Library made \$344,588 (2017 – \$339,412) in contributions to fund the purchase of vehicles. Contributions are included in Transfers to City of Toronto and other in the statement of operations and accumulated surplus.

Expenditures of the fund amounted to \$226,574 during the year (2017 – \$133,704). The balance of the Vehicle and Equipment Reserve Fund as at December 31, 2018 was \$1,048,271 (2017 – \$882,956).

### **Toronto Public Library Foundation**

The Board benefits from the fundraising efforts of the Foundation. During the year, the Board received contributions of \$4,036,116 (2017 – \$3,331,555) from the Foundation, of which \$2,843,479 (2017 – \$1,814,796) is included in deferred revenues. Of the amounts received and deferred from prior years, \$1,814,658 (2017 – \$1,981,032) has been recognized in revenues. Included in other accounts receivable is \$219,124 (2017 – \$156,421) owing from the Foundation.

## **4 Employee benefits**

The Board sponsors defined benefit plans providing pension and other retirement and post-employment benefits to most of its employees. The plans provide health, dental, life insurance, accidental death and dismemberment insurance and long-term disability benefits to certain employees.

Information about the Board's employee benefits, other than the multi-employer, defined benefit pension plan noted below, is as follows.

### **Sick leave**

The Board's short-term disability plan for non-unionized employees provides salary protection to eligible employees who are absent from work due to short-term illnesses or non-compensative injuries for up to 26 weeks of coverage each calendar year and/or per injury or illness. Absences greater than 26 weeks' duration are covered under the Board's long-term disability plan.

Under the sick leave benefit plan for unionized employees, all new permanent employees are enrolled in a short-term disability plan that does not include the accumulation of unused sick leave. The short-term disability plan provides coverage for up to 130 days in a calendar year. Prior to April 1, 2010, employees were credited with a maximum of 18 days' sick time per year. Unused sick leave could accumulate and employees could

# Toronto Public Library Board

## Notes to Financial Statements

December 31, 2018

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become eligible for a cash payment, capped at one-half of unused sick time to a maximum of 130 days when they leave the Board's employment. Union employees, as of that date, were given the option of remaining on the sick leave plan of 18 days' sick time per year and the accumulation of unused sick time to a maximum of 130 days or moving to the short-term disability plan that does not include the accumulation of unused sick leave. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could then be taken in cash by employees on termination of employment.

### Workplace Safety Insurance Board (WSIB)

The Board is a Schedule 2 employer and, as such, pays the full cost of all medical and all other benefits for its employees who sustain injuries at the workplace plus the administration cost as determined by the WSIB.

### Post-retirement and post-employment benefits

The Board provides health, dental, life insurance and long-term disability benefits to certain employees.

The liability in relation to the above defined benefit plans has been noted, in aggregate, as follows:

	2018 \$	2017 \$
Accrued benefit obligation	76,502,340	60,189,579
Net unamortized actuarial gain	6,219,023	24,230,580
	<hr/>	<hr/>
Total employee benefit liability	82,721,363	84,420,159

Components of the accrued benefit obligation are as follows:

	2018 \$	2017 \$
Post-retirement benefits	46,787,876	28,910,539
Disabled employees' benefits	5,586,831	6,117,063
Income benefits	8,568,508	7,479,416
Sick leave benefits	14,838,142	16,944,644
WSIB	720,983	737,917
	<hr/>	<hr/>
	76,502,340	60,189,579

# Toronto Public Library Board

## Notes to Financial Statements

December 31, 2018

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The continuity of the accrued benefit obligation is as follows:

	2018 \$	2017 \$
Balance – Beginning of year	60,189,579	63,621,295
Current year's service cost	2,762,308	2,786,329
Interest cost	1,851,034	2,056,092
Benefits paid	(4,508,895)	(4,693,279)
Plan amendment – prior service (gain) cost	320,150	(310,945)
Actuarial (gain) loss	15,888,164	(3,269,913)
	<hr/>	<hr/>
Balance – End of year	76,502,340	60,189,579

The total expenses related to employee benefits other than those related to the multi-employer pension plan are included in staff costs in the statement of operations and accumulated surplus and include the following components:

	2018 \$	2017 \$
Current year's service cost	2,762,308	2,786,329
Amortization of net actuarial gain	(2,123,383)	(1,859,680)
Interest cost	1,851,034	2,056,092
	<hr/>	<hr/>
	2,489,959	2,982,741

Cash payments made during the year are as follows:

	2018 \$	2017 \$
Post-retirement plans	1,804,895	1,445,444
Disabled employees' benefits	1,029,749	1,055,078
Sick leave benefits	1,083,340	1,544,632
	<hr/>	<hr/>
	3,917,984	4,045,154

Due to the complexities in valuing the plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial report was completed as at December 31, 2018. The next actuarial valuation is expected to be completed in 2021.

