

Date: June 5, 2024
To: Port Colborne Public Library Board
From: Bryan Boles, Treasurer
Subject: 2023 Year End Financial Statements

The purpose of this report is to:

PRESENT the auditors audit findings reporting (Appendix A);
APPROVE proposed year end reserve transfers; and
APPROVE the audited financial statements (Appendix B)

Auditors Audit Findings Report (Appendix A)

The auditors finding report attached as Appendix A outlines the auditors overview and approach to the audit and related audit risks and results, any adjustments and uncorrected misstatements and other reportable matters.

The report identifies the auditors completed the financial statements. The report also identifies a lack of segregation of duties, the same as last year. This is at the City level surrounding access to certain approvals. While the City does have mitigating controls the control deficiency does remain. The identified segregation of duties comment will continue and will be addressed through the movement to the new financial system, Workday, in 2025. The auditors have planned and executed audit procedures accordingly and found the financial statements to present fairly in all material respects.

Reserve Transfers

In 2023, there was an operating surplus of \$90,018. This was primarily the result of receiving more revenue than budgeted, spending less than budgeted on number of different operating expenditures, as well as spending less than budgeted on salaries and benefits.

In accordance with the Library's reserve policy, the following reserve transfers are recommended to allocate the year end operating surplus:

- Transfer \$30,111 of surplus salaries, wages and benefits expenses to the future liabilities reserve from the 2022 operating budget.
- Transfer \$59,907 (the balance of the operating surplus) to the stabilization reserve from the 2022 operating budget.

Reserve balances are highlighted Appendix B, Financial Statement Note 6. The

reserve transfers above increase the future liabilities reserve to the reserve target, which is 75% of the identified liability and the stabilization reserve to approximately 100% of the reserve target, which is 5% of the operating budget.

Financial Statements (Appendix B)

The financial statements attached as Appendix B outline the financial activity of the Library during 2023. This report seeks to approve these financial statements.

The Statement of Financial Position saw relatively little change apart from an increase in the Due from City of Port Colborne balance. This increase primary relates to the timing of capital spending, as seen in the increase in Allocated capital and related projects reserve balance in Note 6.

The Statement of Operations saw revenue higher than budget by \$29,113 or 2.6%. This is primarily related to the donations being \$12,974 more than budget (\$10,000 of this amount being from the Erwin Taylor Charitable Foundation), investment income on reserve balances being \$4,688 more than budget, and book sales being \$3,591 more than budget. The most significant expense budget to actual differences in dollar terms are as follows:

- Salaries, wages and benefits which were \$77,786 or 10.9% lower than budget. In 2023, this budget line is lower as the result unfilled positions during the year and funding for future liabilities which are not recognized as an expense in the financial statements.
- Repairs and maintenance costs were \$2,304 or 3.1% higher than budget. The repair and maintenance expenses are allocated costs to maintain the Library facility.
- Electronic resources, periodicals and newspapers were \$2,104 or 6.2% below budget.



Port Colborne Public Library

For the year ended December 31, 2023

Report to the Board
Audit strategy and results

June 5, 2024

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Executive summary

Purpose of report and scope

The purpose of this report is to engage in an open dialogue with you regarding our audit of the financial statements of Port Colborne Public Library (the "Library") for the year ended December 31, 2023. This communication will assist the Board in understanding our overall audit strategy and results of audit procedures and includes comments on misstatements, significant accounting policies, sensitive estimates and other matters.

The information in this document is intended solely for the information and use of the Board of Directors, Members of Council and management of the City of Port Colborne. It is not intended to be distributed or used by anyone other than these specified parties.

We have obtained our engagement letter dated June 14, 2021, which outlines our responsibilities and the responsibilities of management.

We were engaged to provide the following deliverables:

Deliverable	Timing
Report on the December 31, 2023 financial statements	June, 2024
Communication of audit strategy and results	June, 2024

Status of our audit

We have substantially completed our audit of the financial statements of the Library and the results of that audit are included in this report.

We will finalize our report upon resolution of the following items that were outstanding as at June 5, 2024:

- Receipt of signed management representation letter (a draft has been attached in the **Appendix C**)
- Approval of the financial statements by the Board of Directors
- Procedures regarding subsequent events

Approach

Our audit approach requires that we establish an overall strategy that focuses on risk areas. We identify and assess risks of material misstatement of the financial statements, whether due to fraud or error. The greater the risk of material misstatement associated with an area of the financial statements, including disclosures, the greater the audit emphasis placed on it in terms of audit verification and analysis. Where the nature of a risk of material misstatement is such that it requires special audit consideration, it is classified as a significant risk.

Audit risks and results

We have executed our audit in accordance with our approach summarized in Appendix A. We highlight our significant findings in respect of audit risks and responses, accounting practices and other areas of focus.

Significant risks

Area of focus	Why there is a risk	Our response and findings
Fraud risk from revenue recognition	There is a presumed risk of fraud in revenue.	- Analytics used to identify unusual or unexpected relationships and any variances corroborated with appropriate personnel - Subsequent receipt testing on accounts receivable as at December 31, 2023 (judgemental sample, primarily focused on significant balances and unusual characteristics of accounts) - Performed test of details on a sample of revenue transactions throughout the period to determine if revenue recognition was appropriate No findings noted.
Fraud risk from management override	This is a presumed fraud risk.	- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements - Reviewed accounting estimates for biases - Evaluated the business rationale for significant transactions that are or appear to be outside the normal course of business No findings noted.

Accounting practices

Area of focus	Matter	Our response and findings								
Accounting estimate – Useful lives of tangible capital assets	The estimated useful lives assigned to tangible capital assets are as follows: <table><tr><td>Computer and equipment</td><td>5 -10 years</td></tr><tr><td>Furniture and fixtures</td><td>7 years</td></tr><tr><td>Library collection</td><td>7 years</td></tr><tr><td>Leasehold improvements</td><td>20 - 50 years</td></tr></table>	Computer and equipment	5 -10 years	Furniture and fixtures	7 years	Library collection	7 years	Leasehold improvements	20 - 50 years	It has been determined that the estimate is reasonable in the context of the financial statements as a whole
Computer and equipment	5 -10 years									
Furniture and fixtures	7 years									
Library collection	7 years									
Leasehold improvements	20 - 50 years									
Accounting estimate – Post-employment benefits	The provision for post-employment benefits of approximately \$ 135,300 calculated by the Municipality's actuary. The actuary's valuation was performed in accordance with the standards of the Canadian Institute of Actuaries	It has been determined that the estimate is reasonable in the context of the financial statements as a whole								

Other areas of focus

Area of focus	Matter	Our response and findings
Financial instruments	The financial statement disclosure relating to financial instruments are not complete and accurate	Verifying the accuracy and reasonableness of disclosures, with reference to PS3450 financial instruments
Provision for asset retirement obligation	Provision and tangible capital assets and/or related expenses may be understated.	- Reviewing process and assumptions used by management to develop the estimate - Testing supporting calculations relating to the various amounts and disclosures

Adjustments and uncorrected misstatements

Adjustments

Misstatements identified and adjusted in the financial statements by the Library as a result of our audit procedures are as follows:

Description	Increase (Decrease)	Statement of financial position			Surplus	
		Assets	Liabilities	Accumulated Surplus	Annual Surplus	
To balance surplus accounts		\$ 40,483	\$ -	\$ 40,483	\$ -	-
Total adjusted misstatements		\$ 40,483	\$ -	\$ 40,483	\$ -	-

Uncorrected misstatements

We have no non-trivial unadjusted misstatements to report.

