



A Regular Meeting of
the Richmond Hill Public Library Board
will be held virtually at

<https://us06web.zoom.us/j/6743941674?pwd=cEIEEd3pVR0hqTnNGdFIRcWp2SmNYZz09>

on Tuesday, June 28, 2022 at 4:00pm

AGENDA

1.0 Call to Order

2.0 Regrets

Rona Wang

3.0 Adoption of Agenda

4.0 Disclosure of Pecuniary Interest and the General Nature Thereof

5.0 Delegations

6.0 Minutes

6.1 Library Board Minutes – May 24, 2022

7.0 Presentations

7.1 Brand Implementation

Joshua Dyer, Director, Content Strategy & Delivery

7.2 Summer Renovation Closures

Yunmi Hwang, Director, Branch Services

8.0 Reports

8.1 2021 Year-End Audited Financial Statements Report SRLIB22.09

9.0 New Business

10.0 Resolution to Move Into Closed Session to consider matters relating to:

10.1 Labour relations or employee negotiations

10.2 Personal matters about an identifiable individual

11.0 Resolution to Reconvene in Open Session

12.0 Adoption of Recommendations Arising from Closed Session (if any)

13.0 Member Announcements

14.0 Date of Next Meetings

The next Regular Meeting of the Library Board will be held on:

Tuesday, September 27, 2022 @ 4:00 p.m. at either Central Library in the Boardroom or virtually using video-teleconferencing technology pending content.

An email will go out closer to the date of the meeting.

15.0 Adjournment

Please advise Darren Solomon and Susan Quinn of regrets for attendance, by noon of the day of the meeting at e-mail: dsolomon@rhpl.ca and squinn@rhpl.ca

The Richmond Hill Public Library Board
Tuesday, May 24, 2022

MINUTES

The Richmond Hill Public Library Board held a regular meeting on Tuesday, May 24, 2022 virtually using video-teleconferencing technology.

Present: Councillor Greg Beros, Chair
Stephen Chait
Frank DiPede
Councillor Tom Muench
Sugantha Raj
Mahnaz Shahbazi
Rona Wang

Staff: Darren Solomon, Chief Executive Officer
Joshua Dyer, Director, Content Strategy & Delivery
Yunmi Hwang, Director, Branch Services
Robin Fribance, Director, Experience & Strategy
Dalya Dumrath, Manager Human Resources, City of Richmond Hill
Sue Matheson, Administrative Assistant

1.0 Call to Order

The Chair called the meeting to order at 4:00 p.m.

2.0 Regrets

Regional and Local Councillor Joe Di Paola, Vice-Chair
Regional and Local Councillor Carmine Perrelli

3.0 Adoption of Agenda

Motion:

22:21

Moved by:

F. DiPede

Seconded by:

S. Chait

THAT the Agenda of May 24, 2022 be adopted.

CARRIED UNANIMOUSLY

4.0 Disclosure of Pecuniary Interest and the General Nature Thereof

There were no disclosures of pecuniary interest.

5.0 Delegation

None

6.0 Minutes

6.1 Library Board Minutes – April 26, 2022

Motion:

22:22

Moved by:

R. Wang

Seconded by:

M. Shahbazi

THAT the Minutes of April 26, 2022 be adopted.

CARRIED UNANIMOUSLY

7.0 Presentations

7.1 Team Creativity Day

Darren Solomon, Chief Executive Officer

7.2 Brand Update

Joshua Dyer, Director, Content Strategy & Delivery

Fidel Peña, Co-Founder, Creative Director, Underline Studio

Motion:

22:23

Moved by:

S. Chait

Seconded by:

R. Wang

THAT presentation 7.1 be received for information;

THAT the Library Board approve the new RHPL brand identity; and

THAT staff return to inform the Board on the implementation road map of the new brand identity.

CARRIED UNANIMOUSLY

8.0 Reports

On a motion moved by Councillor T. Muench and seconded by M. Shahbazi, the Board consented to adopt all of the staff recommendations in items 8.1, 8.2 and 8.3 without further discussion or motions.

8.1 Meeting Room Rental Policy Report SRLIB22.05 (deferred from April 26, 2022 Meeting)

Motion:

22:24

Moved by:

Councillor T. Muench

Seconded by:

M. Shahbazi

THAT the Library Board approve the revised Meeting Room Rental Policy.

CARRIED UNANIMOUSLY

8.2 Disconnecting from Work Policy Report SRLIB22.07

Motion:

22:25

Moved by:

Councillor T. Muench

Seconded by:

M. Shahbazi

THAT the Library Board approve the Disconnecting from Work Policy.

CARRIED UNANIMOUSLY

8.3 2021 Capital Closures Report SRLIB22.08

Motion:

22:26

Moved by:

Councillor T. Muench

Seconded by:

M. Shahbazi

THAT the Library Board approve the closure of the following four capital projects and that all unexpended monies be returned to City Reserves:

- P/000283.01 – 2017 Community Skills Development Technologies IS/RG;
- P/000619.01 – 2019 Children Early Learning Area Improvements CE;
- P/000620.01 – 2019 Collection Development CO;
- P/000629.01 – 2019 Digitization Software & Scanner CO

CARRIED UNANIMOUSLY

9.0 New Business

9.1 Member Motion – Board Chair G. Beros – continuation of virtual board meetings (deferred from April 26, 2022 Meeting)

Motion:

22:27

Moved by:

R. Wang

Seconded by:

S. Chait

THAT the Library Board approve the continuation of virtual board meetings.

