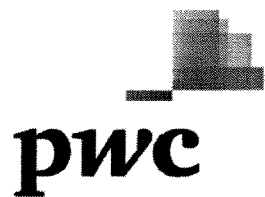
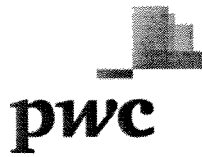

Toronto Public Library Board

*2014 year-end report
to the Board*

*Prepared as of
May 7, 2015*





May 7, 2015

The Board Members
Toronto Public Library Board

Dear Board Members:

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

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

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

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

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accounts

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

PricewaterhouseCoopers LLP
North American Centre, 5700 Yonge Street, Suite 1900, North York, Ontario, Canada M2M 4K7
T: 416 218 1500, F: 416 218 1499, www.pwc.com/ca

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

Communications to the Board

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

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

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

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

Appendix A: Draft financial statements

See Final Financial Statements –
December 31, 2014
Report No. 9 –
Attachment 1

Appendix B: Management representation letter

May 25, 2015

PricewaterhouseCoopers LLP
North American Centre
5700 Yonge Street, Suite 1900
North York ON M2M 4K7

We are providing this letter in connection with your audit of the financial statements of the Toronto Public Library Board (the Board) as at December 31, 2014 and for the year then ended for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position, results of operations and cash flows in accordance with Canadian public sector accounting standards.

Management's responsibilities

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 1, 2010. In particular, we confirm to you that:

- we are responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards;
- we are responsible for designing, implementing and maintaining an effective system of internal control over financial reporting to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. In this regard, we are responsible for establishing policies and procedures that ensure financial statements are prepared in accordance with Canadian public sector accounting standards;
- we have provided you with all relevant information and access, as agreed in the terms of the audit engagement; and
- all transactions have been recorded in the accounting records and are reflected in the financial statements.

We confirm the following representations:

Preparation of financial statements

The financial statements include all disclosures necessary for fair presentation in accordance with Canadian public sector accounting standards and disclosures otherwise required to be included therein by the laws and regulations to which the Board is subject.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the financial statements to their related supporting information (e.g. sub ledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to an operations account and vice versa. All inter-governmental unit accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

Accounting policies

We confirm that we have reviewed the Board's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements is appropriate in the Board's particular circumstances to present fairly in all material respects its financial position, results of operations and cash flows in accordance with Canadian public sector accounting standards.

Internal controls over financial reporting

We have designed disclosure controls and procedures to ensure material information relating to the Board is made known to us by others.

We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with Canadian public sector accounting standards.

We have not identified any deficiency in the design or operation of disclosure controls and procedures and internal control over financial reporting identified as part of our assessment as at December 31, 2014.

We have disclosed to you all deficiencies in the design or operation of disclosure controls and procedures and internal control over financial reporting that we are aware of.

Disclosure of information

We have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters including:
 - contracts and related data;
 - information regarding significant transactions and arrangements that are outside of the normal course of business; and
 - minutes of the meetings of management, directors and committees of directors. The most recent meetings held were April 20, 2015; and
- additional information that you have requested from the Board for the purpose of the audit; and
- unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Completeness of transactions

All contractual arrangements entered into by the Board with third parties have been properly reflected in the accounting records and, where material (or potentially material) to the financial statements, have been disclosed to you. We have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

Fraud

We have disclosed to you:

- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all information in relation to fraud or suspected fraud of which we are aware affecting the Board involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements; and
- all information in relation to any allegations of fraud, or suspected fraud, affecting the Board's financial statements, communicated by employees, former employees, analysts, regulators or others.

Compliance with laws and regulations

We have disclosed to you all aspects of laws, regulations and contractual agreements that may affect the financial statements, including actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

We are not aware of any illegal or possibly illegal acts committed by the Board's directors, officers or employees acting on the Board's behalf.

Accounting estimates and fair value measurements

Significant assumptions used by the Board in making accounting estimates, including fair value accounting estimates, are reasonable.

For recorded or disclosed amounts in the financial statements that incorporate fair value measurements, we confirm that:

- the measurement methods are appropriate and consistently applied;
- the significant assumptions used in determining fair value measurements represent our best estimates, are reasonable and have been consistently applied;
- no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements; and
- the significant assumptions used in determining fair value measurements are consistent with the Board's planned courses of action. We have no plans or intentions that have not been disclosed to you, which may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with CPA Canada Public Sector Accounting Handbook Section PS 2130, *Measurement Uncertainty*, have been appropriately disclosed.

Related parties

We confirm that we have disclosed to you the identity of related the Board's parties as defined by Canadian Auditing Standard 550, *Related Parties*, and all the related party relationships and transactions.

The identity, relationship of and balances and transactions with related parties have been properly recorded and adequately disclosed in the financial statements, as required by Canadian public sector accounting standards.

The list of related parties attached to this letter as Appendix A accurately and completely describes the Board's related parties and the relationships with such parties.

Going concern

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements (e.g. to dispose of the business or to cease operations).