Summary of disclosure matters

Our audit did not identify any unadjusted non-trivial misstatements of disclosure matters.

Other reportable matters

Internal control

The audit is designed to express an opinion on the financial statements. We obtain an understanding of internal control over financial reporting to the extent necessary to plan the audit and to determine the nature, timing and extent of our work. Accordingly, we do not express an opinion on the effectiveness of internal control.

If we become aware of a deficiency in your internal control over financial reporting, the auditing standards require us to communicate to the Board those deficiencies we consider significant. However, a financial statement audit is not designed to provide assurance on internal control.

During the course of performing our audit, we did not identify any areas for improvement in internal control that were not otherwise reported in the past. Previously reported were the following areas:

- Lack of segregation of duties
- Reliance on external auditor for preparation of financial statements

Fees

The following is a schedule of our current year fees and prior year fees.

Service	Current year fees	Prior year fees
Annual audit and assistance in the preparation of the financial statements	\$ 7,950	\$ 7,550
Total	\$ 7,950	\$ 7,550

*before administrative costs, disbursements and applicable taxes

Independence

We have a rigorous process where we continually monitor and maintain our independence. The process of maintaining our independence includes, but is not limited to:

- Identification of threats to our independence and putting into place safeguards to mitigate those threats. For example, we evaluate the independence threat of any non-audit services provided to the Library
- Confirming the independence of our engagement team members

We have determined that the following information regarding our independence should be brought to your attention:

- We will provide assistance in the preparation of the financial statements for the year ended December 31, 2023. The threat to independence is a self-review threat – this threat is reduced to an acceptable level by reviewing the financial statements with management and management taking responsibility for these statements. There is also our internal file review process, whereby the work completed by one person is subject to review by a person at a higher level. As well, the process is “compliance” in nature and in no circumstances will we make any decisions on behalf of management.

Technical updates – highlights

Accounting

Accounting standards issued by the Accounting Standards Board that may affect the Library in future years include:

- 2022-2023 Annual Improvements to PSAS
- Section PS 1202 Financial Statement Presentation
- Conceptual Framework for Financial Reporting in the Public Sector
- Section PS 3160 Public Private Partnerships
- Section PS 1000 Financial statement concepts, Section 1201 Financial Statement Presentation, and PSG-8 Purchased intangibles
- Section PS 3400 *Revenues*

Further details of the changes to accounting standards, including management's preliminary comments on their applicability to the Library, are included in Appendix D. If you have any questions about these changes, we will be pleased to address your concerns.

Assurance

In addition, assurance standards issued by the AASB that may change the nature, timing and extent of our audit procedures on the Library and our communication with the Board include:

- Issuance of CSQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, CSQM 2 Engagement Quality Reviews and revised CAS 220 Quality Management for an Audit of Financial Statements

- Revisions to CAS 600 Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)
- Potential revisions to CAS 500 Audit Evidence
- Potential revisions to CAS 570 *Going Concern*
- Proposed Canadian Standard on Sustainability Assurance (CSSA) 5000, *General Requirements for Sustainability Assurance Engagements*

Further details of the changes to assurance standards, including management's preliminary comments on their applicability to the Library, are included in Appendix E. If you have any questions about these changes, we will be pleased to address your concerns.

Appendix A – Overview and approach

Our audit is planned with the objective of obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, so that we are able to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with Public Sector Accounting Standards. The following outlines key concepts that are applicable to the audit

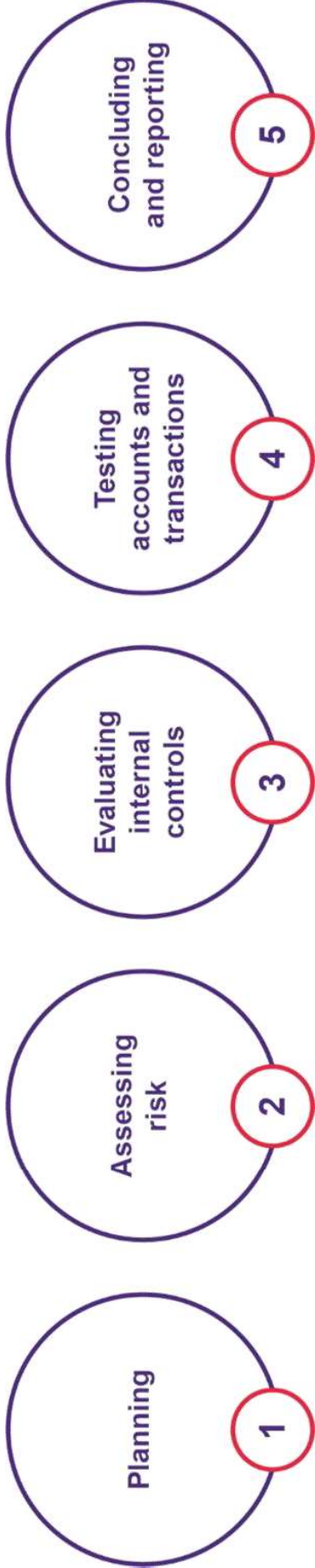
Roles and responsibilities

Role of the board of directors	• Help set the tone for the organization by emphasizing honesty, ethical behaviour and fraud prevention • Oversee management, including ensuring that management establishes and maintains internal controls to provide reasonable assurance regarding reliability of financial reporting • Oversee the work of the external auditors including reviewing and discussing the audit plan
Role of management	• Prepare financial statements in accordance with Public Sector Accounting Standards • Design, implement and maintain effective internal controls over financial reporting processes, including controls to prevent and detect fraud • Exercise sound judgment in selecting and applying accounting policies • Prevent, detect and correct errors, including those caused by fraud • Provide representations to external auditors • Assess quantitative and qualitative impact of misstatements discovered during the audit on fair presentation of the financial statements
Role of Grant Thornton LLP	• Provide an audit opinion that the financial statements are in accordance with Public Sector Accounting Standards • Conduct our audit in accordance with Canadian Generally Accepted Auditing Standards (GAAS) • Maintain independence and objectivity • Be a resource to management and to those charged with governance • Communicate matters of interest to those charged with governance • Establish an effective two-way communication with those charged with governance, to report matters of interest to them and obtain their comments on audit risk matters

Audit approach

Our understanding of the Library and its operations drives our audit approach, which is risk based and specifically tailored to Port Colborne Public Library.