CARRIED UNANIMOUSLY

9.2 Member Report (verbal) – **S. Raj** – OLA Conference: Neurodiversity in the Library

10.0 Member Announcements

None

11.0 Date of Next Meetings

The next Regular Meeting of the Library Board will be held on:
Tuesday, June 28, 2022 virtually using video-teleconferencing technology.

12.0 Adjournment

Motion:

22:28

Moved by:

M. Shahbazi

Seconded by:

R. Wang

THAT the meeting be adjourned at 4:59 p.m.

CARRIED UNANIMOUSLY

Respectfully submitted,

“Signed version on file in the Administration Offices”

Councillor Greg Beros
Chair

Darren Solomon
Chief Executive Officer



Report Subject: 2021 Year-End Audited Financial Statements

Report For: Approval, Receipt

Meeting Date: June 28, 2022

Staff Report #: SRLIB22.09

To: Richmond Hill Public Library Board

From: Darren Solomon, Chief Executive Officer

SUMMARY

The purpose of this report is to provide the audited financial results of the Library Board for the year ended December 31, 2021. The auditor has found that the RHPL Financial Statements present fairly.

RECOMMENDATION

That the Richmond Hill Public Library Board:

1. Approve the 2021 Audited Financial Statements (Attachment 1) and authorize the Board Chair and Chief Executive Officer to sign the Financial Statements; and
2. Receive the Grant Thornton Report to the Board of Directors: Audit Strategy and Results, for the year ended December 31, 2021 (Attachment 2).

RATIONALE

As required under the Public Libraries Act, an annual audit of the public library board accounts and transactions must be carried out by an auditor appointed under the

Municipal Act. The Library depends on the City of Richmond Hill's Finance team to support the audit process and, working through them, the Library engaged the services of Grant Thornton, LLP, Chartered Accountants, external auditor for the City of Richmond Hill.

Grant Thornton's responsibility is to express an opinion on these financial statements, based on their audit. In their opinion, these financial statements present fairly, in all material respects, the financial position of the Library Board as of December 31, 2021 and in accordance with Canadian generally accepted accounting principles.

The auditor will be in attendance to answer any questions on the report and findings.

ATTACHMENTS

1. 2021 Audited Financial Statements
2. Report to the Board of Directors: Audit Strategy and Results for the year ended December 31, 2021

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Financial statements of

**Richmond Hill Public
Library Board**

December 31, 2021

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Richmond Hill Public Library Board

December 31, 2021

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Independent auditor's report

To the members of the Board of Directors of the Richmond Hill Public Library Board

Opinion

We have audited the financial statements of the Richmond Hill Public Library Board ("the Library Board"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations, change 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, the accompanying financial statements present fairly, in all material respects, the financial position of Richmond Hill Public Library Board as at December 31, 2021, and its results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Library Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Library Board's ability to continue as a going concern, disclosing, as applicable, matters related to a 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 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 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.

Markham, Canada
June 28, 2022

Chartered Professional Accountants
Licensed Public Accountants

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RICHMOND HILL PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2021

	<u>2021</u>	<u>2020</u>
	\$	\$
FINANCIAL ASSETS		
Cash	221,200	322,145
Accounts receivable		
City of Richmond Hill	2,380,357	3,402,811
Other	59,387	58,730
	<u>2,660,944</u>	<u>3,783,686</u>
LIABILITIES		
Accounts payable and accrued charges	622,896	2,005,797
Accrued vacation pay	147,001	109,600
Employee future benefits (Note 3)	138,227	143,328
	<u>908,124</u>	<u>2,258,725</u>
NET FINANCIAL ASSETS	<u>1,752,820</u>	<u>1,524,961</u>
NON - FINANCIAL ASSETS		
Tangible capital assets (Note 5)	5,050,873	5,923,345
Prepaid expenses	79,641	65,587
	<u>5,130,514</u>	<u>5,988,932</u>
Accumulated Surplus (Note 6)	<u>6,883,334</u>	<u>7,513,893</u>

See accompanying notes to the financial statements

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RICHMOND HILL PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2021

	<u>2021</u> <u>Budget</u> \$	<u>2021</u> <u>Actual</u>	<u>2020</u> <u>Actual</u> \$
REVENUE			
Municipal contribution			
Operating	7,777,500	7,777,500	7,735,500
Contribution from City for maintenance, utility and supply charges	901,900	865,059	682,696
Repairs and replacement	600,000	600,000	600,000
Contributed tangible capital assets	324,177	295,493	1,086,054
Grants			
Province of Ontario	118,500	118,499	118,499
Other	3,700	24,115	3,700
York Region District School Board	334,800	310,400	303,900
Fines	18,300	15,636	31,192
Fees	154,400	24,856	29,282
Sales	-	5,192	8,617
Other income	-	-	80
Interest income	17,896	17,896	18,248
Donations and bequests	-	1,828	2,286
	<u>10,251,173</u>	<u>10,056,474</u>	<u>10,620,054</u>
EXPENSES			
Salaries and benefits	6,864,500	5,979,172	6,155,926
Amortization of tangible capital assets	1,597,671	1,597,673	1,670,743
Maintenance, utility and supply charges	902,404	865,563	683,090
Contracts & services	1,497,700	1,122,560	856,676
Transfer to reserve of the City of Richmond Hill	22,700	652,424	527,400
Collection development	72,563	374,322	145,319
Materials & supplies	122,525	82,883	131,516
Special projects	-	12,436	-
	<u>11,080,063</u>	<u>10,687,033</u>	<u>10,170,670</u>
Annual (deficit) surplus	<u>(828,890)</u>	<u>(630,559)</u>	<u>449,384</u>
Accumulated surplus, beginning of year	7,513,893	7,513,893	7,064,509
Accumulated surplus, end of year	<u><u>6,685,003</u></u>	<u><u>6,883,334</u></u>	<u><u>7,513,893</u></u>

