

Financial Statements of

**THE CITY OF MEDICINE HAT
LIBRARY BOARD**

And Independent Auditor's Report thereon

Year ended December 31, 2022

Management's Responsibility for Financial Reporting

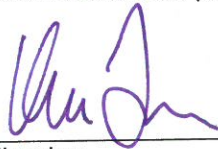
The City of Medicine Hat Library Board's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the Library's financial position as at December 31, 2022 and the results of its operations for the year then ended.

The financial statements have been prepared in accordance with Canadian public sector accounting standards. The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Board of Trustees is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Trustees fulfill these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Trustees are also responsible for recommending the appointment of the Library's external auditors.

The financial statements have been audited by the independent firm of KPMG LLP, Chartered Accountants. Their report to the Board of The City of Medicine Hat Library Board outlines the scope of their examination and provides their opinion on the financial statements.



Chief Librarian

April 5, 2023



KPMG LLP
3410 Fairway Plaza Road South
Lethbridge AB T1K 7T5
Canada
Tel 403-380-5700
Fax 403-380-5760

INDEPENDENT AUDITOR'S REPORT

To Board of Trustees of The City of Medicine Hat Library Board

Opinion

We have audited the financial statements of The City of Medicine Hat Library Board (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its results of operations, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 the financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Lethbridge, Canada

April 5, 2023

THE CITY OF MEDICINE HAT LIBRARY BOARD

Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Financial Assets:		
Cash	\$ 441,247	\$ 650,741
Short-term investments (note 3)	605,500	356,600
Accounts receivable	4,209	8,461
Prepaid expenses	3,370	-
Deposits paid	-	19,846
Due from City of Medicine Hat (note 5)	-	2,766
	<u>1,054,326</u>	<u>1,038,414</u>
Financial Liabilities:		
Accounts payable and accrued liabilities	133,806	92,350
Deferred revenue (note 4)	26,212	99,779
Due to City of Medicine Hat (note 5)	21,659	-
	<u>181,677</u>	<u>192,129</u>
Net financial assets	872,649	846,285
Non-Financial Assets:		
Tangible capital assets (note 9)	966,739	933,807
Prepaid collection levy	55,679	50,603
	<u>1,022,418</u>	<u>984,410</u>
Commitments (note 13)		
Accumulated surplus (note 10)	<u>\$ 1,895,067</u>	<u>\$ 1,830,695</u>

See accompanying notes to financial statements.

THE CITY OF MEDICINE HAT LIBRARY BOARD

Statement of Operations and Changes in Accumulated Surplus

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

	Budget	2022	2021
Grant revenue:			
City of Medicine Hat	\$ 2,242,329	\$ 2,242,329	\$ 2,180,886
Province of Alberta	349,750	349,750	349,750
Services to Shortgrass Regional Library System	--	5,750	10,000
Employment grants	8,500	9,323	9,831
Other grants	--	126,595	87,790
	2,600,579	2,733,747	2,638,257
Sales, service and other revenue:			
Memberships	20,000	21,509	16,569
Fees and fines	5,000	21,480	14,781
Discarded materials	1,350	2,032	2,416
Room and equipment rental	5,050	4,090	--
Other services	2,900	27,270	14,646
Interest	1,000	9,728	5,598
Other donations and miscellaneous	25,000	31,490	25,964
	60,300	117,599	79,974
	2,660,879	2,851,346	2,718,231
Expenses (schedule)	2,335,879	2,786,974	2,728,751
Excess (deficiency) of revenue over expenses	325,000	64,372	(10,520)
Accumulated surplus, beginning of year	1,830,695	1,830,695	1,883,842
Accumulated surplus, end of year	\$ 2,155,695	\$ 1,895,067	\$ 1,830,695

See accompanying notes to financial statements.

THE CITY OF MEDICINE HAT LIBRARY BOARD

Statement of Change in Net Financial Assets

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

	Budget	2022	2021
Excess (deficiency) of revenue over expenses	\$ 325,000	\$ 64,372	\$ (10,520)
Acquisition of tangible capital assets	--	(431,957)	(466,385)
Amortization of tangible capital assets	--	399,025	407,225
	325,000	31,440	(69,680)
Net reduction (increase) of prepaid collection levy	--	(5,076)	1,375
	325,000	26,364	(68,305)
Net financial assets, beginning of year	846,285	846,285	914,590
Net financial assets, end of year	\$ 1,171,285	\$ 872,649	\$ 846,285

See accompanying notes to financial statements.