The five key phases of our audit approach



Phase	Our approach
1. Planning	• We obtain our understanding of your operations, internal controls and information systems • We plan the audit timetable together
2. Assessing risk	• We use our knowledge gained from the planning phase to assess financial reporting risks • We customize our audit approach to focus our efforts on key areas
3. Evaluating internal controls	• We evaluate the design of controls you have implemented over financial reporting risks • We identify areas where our audit could be more effective or efficient by taking an approach that includes testing the controls • We provide you with information about the areas where you could potentially improve your controls
4. Testing accounts and transactions	• We perform tests of balances and transactions • We use technology and tools, including data interrogation tools, to perform this process in a way that enhances effectiveness and efficiency
5. Concluding and reporting	• We conclude on the sufficiency and appropriateness of our testing • We finalize our report and provide you with our observations and recommendations

Our tailored audit approach results in procedures designed to respond to an identified risk. The greater the risk of material misstatement associated with the account, class of transactions or balance, the greater the audit emphasis placed on it in terms of audit verification and analysis.

Throughout the execution of our audit approach, we maintained our professional skepticism, recognizing the possibility that a material misstatement due to fraud could exist notwithstanding our past experiences with the entity and our beliefs about management's honesty and integrity.

Materiality

The purpose of our audit is to provide an opinion as to whether the financial statements are prepared, in all material respects, in accordance with Public Sector Accounting Standards as at December 31, 2023. Therefore, materiality is a critical auditing concept and as such we apply it in all stages of our engagement.

The concept of materiality recognizes that an auditor cannot verify every balance, transaction or judgment made in the financial reporting process. During audit planning, we made a preliminary assessment of materiality for the purpose of developing our audit strategy, including the determination of the extent of our audit procedures. During the completion stage, we consider not only the quantitative assessment of materiality, but also qualitative factors, in assessing the impact on the financial statements, our audit opinion and whether the matters should be brought to your attention.

Fraud risk factor considerations

We are responsible for planning and performing the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement caused by error or by fraud. Our responsibility includes:

- The identification and assessment of the risks of material misstatement of the financial statements due to fraud through procedures including discussions amongst the audit team and specific inquiries of management
- Obtaining sufficient appropriate audit evidence to respond to the fraud risks noted
- Responding appropriately to any fraud or suspected fraud identified during the audit

Due to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements may not be detected and this is particularly true in relation to fraud. The primary responsibility for the prevention and detection of fraud rests with those charged with governance and management.

We are required to communicate with you on fraud-related matters, including:

- Obtaining an understanding of how you exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks
- Inquiring as to whether you have knowledge of any actual, suspected or alleged fraud affecting the entity

The following provides a summary of some of the fraud related procedures that are performed during the audit:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Reviewing accounting estimates for biases
- Evaluating the business rationale (or the lack thereof) for significant transactions that are or appear to be outside the normal course of operations

Quality management

We have a robust system of quality management that forms a core part of our client service and is designed to ensure the firm is meeting its quality objectives by designing responses to address identified quality risks. We combine numerous specific responses including the application of our internationally developed audit methodology, advanced audit technology, rigorous review procedures, mandatory professional development requirements, and the use of specialists to consistently deliver high quality audit services to our clients. We also monitor the design, implementation and operating effectiveness of each element of our system of quality management to ensure that we are appropriately addressing the quality risks and to identify deficiencies and required remedial actions in the system of quality management. In addition to our internal processes, we are subject to inspection and oversight by standard setting and regulatory bodies. We are proud of our firm's approach to quality management and would be pleased to discuss any aspect with you at your convenience.

Data analysis software

We apply our audit methodology using advanced software tools. Grant Thornton continues to invest in developing industry-leading advanced audit data analytics tools.

IDEA

IDEA Data Analysis Software is a powerful analysis tool that allows audit teams to read, display, analyze, manipulate, sample and extract data from almost any electronic source. The tool has the advantages of enabling the audit team to perform data analytics on very large data sets in a very short space of time, while providing the checks, balances and audit trail necessary to ensure that the data is not corrupted and that the work can be easily reviewed. SmartAnalyzer, an add-on to IDEA, further improves the efficiency and effectiveness of the audit by providing automated routines for certain common analytical tasks, such as identifying unusual and potentially fraudulent journal entries.

Appendix B – Draft Independent Auditor’s Report

Independent auditor's report

To the Board, Members of Council, Inhabitants and Taxpayers of the Corporation of the City of Port Colborne

Qualified Opinion

We have audited the financial statements of the Port Colborne Public Library ("the Entity"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Port Colborne Public Library 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 Qualified Opinion

The Entity derives revenue from donations and cash sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Port Colborne Public Library. Therefore, we were not able to determine whether any adjustments might be necessary to donations and other revenue and annual surplus for the years ended December 31, 2023 and 2022, net financial assets as at December 31, 2023 and 2022, and accumulated surplus as at January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

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 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 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 qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for public sector organizations, 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 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 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.

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.

Port Colborne, Canada

Chartered Professional Accountants
Licensed Public Accountants

DRAFT

Appendix C – Draft Management Representation Letter

PORT COLBORNE PUBLIC LIBRARY

Management Representation Letter

June , 2024

Grant Thornton LLP

Chartered Professional Accountants
PO Box 336
Port Colborne, ON
L3K 5W1

Dear Sirs:

We are providing this letter in connection with your audit of the financial statements of the Port Colborne Public Library ("Library") as of December 31, 2023 and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Port Colborne Public Library in accordance with Canadian public sector accounting standards.

We acknowledge that we have fulfilled our responsibilities for the preparation of the financial statements in accordance with Canadian public sector accounting standards and for the design and implementation of internal controls to prevent and detect fraud and error. We have assessed the risk that the financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards (GAAS) so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal controls and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, as of June , 2024, the following representations made to you during your audit.

Financial statements

- 1 The financial statements referred to above present fairly, in all material respects, the financial position of the Library as at December 31, 2023 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards, as agreed to in the terms of the audit engagement.

Completeness of information

- 2 We have made available to you all financial records and related data and all minutes of the meetings of the Board, as agreed in the terms of the audit engagement. Summaries of actions of recent meetings for which minutes have not yet been prepared have been provided to you. All significant Board actions are included in the summaries.
- 3 We have provided you with unrestricted access to persons within the Library from whom you determined it necessary to obtain audit evidence.
- 4 There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements. The adjusting journal entries which have been proposed by you are approved by us and will be recorded on the books of the Library.
- 5 We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
- 6 There were no restatements made to correct a material misstatement in the prior period financial statements that affect the comparative information.
- 7 We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss.
- 8 We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting of which we are aware.
- 9 We have identified to you all known related parties and related party transactions, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements guarantees, non-monetary transactions and transactions for no consideration.
- 10 You provided a non-attest service by assisting us with drafting the financial statements and related notes. In connection with this non-attest service, we confirm that we have made all management decisions and performed all management functions, have the knowledge to evaluate the accuracy and completeness of the financial statements, and accept responsibility for such financial statements.