See accompanying notes to the financial statements

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RICHMOND HILL PUBLIC LIBRARY BOARD
Statement of Change in Net Financial Assets
Year ended December 31, 2021

	2021 Budget	2021 Actual	2020 Actual
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Annual (deficit) surplus	(828,890)	(630,559)	449,384
	<u>(828,890)</u>	<u>(630,559)</u>	<u>449,384</u>
Acquisition of tangible capital assets	(725,705)	(725,705)	(1,571,761)
Amortization of capital assets	1,597,671	1,597,673	1,670,743
Loss on disposal of tangible capital assets	-	504	394
	<u>871,966</u>	<u>872,472</u>	<u>99,376</u>
Change in prepaid expenses	-	(14,054)	49,846
	<u>871,966</u>	<u>858,418</u>	<u>149,222</u>
Change in net financial assets	43,076	227,859	598,606
Net Financial assets, beginning of year	1,524,961	1,524,961	926,355
Net Financial assets, end of year	<u>1,568,037</u>	<u>1,752,820</u>	<u>1,524,961</u>

See accompanying notes to the financial statements

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RICHMOND HILL PUBLIC LIBRARY BOARD

Statement of cash flows

Year ended December 31, 2021

	2021	2020
	<u>Actual</u>	<u>Actual</u>
Operating activities		
Annual (deficit) surplus	(630,559)	449,384
Change in non-cash items		
Amortization of tangible capital assets	1,597,673	1,670,743
Revenue recognized on contributed capital assets	(295,493)	(1,086,054)
Loss on disposal of tangible capital assets	504	394
	<u>1,302,684</u>	<u>585,083</u>
Change in non-cash assets and liabilities		
Change in accounts receivable - City of Richmond Hill	1,022,454	(1,633,628)
Change in accounts receivable - Other	(657)	26,374
Change in accounts payable and accrued charges	(1,382,901)	1,292,505
Change in accrued vacation pay	37,401	36,596
Change in employee future benefits liability	(5,101)	(6,400)
Change in prepaid expenses	(14,054)	49,846
	<u>(342,858)</u>	<u>(234,708)</u>
	<u>329,267</u>	<u>799,759</u>
Capital activities		
Acquisition of tangible capital assets	(430,212)	(485,707)
	<u>(430,212)</u>	<u>(485,707)</u>
Net change in cash	(100,945)	314,052
Cash, beginning of year	322,145	8,093
Cash, end of year	<u>221,200</u>	<u>322,145</u>

See accompanying notes to the financial statements

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Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2021

1. Nature of operations

The Richmond Hill Public Library Board (the "Library Board") is a local board of The City of Richmond Hill (the "City") and operates under the provision of the Public Libraries Act. The Library Board is a registered charity and is not subject to income taxes under Section 149(1) of the Income Tax Act (Canada).

2. Significant accounting policies

The financial statements of the Richmond Hill Public Library Board (the "Library Board") are the representations of management prepared in accordance with accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants (CPA) Canada.

Significant accounting policies adopted by the Library Board are as follows:

i) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits and bankers acceptances, all of which are highly liquid, subject to insignificant risk of changes in value and have a short-term maturity of less than 90 days.

ii) Revenues and expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired, and a legal liability is incurred or transfers are due.

iii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have lives extending beyond the current year and are not intended for sale in the ordinary course of operations. Tangible capital assets and other non-financial assets are accounted for as assets by the Library Board because they can be used in the provision of services in future periods.

Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition, development, or betterment of the asset. The cost, less residual value, of the tangible capital asset is amortized on a straight-line basis over their estimated useful lives as follows:

Library collection	7 years
Machinery and equipment	4 - 15 years
Furniture and fixtures	3 - 10 years
Other	15 years

Amortization

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

Contribution of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value as the date of receipt and also are recorded as revenue.

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Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2021

2. Significant accounting policies (continued)

Interest capitalization

The Library Board's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition of tangible capital assets.

iv) *Employee future benefits*

The present value of the cost of providing employees with future benefits programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs.

Any actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of all employees covered.

v) *Reserve and Reserve Funds*

The Richmond Hill Public Library Board Donation and Bequest Reserve Fund is to be used for such special purposes as may be approved by The Richmond Hill Public Library Board.

The reserve fund comprises:

- a) Donations and bequests to The Richmond Hill Public Library Board; and
- b) Earnings derived from investments held in this reserve fund.

Unrestricted donations and bequests are recorded as income in the statement of operations in the year of receipt and are transferred to the Donation and Bequest Reserve Fund. The Reserve Fund earns interest based on the rates earned through the investment portfolio managed by the Corporation of the City of Richmond Hill. Expenses incurred will be recorded in the year the cost is incurred, with an annual offsetting transfer from the Reserve Fund.