Assets and liabilities

We have satisfactory title or control over all assets. All liens or encumbrances on the Board's assets and assets pledged as collateral, to the extent material, have been disclosed in the notes to the financial statements.

Trade receivables and loan receivables recorded in the financial statements represent bona fide claims against debtors for sales or other charges arising on or before the balance sheet date and are not subject

to discount expect for normal cash discounts. Receivables classified as current do not include any material amounts that are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.

We have recorded or disclosed, as appropriate, all liabilities, in accordance with Canadian public sector accounting standards. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which the Board is contingently liable in accordance with the CPA Canada Public Sector Accounting Handbook Section PS 3300, Contingent Liabilities, have been disclosed to you and are appropriately reflected in the financial statements.

Litigation and claims

All known actual or possible litigation and claims, which existed at the balance sheet date or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian public sector accounting standards, whether or not they have been discussed with legal counsel.

Misstatements detected during the audit

Certain representations in this letter are described as being limited to those matters that are material. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the financial statements are free of material misstatements, including omissions.

We confirm there are no uncorrected misstatements in the financial statements.

Cash and banks

The books and records properly reflect and record all transactions affecting cash funds, bank accounts and bank indebtedness of the Board.

All cash balances are under the control of the Board, free from assignment or other charges, and unrestricted as to use, except as disclosed to you.

The amount shown for cash on hand or in bank accounts excludes trust or other amounts, which are not the property of the Board.

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit or similar arrangements have been properly disclosed.

All cash and bank accounts and all other properties and assets of the Board are included in the financial statements as at December 31, 2014.

Accounts receivable

All amounts receivable by the Board were recorded in the books and records.

Amounts receivable amounted to \$6,643,998 and are considered to be fully collectible.

Amounts receivable are not subject to discount except for normal cash discounts which are appropriately provided for.

All receivables were free from hypothecation or assignment as security for advances to the Board, except as hereunder stated.

The Board has disclosed to us all transfers of receivables (including securitizations) that have occurred during the period ended December 31, 2014.

Receivables, other than transfers receivable accounted for in accordance with the CPA Canada Public Sector Accounting Handbook Section PS 3410, Government transfers and taxes receivable accounting for in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3510, Tax Revenue, recorded in the financial statements, represent bona fide claims against debtors for sales or other charges arising on or before the balance sheet date and are not subject to discount except for normal cash discounts.

Tangible capital assets

All charges to tangible capital asset accounts represented the actual cost of additions to tangible capital assets.

All contributed tangible capital assets have been recorded at fair value at the date of the contribution.

No significant tangible capital asset additions were charged to repairs and maintenance or other expense accounts.

Book values of tangible capital assets sold, destroyed, abandoned or otherwise disposed of have been eliminated from the accounts.

Tangible capital assets owned by the Board are being depreciated on a systematic basis over their estimated useful lives, and the provision for depreciation was calculated on a basis consistent with that of the previous date.

All lease agreements covering assets leased by or from the Board have been disclosed to you and classified as leased tangible capital assets or operating leases.

Leased tangible capital assets are being amortized on a systematic basis over the period of expected use.

There have been no events, conditions or changes in circumstances that indicate that a tangible capital asset no longer contributes to the Board's ability to provide goods and services or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. We believe that the carrying amount of the Board's long-lived tangible capital assets is fully recoverable in accordance with CPA Canada Public Sector Accounting Handbook PS 3150.

Long-term debt

All borrowings and financial obligations of the Board of which we are aware are included in the financial statements as at December 31, 2014, as appropriate. We have fully disclosed to you all borrowing arrangements of which we are aware.

Deferred revenue

All material amounts of deferred revenue meet the definition of a liability and were appropriately recorded in the books and records.

Retirement benefits, post-employment benefits, compensated absences and termination benefits

All arrangements to provide retirement benefits, post-employment benefits, compensated absences and termination benefits have been identified to you and have been included in the actuarial valuation as required.

The actuarial assumptions and methods used to measure liabilities and costs for financial accounting purposes for pension and other post-retirement benefits are appropriate in the circumstances.

The Board does not plan to make frequent amendments to the pension or other post-retirement benefit plans.

The employee future benefit costs, assets and obligations have been determined, accounted for and disclosed in accordance with CPA Canada Public Sector Accounting Handbook PS 3250, *Retirement Benefits*. In particular:

The significant accounting policies that the Board has adopted in applying CPA Canada Public Sector Accounting Handbook Section PS 3250 and CPA Canada Public Sector Accounting Handbook Section PS 3255 are accurately and completely disclosed in the notes to the financial statements.

Each of the best estimate assumptions used reflects management's judgment of the most likely outcomes of future events.

The best estimate assumptions used are, as a whole, internally consistent, and consistent with the asset valuation method adopted.

The discount rate used to determine the accrued benefit obligation was determined by reference to the City's borrowing rate using assumptions that are internally consistent with other actuarial assumptions used in the calculation of the accrued benefit obligation and plan assets.

The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.

All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you as well as to the actuary.