THE CITY OF MEDICINE HAT LIBRARY BOARD

Statement of Cash Flows

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

	2022	2021
Cash provided by (used in):		
Operations:		
Earnings (deficiency) of revenue over expenses	\$ 64,372	\$ (10,520)
Amortization which does not involve cash	399,025	407,225
	463,397	396,705
Net changes in non-cash financial assets and liabilities:		
Accounts receivable	4,252	(4,190)
Prepays	(3,370)	--
Deposits paid	19,846	(19,846)
Deferred revenue	(73,567)	57,557
Accounts payable and accrued liabilities	41,456	(2,784)
Prepaid collection levy	(5,076)	1,375
	446,938	428,817
Investing:		
Short-term investments	(248,900)	11,737
Capital Activities:		
Acquisition of tangible capital assets	(431,957)	(466,385)
Financing:		
Due to City of Medicine Hat	24,425	(3,825)
Decrease in cash	(209,494)	(29,656)
Cash, beginning of year	650,741	680,397
Cash, end of year	\$ 441,247	\$ 650,741

See accompanying notes to financial statements.

THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2022

1. Significant accounting policies:

The financial statements of The City of Medicine Hat Library Board (the "Library") are the representations of management prepared in accordance with Canadian Public Sector accounting standards. Significant aspects of the accounting policies adopted by the Library are as follows:

(a) Basis of accounting:

The Library follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Revenue recognition:

The operating grant and unrestricted contributions are recognized as received. Restricted contributions and capital grants are recognized when the related expenses are incurred, and stipulations are met. Investment income is recognized on an accrual basis. Room and equipment rental revenue is recognized when services are provided. Fines, fees and all other revenue are recognized as earned.

(c) Contributed materials and services:

Contributed materials and services are recognized in the financial statements when fair value can be reasonably determined, and they are consumed in the normal course of the Library's operations and would otherwise have been purchased.

(d) Pension expense:

The Library participates in the Local Authorities Pension Plan, a multi-employer defined benefit pension plan, through the City of Medicine Hat. This plan is accounted for as a defined contribution plan.

(e) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid with original maturities of less than three months at the date of acquisition. These financial assets are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2022

1. Significant accounting policies (continued):

(f) Tangible capital assets:

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

Asset	Useful Life - Years
Building improvements	10
Furniture, fixtures and equipment	5-7
Computer equipment	3
Books and library collection	3

Annual amortization is charged in the year of acquisition and in the year of disposal.

Contributions of tangible capital assets:

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

(g) Use of estimates:

The preparation of 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 financial statement date, and reported amounts of revenues and expenses during the reporting period.

THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2022

2. Future accounting pronouncements:

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Standards Board (PSAB). In 2023, the Library will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently.

(a) PS 3280 – Asset Retirement Obligation:

This accounting standard provides guidance on how to account for and report a liability for retirement of a tangible capital asset. This standard is effective for years starting on or after April 1, 2022.

(b) PS 3400 - Revenue:

This standard provides guidance on how to account for and report revenue, specifically addressing revenue from exchange transactions and unilateral transactions. This standard is effective for years starting on or after April 1, 2023.

(c) PSG-8 - Purchased Intangibles:

This new guideline allows for recognition of intangibles purchased through an exchange transaction. Narrow-scope amendments were made to PS 1000 Financial Statement Concepts to remove prohibition on recognition of intangibles purchased through exchange transactions and PS 1201 Financial Statement Presentation to remove the requirement to disclose that purchased intangibles are not recognized. This is effective for fiscal years beginning on or after April 1, 2023.

(d) PS 3160 - Public Private Partnerships:

This section establishes standards on how to account for public private partnership arrangements. This standard is effective for fiscal years beginning on or after April 1, 2023.

THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2022

3. Short-term investments:

	2022	2021
Guaranteed investment certificates	\$ 605,500	\$ 356,600

The guaranteed investment certificates bear interest ranging from 1.00% to 5.20% (2021 – from 0.45% to 1.42%) and mature at varying dates to December 2023 (2021 – December 2023).