The Special Purpose Reserve relates to grants and other monies which have been allocated by the Board for special purposes.

vi) *Investment income*

Investment income earned (other than on restricted funds) is reported as revenue in the period earned.

vii) *Government transfers*

Government transfers are recognized in the financial statements as revenue in the financial period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be determined.

viii) *Use of estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets, 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 year. Actual results could differ from these amounts.

3. Employee future benefits liability

The accrued benefit liability as at December 31, 2021 of \$138,227 (2020 - \$143,328) was based on an actuarial update used for the December 31, 2021 valuation.

The significant actuarial assumptions employed in the actuarial valuations are as follows:

i) *General inflation*

Future general inflation levels were assumed to be 1.75% in 2021 and thereafter.

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Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2021

3. Employee future benefits liability (continued)

ii) Interest (discount) rate

The present value of the future benefits as at December 31, 2021 was determined using a discount rate of 3.25%. This corresponds to the assumed inflation rate plus an assumed rate of return of 1.50%.

iii) Health costs

The 12-month ending March 31, 2020 Combined (active & retiree) Health Cost Rates, projected to July 1, 2022, are used as the basis for projecting the future retiree Health Cost Rates. The management assumption for the annual Health Cost Rate escalation for the Library Board is 4.4167% for 2023 vs. 2022 and decreasing by 0.3333% per year over the following 5 years, to 2.75% in 2028 vs. 2027, and later.

iv) Dental costs

Dental costs were assumed to increase at 2.75 % for 2021 and thereafter.

4. Pension agreements

The Library Board makes contributions to the Ontario Municipal Employee Retirement Fund (OMERS). OMERS is a multi-employer defined benefit pension plan which provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. The pension plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund. The most recent actuarial valuation of the Plan was conducted at December 31, 2021. The results of this valuation disclosed total actuarial liabilities of \$120,796 million with respect to benefits accrued for service with actuarial assets at that date of \$117,665 million indicating an actuarial deficit of \$3,131 million. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are joint responsibility of Ontario municipal organizations and their employees. As a result, the Library Board does not recognize any share of the Plan surplus or deficit. The Library Board recognizes the expense related to this plan as contributions are made. The contribution rate was 9% for wages up to \$61,600 (2020 - 9%) and 14.6% for wages in excess of CPP earning limit \$61,600 (2020 – 14.6%). The amount contributed to OMERS for 2021 was \$442,429 (2020 - \$455,935 for current services and is included as an expense on the statement of operations.

5. Tangible capital assets

	Library Collections	Machinery and Equipment	Furniture and Fixtures	W.I.P.	Total 2021	Total 2020
Cost						
Balance, beginning of year	8,773,960	3,295,866	2,463,127	159,298	14,692,251	14,296,427
Add: Additions during the year	562,543	144,227	23,374	(4,440)	725,704	1,571,761
Less: Disposals during the year	1,347,244	92,325	11,551	-	1,451,120	1,175,937
Balance, end of year	7,989,259	3,347,768	2,474,950	154,858	13,966,835	14,692,251
Accumulated amortization						
Balance, beginning of year	4,465,722	2,270,320	2,032,864	-	8,768,906	8,273,706
Add: Amortization	1,197,373	318,311	81,989	-	1,597,673	1,670,743
Less: Accum amortization on disposals	1,347,244	91,821	11,552	-	1,450,617	1,175,543
Balance, end of year	4,315,851	2,496,810	2,103,301	-	8,915,962	8,768,906
Net Book Value	3,673,408	850,958	371,650	154,858	5,050,873	5,923,345

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Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2021

6. Accumulated surplus

Accumulated surplus consists of the following:

	2021	2020
	\$	\$
Invested in tangible capital assets	5,050,873	5,923,345
Unfunded employee future benefits	(138,227)	(143,328)
Unfunded vacation pay	(147,001)	(109,600)
Special Purpose Reserve Fund	1,494,814	1,235,496
Donation and Bequest Reserve Fund	622,875	607,980
	<u>6,883,334</u>	<u>7,513,893</u>

Reserves and Reserve Fund

The Richmond Hill Public Library Board Donation and Bequest Reserve Fund is comprised of the following funds designated for projects as approved by the Library Board:

	2021	2020
	\$	\$
Special Purpose Reserve	1,494,814	1,235,496
Local History Digitization	123,000	123,000
Undesignated	499,875	484,980
	<u>2,117,689</u>	<u>1,843,476</u>

DC Reserve Fund

The City of Richmond Hill levies, collects and holds development charges, a component of which is specifically to fund expansion of library services to accommodate growth. Allocations from these funds are approved by the Library Board as part of the annual budget process. Currently, the City is reflecting a deficit of \$1,226,549 (2020 - \$816,470) of the Library Board's related Development Charges in their segregated Development Charges accounts. This reserve fund is not reflected in these statements.

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Richmond Hill Public Library Board

Notes to the financial statements

December 31, 2021

7. Related party transactions

The City of Richmond Hill provides contributions to the operations and capital projects of the Library Board through Municipal Contributions as noted on the statement of operations.

The Statement of Operations reflects the fair value of the contribution from the City for maintenance, utility and supply charges which are provided for nil consideration.

The Library Board operates from buildings owned by the City of Richmond Hill. The cost of these buildings are not included in these financial statements.

Additionally, the City provides accounting services to the Library Board and no fees are charged for these services.