Fraud and error

- 11 We have no knowledge of fraud or suspected fraud affecting the Library involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the financial statements.
- 12 We have no knowledge of any allegations of fraud or suspected fraud affecting the Library's financial statements communicated by employees, former employees, analysts, regulators or others.
- 13 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Recognition, measurement and disclosure

- 14 We believe that the significant assumptions used by us in making accounting estimates, including those used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements, are reasonable and appropriate in the circumstances.
- 15 We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, both financial and non-financial, reflected in the financial statements.
- 16 All related party transactions have been appropriately measured and disclosed in the financial statements.
- 17 The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
- 18 All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the financial statements.
- 19 All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
- 20 With respect to environmental matters:
 - a) at year end, there were no liabilities or contingencies that have not already been disclosed to you;
 - b) liabilities or contingencies have been recognized, measured and disclosed, as appropriate, in the financial statements; and
 - c) commitments have been measured and disclosed, as appropriate, in the financial statements.
- 21 The Library has satisfactory title to (or lease interest in) all assets, and there are no liens or encumbrances on the Library's assets nor has any been pledged as collateral.
- 22 We have disclosed to you, and the Library has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
- 23 The Harmonized Sales Tax (HST) transactions recorded by the Library are in accordance with the federal and provincial regulations. The HST liability/receivable amounts recorded by the Library are considered complete.
- 24 Employee future benefit costs, assets, and obligations have been determined, accounted for and disclosed in accordance with the requirements of Section 3255 *Post-Employment Benefits, Compensated Absences and Terminations Benefits* of the Canadian Institute of Chartered Accountants (CICA) Public Sector – Accounting.

- 25 Events subsequent to the statement of financial position date up to the date hereof have been recognized or disclosed in the financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and related notes.

Other

- 26 We have considered whether or not events have occurred or conditions exist which may cast significant doubt on the Library's ability to continue as a going concern and have concluded that no such events or conditions are evident.

Yours very truly,

**Rachel Tkachuk – Library Services Manager/Acting Chief Executive Officer
(Secretary-Treasurer)
Port Colborne Public Library**

**Bryan Boles, CPA, CA, MBA - Director of Corporate Services/Treasurer
City of Port Colborne**

Appendix D – PSAS

Accounting developments

Public Sector Accounting Standards [updated December 31, 2023]

Effective date

Section PS 1202 *Financial Statement Presentation*

New Section PS 1202 *Financial Statement Presentation* replaces Section PS 1201 *Financial Statement Presentation*.

The main features of the new Section include:

- Changes to the statement of financial position to present financial assets, non-financial assets, total assets, financial liabilities, non-financial liabilities total liabilities and net assets/net liabilities
- Separate statement of changes in net assets or net liabilities (formerly known as accumulated surplus) by required categories
- The addition of a statement of net financial assets or net financial liabilities that presents a revised net financial assets or net financial liabilities (formerly known as “net debt”) calculation
- The option to present the change in net financial assets or net financial liabilities on the statement of net financial assets or net financial liabilities
- Ability to present an amended budget when there is an election or the majority of the governing body of a government organization is newly elected or appointed
- The requirement to provide a subtotal prior to financing activities in the statement of cash flow
- Guidance on assessing the going concern assumption

As a result of the issuance of the new Section, various Sections and Guidelines of the Handbook have been amended to include references to the Section. The impacted Sections and Guidelines include:

- PS 1300 *Government Reporting Entity*
- PS 2120 *Accounting Changes*
- PS 2500 *Basic Principles of Consolidation*
- PS 2510 *Additional Areas of Consolidation*
- PS 2601 *Foreign Currency Translation*
- PS 3041 *Portfolio Investments*
- PS 3060 *Interest in Partnerships*
- PS 3070 *Investments in Government Business Enterprises*
- PS 3100 *Restricted Assets and Revenues*
- PS 3160 *Public Private Partnerships*
- PS 3230 *Long-Term Debt*
- PS 3250 *Retirement Benefits*
- PS 3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits*
- PS 3260 *Liability for Contaminated Sites*
- PS 3280 *Asset Retirement Obligations*
- PS 3300 *Contingent Liabilities*
- PS 3310 *Loan Guarantees*
- PS 3400 *Revenue*
- PS 3410 *Government Transfers*
- PS 3430 *Restructuring Transactions*
- PS 3450 *Financial Instruments*
- PS 4200 *Financial Statement Presentation by Not-for-Profit Organizations*
- PSG-2 *Leased Tangible Capital Assets*
- PSG-4 *Funds and Reserves*
- PSG-5 *Sale-Leaseback Transactions*

Fiscal years beginning on or after April 1, 2026.

Earlier adoption is permitted only if the Conceptual Framework is also adopted at the same time.

Prior period amounts would need to be restated to conform to the presentation requirements for comparative financial information in Section PS 1202.

Public Sector Accounting Standards [updated December 31, 2023]

Effective date

Conceptual Framework for Financial Reporting in the Public Sector

PSAB's Conceptual Framework for Financial Reporting in the Public Sector replaces Sections PS 1000 *Financial Statement Concepts* and PS 1100 *Financial Statement Objectives*.

Fiscal years beginning on or after April 1, 2026.
Earlier adoption is permitted.

The new Conceptual Framework includes:

- Characteristics of public sector entities
- Objectives of financial reporting
- Primary users of financial reporting and their expectations
- Role of financial statements
- Foundations and objectives of financial statements
- Qualitative characteristics of information in financial statements
- Qualitative characteristics of information in financial statements and related considerations
- Definitions of elements
- Criteria of general recognition and derecognition; and,
- Concepts of general measurement and presentation

As a result of the issuance of the Conceptual Framework, various Sections and Guidelines of the Handbook have been amended to include references to the new Conceptual Framework, add/clarify key definitions that are consistent with the Conceptual Framework, and/or remove references to qualitative characteristics that are no longer qualitative characteristics in the new Conceptual Framework. These Sections include:

- Introduction to the Public Sector Accounting Handbook (formerly the Introduction to the Public Sector Accounting Standards)
- PS 1150 *Generally accepted Accounting Principles*
- PS 1201 *Financial Statement Presentation*
- PS 1300 *Government Reporting Entity*
- PS 2100 *Disclosure of Accounting Policies*
- PS 2120 *Accounting Changes*
- PS 2130 *Measurement Uncertainty*
- PS 2200 *Related Party Transactions*
- PS 3150 *Tangible Capital Assets*
- PS 3200 *Liabilities*
- PS 3210 *Assets*
- PS 3400 *Revenue*
- PS 3430 *Restructuring Transactions*
- PS 3450 *Financial Instruments; and*
- PS 4230 *Capital Assets Held by Not-for-Profit Organizations*

The Conceptual Framework will be applied prospectively.

Section PS 3160 *Public Private Partnerships*

New Section PS 3160 *Public Private Partnerships* establishes standards on how to account for public private partnerships between public and private sector entities where infrastructure is procured by a public sector entity using a private sector partner that is obligated to design, build, acquire or better infrastructure; finance the infrastructure past the point where the infrastructure is ready for use and operate and/or maintain the infrastructure. Infrastructure typically includes items such as tangible capital assets (i.e., complex network systems), but may also include items that are intangible in nature. The main features of the new Section are:

- The infrastructure is recognized as an asset when the public sector entity acquires control of the infrastructure. A liability is also recognized when the public sector entity recognizes an asset
- The infrastructure asset and corresponding liability are initially measured at the cost of the infrastructure asset
- Subsequent measurement of the infrastructure asset is based on the asset cost amortized in a rational and systematic manner over the useful life of the asset
- Subsequent measurement of the financial liability is at amortized cost using the effective interest method. When all or a portion of the liability represents a performance obligation, revenue is recognized, and the liability reduced in accordance with the substance of the public private partnership agreement (as performance is achieved)

Retrospective or prospective application is permitted.