Statements of operations, changes in net assets

All transactions entered into by the Board have been recorded in the books and records presented to you.

All amounts have been appropriately classified within the statements of operations and net debt (or statement of net financial assets).

The accounting principles and policies followed throughout the year were consistent with prior period practices (except as disclosed in the financial statements).

Budgetary data

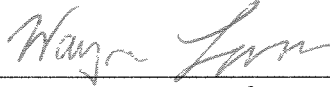
We have included budgetary data in our financial statements, which is relevant to the users of financial statements and consistent with that originally planned and approved. Planned results were presented for the same scope of activities and on a basis consistent with that used for actual results.

Events after balance sheet date


We have identified all events that occurred between the statement of financial position date and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure.

Yours truly,

Toronto Public Library Board



Wayne Lam, Manager of Accounting



Larry Hughsam, Director of Finance and Treasurer



Vickery Bowles, City Librarian

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Appendix A – Related parties

Board Members*:

Mr. Ron Carinci, Chair
Ms. Lindsay Colley, Vice Chair
Mr. Paul Ainslie
Ms. Ana Bailão
Ms. Sarah Doucette
Ms. Mary Fragedakis
Ms. Sue Graham-Nutter
Ms. Dianne LeBreton
Mr. Strahan McCarten
Mr. Ross Parry
Ms. Archana Shah
Ms. Eva Svec

Senior Management*:

Vickery Bowles, City Librarian
Larry Hughsam, Director of Finance and Treasurer

*Although not explicitly listed, immediate family members are considered included as related parties by this reference.

Toronto Public Library Foundation

American Foundation for Toronto Public Library

City of Toronto

Entities associated with City of Toronto as follows:

Agencies, Boards and Commissions:

- Board of Governors of Exhibition Place
- Casa Loma Corporation
- Heritage Toronto
- Lakeshore Arena Corporation
- The North York Performing Arts Centre Corporation
- The Sony Centre for the Performing Arts
- St. Lawrence Centre for the Arts
- Toronto Atmospheric Fund ("TAF")
- Toronto Board of Health
- Toronto Community Housing Corporation ("TCHC")
- Toronto Licensing Commission
- Toronto Police Services Board
- Toronto Pan Am Sports Centre Inc. ("TPASC") (50% proportionately)
- Board of Management of the Toronto Zoo
- Toronto Transit Commission ("TTC")
- Toronto Waterfront Revitalization Corporation ("TWRC") (1/3rd proportionately)
- Yonge-Dundas Square
- Build Toronto Inc
- Invest Toronto Inc.

Arenas:

- Forest Hill Memorial
- George Bell
- Leaside Memorial Community Gardens
- McCormick Playground
- Moss Park
- North Toronto Memorial
- Ted Reeve Community
- William H. Bolton

Community Centres:

- 519 Church Street
- Applegrove
- Cecil Street
- Central Eglinton
- Community Centre 55
- Eastview Neighbourhood
- Harbourfront
- Ralph Thornton
- Scadding Court
- Swansea Town Hall

Business Improvement Areas:

- Albion/Islington Square
- Baby Points Gates
- Bloor Annex
- Bloor by the Park
- Bloorcourt Village
- Bloorvale Village
- Bloor Street
- Bloor West Village
- Bloor-Yorkville
- Cabbagetown
- Chinatown
- Church-Wellesley Village
- College Dufferin
- College Promenade
- Corso Italia
- Crossroads of the Danforth
- Danforth Mosaic
- Danforth Village
- Dovercourt Village
- Downtown Yonge
- Dufferin Finch
- Dundas West
- Eglinton Hill
- Emery Village
- Fairbank Village
- Financial District
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Historic Queen East
- Junction Gardens
- Kennedy Road
- Kensington Market
- Kingsway
- Korea Town
- Lakeshore Village
- Leslieville
- Liberty Village
- Little Italy
- Little Portugal
- Long Branch
- Mimico by the Lake
- Mimico Village
- Mirvish Village
- Mount Dennis
- Mount Pleasant
- Oakwood Village
- Pape Village
- Parkdale Village
- Queen Street West
- Regal Heights Village
- Riverside
- Roncesvalles Village
- Rosedale Main Street
- Sheppard East Village
- St. Clair Gardens
- St. Lawrence Market Neighbourhood
- The Beach
- The Danforth
- The Dupont Strip
- The Eglinton Way
- ShoptheQueensway.com
- The Waterfront
- Toronto Entertainment
- Trinity Bellwoods
- Upper Village
- Uptown Yonge
- Village of Islington
- West Queen West
- Weston Village
- Wexford Heights
- Wilson Keele
- Wychwood Heights

- Yonge-Lawrence Village
- York-Eglinton

Government business enterprises (GBEs)

- Enwave Energy Corporation ("Enwave")
- Toronto Hydro Corporation
- Toronto Parking Authority
- City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands
- Company ("TPLC") (recognized as a GBE effective January 1, 2011)

Appendix C: Internal control recommendations

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

2014 update:

In the current year, the Director for each department has approved all vacation hours over the 105 hour limit for carry over.