8. Budget figures

The budgets originally approved by the Richmond Hill Public Library Board for 2021, adjusted as noted below, are reflected on the statement of operations and of change in net financial assets.

- a) An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original Library Board approved budget.
- b) Amounts for the cost of contributed tangible capital assets and the related revenue have been added and are based on management's best estimate of the value of contributed tangible capital assets determined at the beginning of the year. Neither the cost of the contributed tangible capital assets nor the revenue was included in the original Library Board approved budget.
- c) Amounts included in the original Library Board approved capital budget which are not recognized as tangible capital assets are included in statement of operations under the appropriate functional expense category, while those recognized as tangible capital assets are include in the consolidated statement of change in net financial assets.

<u>Adopted budget</u>	<u>2021</u>
	\$
Budgeted annual surplus	-
Adjustments to the adopted budget	-
Increase in the Reserves and Reserve Funds	14,896
Amortization of tangible capital assets	(1,597,671)
Acquisition of contributed tangible assets	753,885
Budgeted deficit per statement of operations:	(828,890)

Richmond Hill Public Library Board

For the year ended December 31, 2021

Report to the Board of Directors
Audit strategy and results

June 28, 2022

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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 Richmond Hill Public Library Board (the "Library") for the year ended December 31, 2021. This communication will assist the Board of Directors 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 Board of Directors and management. It is not intended to be distributed or used by anyone other than these specified parties.

We have obtained our engagement letter dated [Date of last engagement letter], which outlines our responsibilities and the responsibilities of management.

We were engaged to provide the following deliverables:

Deliverable

Report on the December 31, 2021 financial statements

Communication of audit strategy and results

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 28, 2022:

- Receipt of signed management representation letter (a draft has been attached in the appendices)
- Approval of the financial statements by the Board of Directors; and
- 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.

Our approach is discussed further in the Appendix A.

Audit risks and results

We have executed our audit in accordance with our approach summarized in Appendices A and B. We highlight our significant findings in respect of [COVID-19 impacts on audit risks and responses, significant transactions, risks, accounting practices and other areas of focus.

Significant risks

Area of focus	Why there is a risk	Our response and findings
Fraud risk from management override	<ul style="list-style-type: none"> Due to the small accounting department there is a risk of management override of controls. 	<ul style="list-style-type: none"> We obtain a report of journal entries recorded during the year and perform data analytics. We do a test of manual journal entries where override may be plausible. <p>We noted no issues with our testing of journal entries.</p>

Other areas of focus

Area of focus	Matter	Our response and findings
Completeness and existence of operating expenses and accrued liabilities	The accrued liabilities may be understated due to inaccurate estimates	<ul style="list-style-type: none"> Review of accrued liabilities compared to prior year, detailed analytical review of expenses compared to prior year/budget. Testing of a sample of expenses. <p>No issues noted.</p>
Tangible capital assets	Valuation of additions, including contributed assets, as well as appropriateness of amortization.	<ul style="list-style-type: none"> Testing of additions, recalculation of amortization expense and testing of disposals including review of pooled asset categories. <p>No issues noted.</p>

Area of focus	Matter	Our response and findings
<p>Completeness of employee compensation expenses</p>	<p>Accrued liabilities may be understated for payroll-related costs, as well as actuarial-determined liabilities.</p>	<ul style="list-style-type: none"> Review of supporting documentation and management estimates with respect to completeness and accuracy of significant payroll-related accruals, analysis of payroll expenses by department compared to expectations, and review of actuarial reports and key inputs that would impact the post-employment benefit liability. <p>No issues noted.</p>

Adjustments and uncorrected misstatements

Adjustments

No adjustments were made as part of the audit.

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 of Directors those deficiencies we consider significant. However, a financial statement audit is not designed to provide assurance on internal control.

Based on the results of our audit, we did not identify any reportable observations.

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 identified no information regarding our independence that in our judgment should be brought to your attention.

Accounting and assurance updates

We have included details of the changes to accounting and assurance standards in the Appendices. No items have required adjustment in the current year financial statements.

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 Canadian public sectors accounting standards. The following outlines key concepts that are applicable to the audit, including the responsibilities of parties involved, our general audit approach and other considerations.

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
-

- Role of management**
- Prepare financial statements in accordance with Canadian public sectors 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 [move this sentence to the owner / manager box if there is no other “management” in the entity]
 - 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 Canadian public sectors 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 Richmond Hill Public Library Board.

The five key phases of our audit approach



Phase	Our approach
1. Planning	<ul style="list-style-type: none"> We obtain our understanding of your operations, internal controls and information systems We plan the audit timetable together
2. Assessing risk	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 Canadian public sectors accounting standards as at December 31, 2021. 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 **[include where management is separate – 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 control

We have a robust quality control program that forms a core part of our client service. We combine internationally developed audit methodology, advanced audit technology, rigorous review procedures, mandatory professional development requirements, and the use of specialists to deliver high quality audit services to our clients. 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 control and would be pleased to discuss any aspect with you at your convenience.

IDEA Data Analysis Software

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

Appendix B – Draft auditor’s report

Independent auditor’s report

To the members of the Board of Directors of the Richmond Hill Public Library Board

Opinion

We have audited the financial statements of the Richmond Hill Public Library Board (the “Library Board”), which comprise the statement of financial position as at December 31, 2021, 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, the accompanying financial statements present fairly in all material respects, the financial position of the Richmond Hill Public Library Board as at December 31, 2021, and its results of operations, its changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Library Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Library Board’s ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Library Board or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 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 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 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.