Fiscal years beginning on or after April 1, 2023.
Earlier adoption is permitted.

Public Sector Accounting Standards [updated December 31, 2023]

Effective date

Section PS 1000 *Financial statement concepts*, Section 1201 *Financial Statement Presentation*, and PSG-8 *Purchased intangibles*

Section PS 1000 has been amended to remove the prohibition of recognition of purchased intangibles in public sector financial statements. Consequently, Section PS 1201 has also been amended to remove disclosure requirements for unrecognized purchased intangibles since entities can now recognize purchased intangibles in their financial statements. Entities still reporting in accordance with Section PS 1200 *Financial Statement Presentation* can also adopt the amendments and recognize purchased intangible assets. New Public Sector Guideline, *PSG-8 Purchased intangibles*, has been issued to explain the scope of the intangibles that are allowed to be recognized in the financial statements given this amendment to Section PS 1000. However, it is important to note that no further recognition, measurement, disclosure and presentation guidance has been provided.

The main features of PSG-8 include:

- A definition of purchased intangibles (which does not include those received through a government transfer, contribution or inter-entity transaction)
- Examples of items that are not purchased intangibles
- References to other guidance in the Handbook on intangibles
- Reference to the asset definition, general recognition criteria and the GAAP hierarchy for accounting for purchased intangibles

Retrospective or prospective application is permitted.

Section PS 3400 *Revenues*

New Section PS 3400 *Revenue* establishes standards on how to account for and report on revenue. It does not apply to revenues for which specific standards already exist, such as government transfers, tax revenue or restricted revenues. The Section distinguishes between revenue that arises from transactions that include performance obligations (i.e., exchange transactions) and transactions that do not have performance obligations (i.e., non-exchange transactions). The main features of the new Section are:

- Performance obligations are defined as enforceable promises to provide specific goods or services to a specific payer
 - Revenue from transactions with performance obligations will be recognized when (or as) the performance obligation is satisfied by providing the promised goods or services to the payer
 - Revenue from transactions with no performance obligations will be recognized when a public sector entity has the authority to claim or retain the revenue and identifies a past transaction or event that gives rise to an asset
-

Fiscal years beginning on or after April 1, 2023.

Earlier adoption is permitted.

Fiscal years beginning on or after April 1, 2023.

Earlier adoption is permitted.

Appendix E – Auditing developments

Canadian Auditing Standards (CASS) and other Canadian Standards issued by the AASB	Effective date
Issuance of CSQM 1 <i>Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements</i>, CSQM 2 <i>Engagement Quality Reviews and revised CAS 220 Quality Management for an Audit of Financial Statements</i> Auditors must effectively manage audit quality, both at the firm level and the engagement level. The IAASB recognised a need to strengthen standards addressing quality control and the AASB implemented similar changes to those made at the international level. In January 2021, the AASB unanimously approved the suite of quality management standards. CSQM 1 introduces a new approach to “managing quality”. Quality management is intended to be proactive in nature and to be a continuous process. Implementing the new standard requires firms to analyse and enhance many of their internal processes to achieve effective quality management. This standard replaces the extant standard, CSQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements CSQM 2 deals specifically with the topic of engagement quality reviews (EQRs), which are performed by firms to obtain an objective evaluation of the significant judgments made by the engagement team and the conclusions reached. The standards setters recognized the importance of EQRs and noted that many stakeholders (including oversight bodies) were concerned that the requirements of CSQM 1 with respect to EQRs were not sufficiently robust. As a result, CSQM 2 was issued. CSQM 1 deals with the topic of when an EQR should be performed, while CSQM 2 covers the appointment and eligibility considerations related to the person performing the EQR and the performance and documentation requirements. CAS 220 was revised to clarify and strengthen the key elements of quality management at the engagement level by: • emphasizing that the engagement partner is responsible for managing and achieving quality at the engagement level • clarifying the engagement partner's responsibilities, and acknowledging the engagement partner can assign certain tasks/procedures to members of the engagement team who are appropriately skilled or suitably experienced in managing and achieving quality • modernizing the standard for the evolving environment	CSQM 1 is effective for audits or reviews of financial statements or other assurance engagements as of December 15, 2022 and related services engagements as of December 15, 2023. CSQM 2 is effective for audits or reviews of financial statements with periods beginning on or after December 15, 2022, other assurance engagements beginning on or after December 15, 2022 and related services engagements beginning on or after December 15, 2023. CAS 220 is effective for audits of financial statements for periods beginning on or after December 15, 2022.

Canadian Auditing Standards (CASs) and other Canadian Standards issued by the AASB		Effective date
Revisions to CAS 600 <i>Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)</i>		Periods beginning on or after December 15, 2023.
Many audits today are of group financial statements, also known as group audits, and these types of engagements can be very challenging. In April 2020, the International Auditing and Assurance Standards Board (IAASB) issued an Exposure Draft proposing changes to ISA 600 and related ISAs with the goals of strengthening the auditor's approach to planning and performing group audits and clarifying the interaction of ISA 600 with other ISAs and issued the final standard in 2022. The AASB issued the equivalent Canadian standard, which included the same revisions as the ISA with no Canada-specific amendments. The changes made to the standard were designed to: • Clarify the scope and applicability of the standard • Emphasise the importance of exercising professional skepticism throughout the group audit • Clarify and reinforce that all CASs need to be applied in a group audit situation • Focus the group engagement team's attention on identifying and assessing the risks of material misstatement of the group financial statements and emphasise the importance of designing procedures to respond to those risks • Reinforce the need for robust communication between the group engagement team and component auditors • Include new guidance and considerations relating to testing common controls, addressing access restrictions, establishing materiality and documenting group audits.		
Canadian Auditing Standards (CASs) and other Canadian Standards approved by the AASB but not issued		Effective date
None.		
Canadian Exposure Drafts issued by the AASB		Effective date
Potential revisions to CAS 500 <i>Audit Evidence</i>		The comment period for the Exposure Draft ended on March 15, 2023. It is expected that the effective date for the revised standard will be for periods beginning in 2025, but the exact effective date will depend on when the standard is approved.
The current audit evidence standard was issued many years ago. Since then, developments in technology have affected how entities operate and process information and how audits are performed. In December 2020, the IAASB initiated a project to revise the current standard to respond to changes in the business environment. The Exposure Draft proposes several key changes: • To respond to changes in the information auditors use, including the nature and source of the information, a set of attributes has been developed to enhance the auditor's principle-based judgments related to audit evidence in a wide variety of circumstances. Enhancements and clarifications have also been made regarding the auditor's role when using information prepared by management's expert • To modernise the standard and support a principles-based approach that recognises the evolution in technology, new application material has been added, including explanations of how automated tools may affect auditor bias and examples that recognise the use of technology by the entity or the auditor • To foster professional skepticism when making judgments about information to be used as audit evidence and sufficient appropriate audit evidence, language has been added to emphasise the importance of maintaining professional skepticism at various stages, such as when attempting to ensure that audit procedures are being designed and performed in an unbiased manner.		