4. Deferred revenue:

Deferred revenue represents unspent externally restricted contributions.

Change in the deferred revenue balance is as follows:

	2022	2021
Balance, beginning of year	\$ 99,779	\$ 42,222
Add amounts received in year	54,127	146,447
Less amounts recognized into revenue	(127,694)	(88,890)
Balance, end of year	\$ 26,212	\$ 99,779

5. Due from (to) City of Medicine Hat:

The Library is accountable for the administration of their financial affairs under the terms of their funding agreement to the City of Medicine Hat. At December 31, 2022 the Library owed the City of Medicine Hat (\$21,659) (2021 – the Library had a receivable from the City of Medicine Hat of \$2,766). This is the result of current year operations.

THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2022

6. Salary and benefits disclosure:

Disclosure of salaries and benefits for municipal officials as required by Alberta Regulation 379/94 is as follows:

			2022	2021
	Salary	Benefits and Allowances	Total	Total
Chief librarian (1)	\$ 124,151	\$ 19,440	\$ 143,591	\$ 142,495
Department heads (4)	297,563	58,868	356,431	370,647
	\$ 421,714	\$ 78,308	\$ 498,774	\$ 513,142

7. Economic dependence and related party transactions:

The Library is dependent upon the City of Medicine Hat to provide funding for operations.

The Library also uses a building owned by the City of Medicine Hat at no cost.

8. Local Authorities Pension Plan:

Employees of The City of Medicine Hat Library Board participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pension Plans Act. The Plan serves about 281,764 (2021 – 275,863) people and about 435 (2021 – 433) employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due. The Library is required to make current service contributions to the Plan of 9.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 13.84% for the excess. Employees of the Library are required to make current service contributions of 8.39% pensionable salary up to the year's maximum pensionable salary and 12.84% pensionable salary above this amount.

Total current service contributions by the Library to the Local Authorities Pension Plan in 2022 were \$110,086 (2021 - \$127,947). Total current service contributions by the employees of the Library to the Local Authorities Pension Plan in 2022 were \$97,612 (2021 - \$114,925).

At December 31, 2021, the Plan disclosed an actuarial surplus of \$11.9 billion (2020 - \$5.0 billion).

THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2022

9. Tangible capital assets:

	Building improvements	Furniture, fixtures and equipment	Computer equipment	Books and library collection	Total 2022
Cost:					
Balance, beginning of year	\$ 1,461,515	\$ 408,160	\$ 293,683	\$ 810,910	\$ 2,974,268
Additions	12,970	126,928	5,555	286,504	431,957
Disposals	--	--	--	(273,043)	(273,043)
Balance, end of year	1,474,485	535,088	299,238	824,371	3,133,182
Accumulated amortization:					
Balance, beginning of year	896,619	316,924	287,480	539,438	2,040,461
Disposals	--	--	--	(273,043)	(273,043)
Amortization expense	92,786	30,211	1,238	274,790	399,025
Balance, end of year	989,405	347,135	288,718	541,185	2,166,443
Net book value, end of year	\$ 485,080	\$ 187,953	\$ 10,520	\$ 283,186	\$ 966,739
	Building improvements	Furniture, fixtures and equipment	Computer equipment	Books and library collection	Total 2021
Cost:					
Balance, beginning of year	\$ 1,298,696	\$ 384,874	\$ 289,948	\$ 802,122	\$ 2,775,640
Additions	162,819	23,286	3,735	276,545	466,385
Disposals	--	--	--	(267,757)	(267,757)
Balance, end of year	1,461,515	408,160	293,683	810,910	2,974,268
Accumulated amortization:					
Balance, beginning of year	810,622	288,420	265,059	536,892	1,900,993
Disposals	--	--	--	(267,757)	(267,757)
Amortization expense	85,997	28,504	22,421	270,303	407,225
Balance, end of year	896,619	316,924	287,480	539,438	2,040,461
Net book value, end of year	\$ 564,896	\$ 91,236	\$ 6,203	\$ 271,472	\$ 933,807

THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2022

10. Accumulated surplus:

	Unrestricted surplus (deficit)	Reserves	Invested in tangible capital assets	Total 2022	Total 2021
Balance, beginning of year	\$ --	\$ 896,889	\$ 933,806	\$ 1,830,695	\$ 1,841,215
Excess of revenue over expenses	64,372	--	--	64,372	(10,520)
Tangible capital assets acquired with internal funds	(431,957)	--	431,957	--	--
Amortization of internally funded tangible capital assets	399,025	--	(399,025)	--	--
Transfers	(31,440)	31,440	--	--	--
	\$ --	\$ 928,329	\$ 966,738	\$ 1,895,067	\$ 1,830,695

Reserves are comprised of the following:

	2022	2021
Reserves:		
Capital assets (i)	\$ 763,027	\$ 735,653
Insurance deductible (ii)	50,000	50,000
Vacation payable (iii)	9,000	9,000
Donation reserve (iv)	106,302	102,236
	\$ 928,329	\$ 896,889

i) Capital asset reserve:

This reserve has been established to fund capital projects as approved by the Board. As well, the Board has the discretion to use this reserve to fund any operating deficit or allocate any operating surplus.

ii) Insurance deductible reserve:

This reserve has been established to cover the insurance deductible and shall be maintained at no less than the insurance deductible.

iii) Vacation payable reserve:

The vacation entitlement reserve is intended to assist in funding vacation benefits as they become due.

iv) Donation reserve:

This reserve has been established based on unspent donated funds that were received with no external stipulations.

THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2022

11. Financial instruments:

It is management's opinion that the Library is not exposed to significant interest, currency or credit risks arising from its financial instruments except as otherwise disclosed.

The carrying amount of short-term investments, accounts receivable, due to City of Medicine Hat, accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

12. Budgeted information:

The budget information presented in these financial statements is based upon the 2022 budget approved by the Board of Directors. Amortization was not contemplated in the development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget information reported in the financial statements.

Revenue:	
Total budget	\$ 2,660,879
Expenses:	
Total budget	2,660,879
Less:	
Shortgrass levy	(325,000)
Repayment of debt	--
Capital purchases	--
Total expenses	2,335,879
Excess of revenue over expenses	\$ 325,000

The budget was approved by the Board of Directors on January 5, 2022.

THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2022

13. Commitments:

The Library is a member of the Shortgrass Regional Library System. As such, they are committed to a yearly per capita levy based on the most recent published census population. The 2022 levy was approximately \$5.08 per capita; \$321,361 in aggregate (2021 - \$5.08 per capita; \$331,526 in aggregate).

14. Contractual Rights:

Contractual rights are rights of the Library to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

Estimated amounts that will be received or receivable for the next year are as follows:

	2023
City of Medicine Hat	\$ 2,242,329
Province of Alberta	349,750
	<hr/> \$ 2,592,079 <hr/>

15. Comparative information:

The financial information has been reclassified, where applicable, to conform to the presentation used in the current year. These changes do not affect prior year earnings.

THE CITY OF MEDICINE HAT LIBRARY BOARD

Schedule of Expenses

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

	Budget	2022	2021
Staff:			
Salaries and benefits	\$ 1,942,700	\$ 1,950,745	\$ 1,883,355
Materials:			
Binding, repair and processing	--	5,172	9,901
Ebooks	--	29,782	46,190
	--	34,954	56,091
Administration:			
Advertising and publicity	15,000	15,556	15,044
Board expenses	14,100	5,489	7,603
Dues and subscriptions	3,500	3,588	2,320
Interest and bank charges	2,000	2,010	1,973
Grant expenses	--	18,091	15,472
Professional fees	12,000	10,800	10,500
Office, supplies and consumables	14,500	8,782	8,312
Program expenses	30,000	42,524	32,696
Special projects	5,916	9,764	3,030
Staff travel	--	3,279	6,753
Membership costs	--	--	7,190
Telephone and communication	3,800	4,499	3,604
	100,816	124,382	114,497
Building, maintenance and insurance:			
Insurance	29,086	26,073	26,031
Computer maintenance and services	32,500	17,218	19,093
Repairs, maintenance and supplies	117,777	124,988	124,891
Utilities	113,000	109,589	97,568
	292,363	277,868	267,583
Amortization of tangible capital assets	--	399,025	407,225
Total expenses	\$ 2,335,879	\$ 2,786,974	\$ 2,728,751