Markham, Canada
June 28, 2022

Chartered Professional Accountants
Licensed Public Accountants

Appendix C – Draft management representation letter

June 28, 2022

Grant Thornton LLP
201 City Centre Dr
Suite 501
Mississauga, ON
L5B 2T4

Dear Sir/Madam:

We are providing this letter in connection with your audit of the financial statements of Richmond Hill Public Library Board ("the Library Board") as of December 31, 2021, 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 Richmond Hill Public Library Board 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 28, 2022, 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 Board as at December 31, 2021 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 directors, and committees of directors, 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 and committee actions are included in the summaries.
3. We have provided you with unrestricted access to persons within the Library Board 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.
5. There were no restatements made to correct a material misstatement in the prior period financial statements that affect the comparative information.
6. 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.
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 revenues, purchases, loans, transfers of assets, liabilities and services, leasing arrangements guarantees, non-monetary transactions and transactions for no consideration.
10. You provided a non-audit service by assisting us with drafting the financial statements and related notes. In connection with this non-audit 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 Board 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 Board'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.
14. We are not aware of any uncorrected misstatements.

Recognition, measurement and disclosure

15. We believe that the methods, significant assumptions and data used by us in making accounting estimates and related disclosures are appropriate to achieve recognition, measurement and disclosure that are in accordance with Canadian public sector accounting standards.

16. 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.
17. All related party transactions have been appropriately measured and disclosed in the financial statements.
18. 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.
19. 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.
20. 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.
21. 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.
22. The Library Board has satisfactory title to (or lease interest in) all assets, and there are no liens or encumbrances on the Library Board's assets nor has any been pledged as collateral.
23. We have disclosed to you, and the Library Board 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.
24. The Harmonized Sales Tax (HST) transactions recorded by the Library Board are in accordance with the federal and provincial regulations. The HST liability/receivable amounts recorded by the Library Board are considered complete.
25. Employee future benefit costs, assets, and obligations have been determined, accounted for and disclosed in accordance with the requirements of [Section PS 3255 Post-employment benefits, compensated absences and termination benefits 3 the Chartered Professional Accountants of Canada (CPA Canada) Public Sector Accounting Handbook.
26. There have been no events subsequent to the balance sheet date up to the date hereof that would require recognition or disclosure 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

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

Yours very truly,

Darren Solomon, Chief Executive Officer

Appendix D – PSAS

Accounting developments

Public Sector Accounting Standards

Effective date

Section PS 3450 *Financial instruments* and Section PS 2601 *Foreign currency translation*

PS 2601 *Foreign currency translation* has been amended:

- To provide an irrevocable accounting policy election for all financial assets and financial liabilities arising from a foreign currency transaction. This election allows a public sector entity to elect on initial recognition to recognize their exchange gains and losses on a financial asset or financial liability directly in the statement of operations. If this election is not chosen, unrealized foreign exchange gains and losses are included in remeasurement gains and losses until they are realized, upon which they are reclassified to the statement of operations
- to require for financial assets and financial liabilities in the fair value category, that the exchange gain or loss component of the change in fair value is separated and recognized directly in the statement of operations in cases where the above accounting policy election was made and amounts subject to this election would not be considered remeasurement gains and losses

For those public sector entities that applied PS 2601 to fiscal years beginning on or after April 1, 2012, the election may be made on a one-time basis, at the beginning of the fiscal year, for existing financial assets and financial liabilities arising from a foreign currency transaction. For any financial asset or financial liability for which this election is made, cumulative unrealized exchange gains and losses arising at the date of the election are recognized as an adjustment to the accumulated surplus or deficit at the beginning of the fiscal year in which this election is applied. Disclosure is required to indicate the use of this election and any adjustment to the accumulated surplus or deficit in the year of application.

As a result of accounting policy election in PS 2601 noted above, PS 3450 has also been amended to require the disclosure of the carrying amounts of financial assets and financial liabilities in which exchange gains and losses are recognized directly in the statement of operations

For those public sector entities that applied PS 2601/PS 3450 to fiscal years beginning on or after April 1, 2012, the election in paragraph PS 2601.19A may be made on a one-time basis, at the beginning of the fiscal year, for existing financial assets and financial liabilities arising from a foreign currency transaction. This election may be applied no later than the fiscal year beginning on or after April 1, 2022. Earlier application is permitted.

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.

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. Consequentially, 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
- Examples of items that are not purchased intangibles
- References to other guidance in the PSA 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.

Fiscal years beginning on or after April 1, 2023.

Earlier adoption 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.

(NOTE: The effective date was previously April 1, 2022, but in August 2020, as a result of the COVID-19 pandemic, the Public Sector Accounting Board (PSAB) has deferred the effective date by one year.)

Section PS 3280 Asset retirement obligations

New Section PS 3280 *Asset Retirement Obligations* establishes standards on how to account for and report a liability for asset retirement obligations. An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.

Asset retirement costs associated with a tangible capital asset increase the carrying amount of the related tangible capital asset and are expensed in a rational and systematic manner, while asset retirement costs associated with an asset no longer in productive use are expensed. Measurement of the liability for an asset retirement obligation should result in the best estimate of the amount required to retire

Fiscal years beginning on or after April 1, 2022.