Canadian Auditing Standards (CASs) and other Canadian Standards issued by the AASB		Effective date
Potential revisions to CAS 570 Going Concern Auditors are required to obtain sufficient appropriate audit evidence on the appropriateness of management's use of the going concern basis of accounting and conclude on whether a material uncertainty exists in relation to going concern. Financial statement users have raised questions about how much auditors should be able to detect from their audit procedures in this area, and what is communicated to users about the entity's ability to continue as a going concern. This led the IAASB to initiate a project to revise the standard. In April 2023, the IAASB issued its Exposure Draft and the AASB has issued a corresponding Exposure Draft. The Exposure Draft proposes several key changes, which include: • Defining material uncertainty related to going concern • Enhancing the risk identification and assessment requirements so they are consistent with those set out in CAS 315 (Revised) <i>Identifying and Assessing the Risks of Material Misstatement</i> • Enhancing the auditor's evaluation of management's going concern assessment, including requirements to support the auditor's application of professional skepticism • Adding a requirement for the auditor to request management to extend its going concern assessment of the entity to cover at least 12 months from the date of approval of the financial statements if management has not already done so • Enhancing the auditor's consideration of information related to management's going concern assessment that becomes available to the auditor after the date of the auditor's report but before the date the financial statements are issued • Adding requirements to enhance communications about going concern in the auditor's report.		The comment period for the Exposure Draft ended on July 31, 2023. It is expected that the effective date for the revised standard will be for periods beginning in 2026, but the exact effective date will depend on when the standard is approved.
Canadian Exposure Drafts issued by the AASB		Effective date
Proposed Canadian Standard on Sustainability Assurance (CSSA) 5000, General Requirements for Sustainability Assurance Engagements In September 2022, the IAASB approved a project proposal to develop a new overarching standard for sustainability assurance engagements. In January 2023, the AASB approved a project proposal to concurrently adopt this international standard with any potential additional Canadian amendments, as a first of its kind Canadian Standard on Sustainability Assurance (CSSA). CSSA 5000 will not be a financial statement audit standard, but rather will serve as a comprehensive, standalone standard suitable for sustainability assurance engagements. It will apply to sustainability information reported across any appropriate sustainability topic, prepared according to any suitable framework, including the recently released IFRS Sustainability Disclosure Standards S1 and S2. The proposed standard is profession agnostic, supporting its use by both professional accountant and non-accountant assurance practitioners who meet the relevant ethical and quality management requirements, and will apply to both limited and reasonable assurance engagements.		The comment period for the Exposure Draft ended on November 6, 2023. It is expected that the effective date will be for periods beginning in 2026, but the exact effective date will depend on when the standard is approved.

Financial Report

Port Colborne Public Library

December 31, 2023

DRAFT

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Port Colborne Public Library Statement of Financial Position

As at December 31, 2023

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash	\$ 200	\$ 200
Receivables	11,496	10,432
Due from City of Port Colborne	<u>563,506</u>	<u>346,187</u>
	<u>575,202</u>	<u>356,819</u>
Liabilities		
Payables and accruals	68,168	55,157
Employee benefit obligations (Note 4)	135,300	150,100
	<u>203,468</u>	<u>205,257</u>
Net financial assets	<u>371,734</u>	<u>151,562</u>
Non-financial assets		
Tangible capital assets (Pages 18 and 19)	<u>641,315</u>	<u>646,216</u>
Accumulated surplus (Note 5)	<u>\$ 1,013,049</u>	<u>\$ 797,778</u>

Approved by

See accompanying notes to the financial statements

Port Colborne Public Library

Statement of Operations

For the Year Ended December 31, 2023

	Budget <u>2023</u> (Note 14)	Actual <u>2023</u>	Actual <u>2022</u>
Revenues			
Municipal contribution	\$ 1,075,860	\$ 1,075,860	\$ 917,000
Municipal contribution - Trillium	-	-	79,366
Government transfers (Note 9)	38,300	40,680	38,620
Other (Note 10)	7,800	34,533	11,206
	<u>1,121,960</u>	<u>1,151,073</u>	<u>1,046,192</u>
Expenses			
Salaries, wages and benefits (Notes 11 and 12)	715,203	637,417	641,037
Amortization	93,507	93,507	87,053
Repairs and maintenance	74,057	76,361	75,238
Administration	75,740	75,337	58,006
Utilities	16,660	16,895	11,119
Electronic resources, periodicals and newspapers	33,900	31,796	14,090
Programming	3,000	4,489	3,694
Interest on capital lease	-	-	23
	<u>1,012,067</u>	<u>935,802</u>	<u>890,260</u>
Annual surplus	109,893	215,271	155,932
Accumulated surplus (Note 5)			
Beginning of year	<u>797,778</u>	<u>797,778</u>	<u>641,846</u>
End of year	<u>\$ 907,671</u>	<u>\$ 1,013,049</u>	<u>\$ 797,778</u>

See accompanying notes to the financial statements.

Port Colborne Public Library

Statement of Changes in Net Financial Assets

For the Year Ended December 31, 2023

	Budget <u>2023</u> (Note 14)	Actual <u>2023</u>	Actual <u>2022</u>
Annual surplus	\$ 109,893	\$ 215,271	\$ 155,932
Amortization of tangible capital assets	93,507	93,507	87,053
Acquisition of tangible capital assets	(242,900)	(88,842)	(176,880)
Proceeds on sale of tangible capital assets	-	100	-
Loss on disposal of tangible capital assets	-	136	-
Increase (decrease) in net financial assets	(39,500)	220,172	66,105
Net financial assets			
Beginning of year	<u>151,562</u>	<u>151,562</u>	<u>85,457</u>
End of year	<u>\$ 112,062</u>	<u>\$ 371,734</u>	<u>\$ 151,562</u>

See accompanying notes to the financial statements.

Port Colborne Public Library

Statement of Cash Flows

For the Year Ended December 31, 2023

	<u>2023</u>	<u>2022</u>
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual surplus	\$ 215,271	\$ 155,932
Non-cash items:		
Amortization of tangible capital assets	93,507	87,053
Loss on disposal of tangible capital assets	136	-
Changes in:		
Receivables	(1,064)	5,851
Due from City of Port Colborne	(217,319)	117,348
Payables and accruals	13,011	(176,665)
Employee benefit obligations	(14,800)	(10,400)
	<u>88,742</u>	<u>179,119</u>
Capital activities		
Proceeds from disposal of tangible capital assets	100	-
Acquisition of tangible capital assets	(88,842)	(176,880)
	<u>(88,742)</u>	<u>(176,880)</u>
Financing activities		
Repayment of capital lease obligation	-	(2,254)
Net decrease in cash	-	(15)
Cash		
Beginning of year	<u>200</u>	<u>215</u>
End of year	<u>\$ 200</u>	<u>\$ 200</u>

See accompanying notes to the financial statements.