The significant actuarial assumptions are as follows:

	2018 %	2017 %
Accrued benefit obligation		
Discount rate		
Post-retirement	3.4	3.2
Disabled employees, income benefit	3.1	2.8
Sick leave	3.2	3.0

# Toronto Public Library Board

## Notes to Financial Statements

December 31, 2018

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	2018 %	2017 %
WSIB	3.4	3.0
Accrued benefit cost		
Discount rate		
Post-retirement	3.4	3.2
Disabled employees, income benefit	3.1	2.8
Sick leave – WSIB	3.2 – 3.4	3.0
Health-care inflation		
Hospital dental care and other medical	3.0	3.0
Drugs	5.5	5.8
Rate of compensation increase	3.0	3.0

In 2018, the drug rates are assumed to decrease by 0.25% per annum to 4%.

Total employer contributions made to OMERS for the year amounted to \$9,927,145 (2017 – \$9,879,057) and are included in staff costs in the statement of operations and accumulated surplus.

### 5 Lease commitments

As at December 31, 2018, the Board is committed to the following annual operating lease payments for facilities:

	\$
2019	2,452,775
2020	2,062,275
2021	1,859,806
2022	1,498,855
2023	1,091,061
Thereafter	<u>9,439,660</u>
	<u>18,404,432</u>

# Toronto Public Library Board

## Notes to Financial Statements

December 31, 2018

### 6 Tangible capital assets

Tangible capital assets consist of the following:

	<b>2018</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Land	15,376,262	-	15,376,262
Buildings and leasehold improvements	324,408,907	101,978,636	222,430,271
Furniture, fixtures and equipment	59,964,191	26,213,881	33,750,310
Vehicles	2,890,802	1,878,125	1,012,677
Library materials	116,899,612	57,146,408	59,753,204
Assets under construction	8,577,794	-	8,577,794
	<u>528,117,568</u>	<u>187,217,050</u>	<u>340,900,518</u>
	<b>2017</b>		
	<b>Cost</b>	<b>Accumulated</b>	<b>Net</b>
	<b>\$</b>	<b>amortization</b>	<b>\$</b>
		<b>\$</b>	
Land	15,376,262	-	15,376,262
Buildings and leasehold improvements	303,258,180	96,548,253	206,709,927
Furniture, fixtures and equipment	57,721,832	26,141,064	31,580,768
Vehicles	3,349,596	2,174,043	1,175,553
Library materials	114,398,247	55,768,910	58,629,337
Assets under construction	11,902,253	-	11,902,253
	<u>506,006,370</u>	<u>180,632,270</u>	<u>325,374,100</u>

During the year, there were capital additions in the amount of \$51,496,150 (2017 – \$49,206,250). Disposals for the year were \$29,384,951 (2017 – \$24,711,159), which included only fully amortized tangible capital assets for \$nil in proceeds.

### 7 Contingencies

In the normal course of operations, the Board is subject to various arbitrations, litigations and claims. Where a potential liability is determinable, management believes the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year when the liability can be estimated.

### 8 Comparative figures

Certain comparative figures have been restated to conform to the current year's financial statement presentation.

# Toronto Public Library Board

## Notes to Financial Statements

December 31, 2018

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### 9 Risk management

#### Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Accounts receivable are exposed to credit risk since there is a risk of counterparty default. The Board provides an allowance for doubtful accounts to absorb potential credit losses.

As at December 31, 2018, the harmonized sales tax recoverability amount represents \$1,967,123 (2017 – \$2,223,650) of the total of other accounts receivable balance.

As at December 31, 2018, the following other accounts receivable were past due but not impaired.

	30 days \$	60 days \$	90 days \$	Over 120 days \$	Total \$
Accounts receivable	1,958,703	508,614	31,339	199,438	2,698,094

The Board believes it has low exposure to credit risk.

#### Liquidity risk

Liquidity risk is the risk the Board will not be able to meet its financial obligations when they come due. All of the Board's accounts payable and accrued liabilities are due within the first six months of fiscal 2019. The Board believes it has low exposure to liquidity risk.

#### Currency risk

The Board is exposed to foreign currency risk between the Canadian dollar and foreign currency primarily because of its purchases in US dollars. Financial instruments subject to foreign currency risk include cash, accounts receivable and accounts payable and accrued liabilities.

The Board does not use derivative instruments to reduce its exposure to foreign currency risk.

The Board believes the exposure to currency risk is low given the low magnitude and volume of foreign currency transactions.