Earlier adoption is permitted.

Public Sector Accounting Standards**Effective date**

a tangible capital asset at the financial statement date. A present value technique is often the best method to estimate the liability. Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset, or an expense, depending on the nature of the remeasurement or whether the asset remains in productive use.

As a result of the issuance of Section PS 3280, the Public Sector Accounting Board (PSAB) approved the withdrawal of Section PS 3270 *Solid waste landfill closure and post-closure liability* as asset retirement obligations associated with landfills will be within the scope of PS 3280. PS 3280 does not address costs related to remediation of contaminated sites, which will continue to be addressed in Section PS 3260 *Liability for contaminated sites*. Some consequential amendments have been made to PS 3260 to conform with PS 3280 and further clarify the scope of each standard.

(NOTE: The effective date was previously April 1, 2021, but in August 2020, as a result of the COVID-19 pandemic, the PSAB has deferred the effective date by one year.)

Section PS 3450 Financial instruments, Section PS 2601 Foreign currency translation, Section PS 1201 Financial statement presentation, and PS 3041 Portfolio investments

PS 3450 *Financial instruments* is a new Section that establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Some highlights of the requirements include:

- a public sector entity should recognize a financial asset or a financial liability on its statement of financial position when it becomes a party to the contractual provisions of the instrument
- financial instruments within the scope of the Section are assigned to one of two measurement categories: fair value, or cost / amortized cost
- almost all derivatives are measured at fair value
- fair value measurement is required for portfolio investments in equity instruments that are quoted in an active market
- other financial assets and financial liabilities are generally measured at cost or amortized cost
- until an item is derecognized, gains and losses arising due to fair value remeasurement are reported in the statement of remeasurement gains and losses when the public sector 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 entity may elect to include these items in the fair value category
- additional disclosures with respect to financial instruments will be required, including the nature and extent of risks arising from a public sector entity's financial instruments

PS 2601 *Foreign currency translation* revises and replaces Section PS 2600 *Foreign currency translation*. Some highlights of the requirements include:

- the deferral and amortization of foreign exchange gains and losses relating to long-term foreign currency denominated monetary items is discontinued
- until the period of settlement, foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses rather than the statement of operations, unless an irrevocable election is made at initial measurement to recognize exchange gains and losses on a financial asset or financial liability directly in the statement of operations.

PS 1201 *Financial statement presentation* revises and replaces Section PS 1200 *Financial statement presentation*. The main amendment to this Section is the addition of the statement of remeasurement gains and losses.

PS 3041 *Portfolio investments* revises and replaces Section PS 3040 *Portfolio investments*.

The issuance of these new sections also includes consequential amendments to:

- Introduction to accounting standards that apply only to government not-for-profit organizations
- PS 1000 Financial statement concepts
- PS 1100 Financial statement objectives
- PS 2125 First-time adoption by government organizations
- PS 2500 Basic principles of consolidation
- PS 2510 Additional areas of consolidation

The new requirements are all required to be applied at the same time.

For governments - Fiscal years beginning on or after April 1, 2022.

For government organizations that applied the CPA Canada Handbook – Accounting prior to their adoption of the CPA Canada Public Sector Accounting Handbook - Fiscal years beginning on or after April 1, 2012.

For all other government organizations - Fiscal years beginning on or after April 1, 2022.

Earlier adoption is permitted.

(NOTE: For public sector entities other than government organizations that applied the CPA Canada Handbook – Accounting prior to adopting the CPA Canada Public Sector Accounting Handbook, the effective date was previously April 1, 2021, but in August 2020, as a result of the COVID-19 pandemic, the PSAB has deferred the effective date by one year.)

- PS 3050 Loans receivable
- PS 3060 Government partnerships
- PS 3070 Investments in government business enterprises
- PS 3230 Long-term debt
- PS 3310 Loan guarantees
- PS 4200 Financial statement presentation by not-for-profit organizations

PSG-6 *Including results of organizations and partnerships applying fair value measurement* was withdrawn as a result of the issuance of these sections.

In April 2020, the PSAB issued amendments to clarify aspects of Section PS 3450's application and add new guidance to its transitional provisions.

The amendments introduce changes to the accounting treatment for bond repurchase transactions. Specifically, the amendments no longer require bond repurchase transactions to be treated as extinguishments, unless they are discharged or legally released from the obligation or the transactions meet certain criteria to be considered an exchange of debt.

The amendments also provide clarification on the application of certain areas of Section PS 3450, these include:

- Section PS 3450 does not apply unless a contractual right or a contractual obligation underlies a receivable or payable
- how a transfer of collateral pursuant to a credit risk management mechanism in a derivative contract is accounted for, and
- derecognition of a financial asset does not occur if the transferor retains substantially all the risks and benefits of ownership

Finally, the amendments have added new guidance to the transitional provisions as follows:

- controlling governments should use the carrying values of the financial assets and liabilities in the records of its government organizations when consolidating a government organization
- any unamortized discounts, premiums, or transaction costs associated with a financial asset or financial liability in the cost/amortized cost category should be included in the item's opening carrying value, and
- in cases where derivatives were not recognized or were not measured at fair value prior to adopting PS 3450, any difference between the previous carrying value and fair value should be recognized in the opening balance of accumulated remeasurement gains and losses