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2023

1. Purpose of the Library

The Port Colborne Public Library ("the Library") provides library services to residents of the City of Port Colborne and residents of other municipalities who have contracted with the Library for services.

2. Significant accounting policies

Management responsibility

The financial statements of the Library are the responsibility of and prepared by management in accordance with Canadian public sector accounting standards. The preparation of the financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The significant accounting policies used are as follows:

(a) Reporting entity

The financial statements reflect the financial assets, liabilities, non-financial assets, revenues, expenses and changes in accumulated surplus of the Library.

(b) Basis of accounting

Sources of revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting records revenues in the period they are earned and measurable and expenses in the period the goods and services are acquired and a liability is incurred.

(c) Cash and cash equivalents

Cash and temporary investments include cash on hand, balances with banks and guaranteed investment certificates that mature within three months.

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2023

2. Significant accounting policies (continued)

(d) Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition. The Library does not capitalize interest as part of the costs of its capital assets.

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Consolidated Statement of Operations.

Amortization is based on the following classifications and useful lives:

<u>Classification</u>	<u>Useful Life</u>
Computers and office equipment	5-10 years
Library collection	7 years
Furniture and fixtures	7 years
Building improvements	20-50 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal amortization is taken up to the month of disposal. Assets under construction are not amortized until the asset is available for productive use.

(e) Deferred revenue

Resources restricted by agreement with an external party are recognized as revenue in the entity's financial statements in the period in which the resources are used for the purpose or purposes specified. An externally restricted inflow received before this criterion has been met is recorded as a liability until the resources are used for the purpose or purposes specified.

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2023

2. Significant accounting policies (continued)

(f) Employee future benefits

The Library pays certain benefits on behalf of its retired employees. These retirement costs are recognized in the period in which the employees rendered their services to the Library. The actuarial determination of the accrued benefit obligations for pension benefits earned by employees uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

(g) Revenue recognition

i) User charges

User charges are recognized when the services are performed or goods are delivered and there is reasonable assurance of collection.

ii) Government transfers

Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers to individuals and other entities are recognized as an expense when the transfers are authorized and all eligibility criteria have been met.

iii) Other

Other revenue is recorded when it is earned and collection is reasonably assured.

(h) Reserves for future expenses

Certain amounts, as approved by the Library, are set aside in reserves for future operating and capital expenses.

(i) Financial instruments

The Library initially measures its financial assets and financial liabilities at fair value. The Library subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and cash equivalents, receivables and due from City of Port Colborne. Financial liabilities measured at amortized cost include payables and accruals.

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2023

2. Significant accounting policies (continued)

(j) Use of estimates

The preparation of the financial statements in accordance 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Areas in which management make estimates are with regards to an allowance for doubtful accounts, accrued liabilities, employee benefit obligations and useful lives of tangible capital assets.

3. Adoption of new guidance

Effective January 1, 2023, the Library adopted new public sector accounting standards sections PS 3450 Financial Instruments, PS 3041 Portfolio Investments, PS 2601 Foreign Currency Translation and Section 1201 Financial Statement Presentation along with the related amendments. PS 3450 Financial Instruments requires the fair value measurement of derivatives and portfolio investments in equities quoted in an active market. All other financial assets and liabilities are measured at cost or amortized cost (using the effective interest method), or, by policy choice, at fair value when the entity defines and implements a risk management or investment strategy to manage and evaluate the performance of a group of financial assets, financial liabilities or both on a fair value basis.

The measurement requirements were applied prospectively. The recognition, derecognition, and measurement policies followed in the comparative period were not reversed and the comparative figures have not been restated. The Library elected to account for embedded derivatives required to be reported in accordance with the Section on a prospective basis.

There were no adjustments required and there are no remeasurement gains or losses or embedded derivatives requiring the presentation of a Statement of Remeasurement Gains or Losses.

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2023

4. Employee benefit obligations

	<u>2023</u>	<u>2022</u>
Post-employment benefits	<u>\$ 135,300</u>	<u>\$ 150,100</u>

The Library pays certain benefits on behalf of its retired employees. These retirement costs are recognized in the period in which the employees rendered their services to the Library. The plan is substantially unfunded and requires no contributions from employees.

The accrued benefit obligation at December 31, 2023 of \$ 135,300 (2022 - \$ 150,100) was determined by actuarial valuation using a discount rate of 4.60% (2022 - 4.60%). The Library's obligation will be funded out of current revenue. During the year, benefit payments of \$ 21,300 (2022 - \$ 20,200) were paid to retirees.

Actuarial valuations for accounting purposes are performed every three years using the projected benefit method, pro-rated on service. Under this method, the projected post-employment benefits are deemed to be earned on a pro-rata basis over the employee's years of service.

The most recent actuarial valuation was prepared at December 31, 2023. The main actuarial assumptions employed for the valuation are as follows:

Interest (discount) rate - the obligations as at December 31, 2023 of the present value of future liabilities were determined using a discount rate of 4.60%.

Dental costs - dental costs were assumed to be 4.50% per annum.

Health care costs - extended health care costs were assumed to be 4.50% per annum.

Drug costs - drug costs were assumed to be 8.18% for 2023 grading down 0.18% per year until 2043 when the rate will be 4.50% and continue thereafter.

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2023

4. Employee benefit obligations (continued)	<u>2023</u>	<u>2022</u>
Accrued benefit obligation		
Beginning of year	\$ 150,100	\$ 160,500
Current service cost	7,600	10,500
Interest cost	6,000	4,600
Benefits paid	(21,300)	(20,200)
Amortization of actuarial gain	<u>(7,100)</u>	<u>(5,300)</u>
	\$ 135,300	\$ 150,100
Funded status		
Deficit	\$ 126,200	\$ 133,900
Unamortized actuarial gain	<u>9,100</u>	<u>16,200</u>
	\$ 135,300	\$ 150,100
The net benefit expense for the employee benefit plan is as follows:		
Current service cost	\$ 7,600	\$ 10,500
Interest cost	6,000	4,600
Amortization of actuarial gain	<u>(7,100)</u>	<u>(5,300)</u>
	\$ 6,500	\$ 9,800
5. Accumulated surplus	<u>2023</u>	<u>2022</u>
Operating surplus	\$ -	\$ -
Investment in tangible capital assets	641,315	646,216
Reserves and reserve funds (Note 6)	507,034	301,661
Unfunded liabilities (Note 7)	<u>(135,300)</u>	<u>(150,100)</u>
	\$ 1,013,049	\$ 797,777

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2023

6. Reserves and reserve funds

	<u>2023</u>	<u>2022</u>
Reserves set aside by the Library for specific purposes:		
Future liabilities	\$ 105,183	\$ 70,384
Capital	70,864	106,519
Bequests	4,188	4,188
Stabilization	<u>118,307</u>	<u>58,399</u>
	298,542	239,490
Allocated capital and related projects	<u>208,492</u>	<u>62,171</u>
Total reserves and reserve funds	<u>\$ 507,034</u>	<u>\$ 301,661</u>

7. Unfunded liabilities

	<u>2023</u>	<u>2022</u>
Employee benefit obligation	<u>\$ 135,300</u>	<u>\$ 150,100</u>

8. Development charges

Development charges are fees collected by the City of Port Colborne from developers at the time a building permit is issued to help pay for municipal services, including Library services, required to meet the needs of community growth. Development charges allocated for Library purposes are collected, administered, and held by the City of Port Colborne are as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 3,816	\$ 2,721
Add: contributions during the year	1,467	974
Add: interest income	<u>249</u>	<u>121</u>
Balance, end of year	<u>\$ 5,532</u>	<u>\$ 3,816</u>

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2023

9. Government transfers	Budget 2023	Actual 2023	Actual 2022
Operating			
Province of Ontario			
Unconditional	\$ 38,300	\$ 38,328	\$ 38,328
SOLS - Capacity Building grant	-	2,352	292
	<u>\$ 38,300</u>	<u>\$ 40,680</u>	<u>\$ 38,620</u>
10. Other revenues	Budget 2023	Actual 2023	Actual 2022
Operating			
Donations	\$ 4,600	\$ 17,574	\$ 5,753
Fines and fees	500	1,445	965
Interest - reserves	-	4,688	-
Miscellaneous	-	230	191
Photocopier	500	923	273
Printing	1,300	2,432	2,156
Programming	600	2,999	608
Room rentals	150	730	140
Sale of books	-	3,591	1,021
Sign rentals	150	57	99
	<u>7,800</u>	<u>34,669</u>	<u>11,206</u>
Capital			
Loss on disposal of tangible capital assets	-	(136)	-
	<u>\$ 7,800</u>	<u>\$ 34,533</u>	<u>\$ 11,206</u>
11. Salaries, wages and benefits	Budget 2023	Actual 2023	Actual 2022
Salaries and wages	\$ 522,903	\$ 487,989	\$ 485,974
Benefits	192,300	149,428	155,063
	<u>\$ 715,203</u>	<u>\$ 637,417</u>	<u>\$ 641,037</u>

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2023

12. Pension agreements

The Library makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of the members of its staff. The plan is a defined benefit plan that 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.

Since OMERS is a multi-employer pension plan, the Library does not recognize any share of the pension plan deficit of \$ 7.6 billion (2022 - \$ 6.1 billion deficit) based on the fair market value of the plan's assets, as this is a joint responsibility of all Ontario municipal entities and their employees. Contributions were made in the 2023 calendar year at rates ranging from 9.0% to 15.8% depending on the member's designated retirement age and level of earnings. Employer contributions for current and past service are included as an expense in the Statement of Operations. Employer contributions to OMERS for 2023 current and past service was \$ 47,816 (2022 - \$ 41,964) and were matched by employee contributions in a similar amount.

13. Budget

The budget was prepared on a modified accrual basis while Canadian public sector accounting standards require a full accrual basis. As a result, the budget figures presented in the Statement of Operations and Statement of Changes in Net Financial Assets represent the budget adopted by the Library with the following adjustments:

Budgeted annual surplus	\$ -
Add:	
Acquisition of tangible capital assets	242,900
Less:	
Transfers to/from reserves, net	(39,500)
Amortization of tangible capital assets	<u>(93,507)</u>
Budgeted surplus per Statement of Operations	<u>\$ 109,893</u>

Port Colborne Public Library

Notes to the Financial Statements

For the Year Ended December 31, 2023

14. Financial instruments

The Library is exposed to various risks through its financial instruments. The following analysis provides a measure of the Library's risk exposures as at December 31, 2023:

Credit risk

Credit risk is the risk of financial loss to the Library if a debtor fails to pay the amounts owing to the Library. The Library is exposed to this risk arising from its receivables and due from City of Port Colborne.

Receivables are primarily due from government, corporations and individuals. Credit risk is mitigated by the highly diversified nature of the debtors and other customers. The Library measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up for specific accounts deemed to be possibly uncollectible. In the current and prior year, no impairment allowance was recorded. There were no changes in exposures to credit risk during the period. The amounts outstanding at year end were as follows:

2023						
	Current	31-60 Days	61-90 Days	91-120 Days	Over 120 Days	Total
Government receivables	\$ 574,974	\$ -	\$ -	\$ -	\$ -	\$ 574,974
Other receivables	-	-	-	-	-	-
Total	574,974	-	-	-	-	574,974

2022						
	Current	31-60 Days	61-90 Days	91-120 Days	Over 120 Days	Total
Government receivables	\$ 356,601	\$ -	\$ -	\$ -	\$ -	\$ 356,601
Other receivables	-	-	-	-	-	-
Total	356,601	-	-	-	-	356,601

Liquidity risk

Liquidity risk is the risk that the Library will not be able to meet all cash outflow obligations as they come due. The Library mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining cash and cash equivalents if unexpected cash outflows arise. The following undiscounted cash-flows are required to settle the Library's financial liabilities within one year \$ 68,168 (2022 - \$ 55,157).

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

15. Comparative figures

Certain of the comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted for the current year.

Port Colborne Public Library Schedule of Tangible Capital Assets

For the Year Ended December 31, 2023

	Computers and Office Equipment	Furniture and Fixtures	Library Collection	Building Improvements	Construction in Process	2023
Cost						
Beginning of year	\$ 122,453	\$ 188,970	\$ 278,932	\$ 559,248	\$ 6,594	\$ 1,156,197
Additions	1,750	2,899	35,538	48,741	6,508	95,436
Disposals	(1,180)	-	(41,927)	-	(6,594)	(49,701)
End of year	123,023	191,869	272,543	607,989	6,508	1,201,932
Accumulated amortization						
Beginning of year	105,218	61,640	137,523	205,600	-	509,981
Amortization	6,062	14,964	39,391	33,090	-	93,507
Amortization on disposals	(944)	-	(41,927)	-	-	(42,871)
End of year	110,336	76,604	134,987	238,690	-	560,617
Net book value	\$ 12,687	\$ 115,265	\$ 137,556	\$ 369,299	\$ 6,508	\$ 641,315

Port Colborne Public Library Schedule of Tangible Capital Assets

For the Year Ended December 31, 2022

	Computers and Office Equipment	Furniture and Fixtures	Library Collection	Building Improvements	Construction in Process	2022
Cost						
Beginning of year	\$ 117,119	\$ 169,917	\$ 271,336	\$ 464,677	\$ -	\$ 1,023,049
Additions	10,190	19,053	46,472	94,571	6,594	176,880
Disposals	(4,856)	-	(38,876)	-	-	(43,732)
End of year	122,453	188,970	278,932	559,248	6,594	1,156,197
Accumulated amortization						
Beginning of year	101,602	48,342	137,094	179,622	-	466,660
Amortization	8,472	13,298	39,305	25,978	-	87,053
Amortization on disposals	(4,856)	-	(38,876)	-	-	(43,732)
End of year	105,218	61,640	137,523	205,600	-	509,981
Net book value	\$ 17,235	\$ 127,330	\$ 141,409	\$ 353,648	\$ 6,594	\$ 646,216