Strategic plan for not-for-profit organizations in the public sector

Since 2012, government not-for-profit organizations (GNPOs) have been required to adopt PSAS but were given the option of applying the specific GNPO accounting standards in PSAS. Some GNPOs have utilized those standards, while others have not. The PSAB recognized that a "one-size-fits-all" approach may not be appropriate for all stakeholders. As a result, in PSAB's 2017-2022 Strategic Plan, the Board signaled intent to understand the needs and concerns of GNPOs and consider if some standards should be applied differently by them. In 2018, PSAB consulted with over 100 GNPO stakeholders to understand their fiscal and regulatory environment, their financial reporting needs, and their financial reporting perspectives in its first Consultation Paper. Diversity in the financial reporting framework, presentation of net debt and fund accounting, the impact of balanced budget requirements and endowments were some of the items stakeholders raised. In January 2021, PSAB released a second Consultation Paper. The purpose of the paper was to:

- summarize the feedback to Consultation Paper I;
- describe the options considered for a GNPO Strategy;
- describe the decision-making criteria used to evaluate the options; and
- propose a GNPO Strategy.

The deadline to respond to the Consultation paper ended June 30, 2021 and the PSAB is deliberating the feedback received.

International strategy

The PSAB has reviewed its current approach towards International Public Sector Accounting Standards (IPSAS) with the intent of developing options for its International Strategy. At its May 2020 meeting, PSAB decided that it will adapt IPSAS principles when developing future Canadian Public Sector Accounting Standards for the Public Sector Accounting Handbook. PSAB has issued a brief document summarizing its decision and what it means, entitled [In Brief – A plain and simple overview of PSAB’s 2020 decision to adapt IPSAS principles when developing future standards](#), as well as the [Basis for Conclusions](#) on how it reached its decision. This decision applies to all projects beginning on or after April 1, 2021.

Concepts underlying financial performance

In response to feedback from stakeholders, the PSAB is proposing changes to its conceptual framework and its reporting model with a focus on measuring the financial performance of public sector entities. A conceptual framework is a clear set of related concepts that act as the foundation for the development of standards and the application of professional judgment. In January 2021, PSAB issued four important exposure drafts:

- *The Conceptual Framework for Financial Reporting in the Public Sector* - PSAB has proposed to issue a revised Conceptual Framework that would include 10 chapters:
 - Chapter 1: Introduction to the Conceptual Framework
 - Chapter 2: Characteristics of public sector entities
 - Chapter 3: Financial reporting objective
 - Chapter 4: Role of financial statements
 - Chapter 5: Financial statement foundations
 - Chapter 6: Financial statement objectives
 - Chapter 7: Financial statement information
 - Chapter 8: Elements of financial statements
 - Chapter 9: Recognition and measurement in financial statements
 - Chapter 10: Presentation concepts for financial statements
- The proposed Conceptual Framework would replace the existing conceptual framework in Section PS 1000 *Financial Statement Concepts* and Section PS 1100 *Financial Statement Objectives*
- *Financial Statement Presentation, Proposed Section PS 1202* – PSAB has proposed replacing the existing reporting model standard in Section PS 1201 *Financial Statement Presentation*. The proposed changes would make some significant changes to financial presentation for public sector entities
- *Consequential Amendments Arising from the Proposed Conceptual Framework* – This Exposure Draft will summarize the implications for the rest of the CPA Canada Public Sector Accounting (PSA) Handbook; and
- *Consequential Amendments Arising from the Financial Statement Presentation Standard, Proposed Section PS 1202* – This Exposure Draft will summarize the implications for the rest of the PSA Handbook as a result of new proposed Section PS 1202.

The deadline for responses to the exposure drafts was June 30, 2021 and the PSAB is deliberating the feedback received.

Appendix E – Auditing developments

Canadian Auditing Standards (CASs) and other Canadian Standards issued by the AASB	Effective date
<p data-bbox="128 467 945 492">Revisions to CAS 315 <i>Identifying and Assessing Risks of Material Misstatement</i></p> <p data-bbox="128 505 1423 597">In July 2018, the IAASB issued an Exposure Draft proposing changes to ISA 315 that could drive more consistent and effective identification and assessment of the risks of material misstatement by auditors. The AASB published an Exposure Draft of the equivalent Canadian standard, which included the same proposed revisions as the ISA with no Canada-specific amendments. The revised CAS 315 has been issued and key amendments to the standard include the following:</p> <ul data-bbox="128 610 1423 904" style="list-style-type: none"><li data-bbox="128 610 1423 634">• Focusing on the applicable financial reporting framework in identifying and assessing risks of material misstatement<li data-bbox="128 647 1423 716">• Updating the understanding of the system of internal control, including clarifying the work effort for understanding each of the components of internal control and "controls relevant to the audit", as well as the relationship between this understanding and the assessment of control risk<li data-bbox="128 729 1423 776">• Updating aspects relating to IT, in particular to the IT environment, the applications relevant to the audit and general IT controls relevant to the audit<li data-bbox="128 789 1423 836">• Introducing the new concepts of inherent risk factors, relevant assertions, significant classes of transactions, account balances and disclosures, and the spectrum of inherent risk<li data-bbox="128 849 1423 896">• Separating the inherent risk and control risk assessments for assertion level risks, enhancing the requirements relating to financial statement level risks, and updating the definition of "significant risks"	<p data-bbox="1423 496 1936 521">Periods beginning on or after December 15, 2021.</p>