

**NORTH  
VANCOUVER  
CITY  
LIBRARY**

**2012  
AUDITED  
FINANCIAL  
STATEMENTS**

**North Vancouver City Library  
Audited Financial Statement  
December 31, 2012**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of North Vancouver City Library

We have audited the accompanying financial statements of the North Vancouver City Library, which comprise the statement of financial position as at December 31, 2012 and the statements of operations, change in net financial assets (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the North Vancouver City Library as at December 31, 2012 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

Chartered Accountants

March 21, 2013

Burnaby, Canada

**North Vancouver City Library  
Statement of Financial Position  
As at December 31, 2012 with comparatives for 2011**

	<u>2012</u>	<u>2011</u>
<b>Financial Assets</b>		
Cash	\$ 785,647	\$ 767,961
<b>Total Financial Assets</b>	<u>785,647</u>	<u>767,961</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	110,443	112,169
Deferred revenue (note 3)	144,906	142,560
Due to the City of North Vancouver (note 4)	133,074	164,110
Post employment benefits, compensated absences and termination benefits (note 5)	333,200	305,700
<b>Total Liabilities</b>	<u>721,623</u>	<u>724,539</u>
<b>Net Financial Assets</b>	<u>64,024</u>	<u>43,422</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (note 7)	650,428	886,595
Prepaid expenses	1,679	-
<b>Total Non-Financial Assets</b>	<u>652,107</u>	<u>886,595</u>
<b>Accumulated Surplus</b>	<u>\$ 716,131</u>	<u>\$ 930,017</u>

Commitments are specified in note 6  
To be read with reference to the Notes to the Financial Statements

On behalf of the Board:



Trustee



Trustee

**North Vancouver City Library  
Statement of Operations  
For the year ended December 31, 2012 with comparatives for 2011**

	2012 Budget (unaudited)	2012 Actual	2011 Actual
<b>Revenues</b>			
Grants from City North Vancouver	3,101,680	<b>3,101,680</b>	3,055,600
Grants other			
General	129,000	<b>136,121</b>	142,506
Special purpose	-	-	5,152
Fines and fees	120,930	<b>96,282</b>	143,344
Interest income	2,500	<b>7,309</b>	6,752
Sale of services	21,200	<b>21,976</b>	17,635
Commercial lease	40,370	<b>40,374</b>	40,374
Donations			
General	20,000	<b>47,982</b>	39,200
Special purpose	-	<b>7,654</b>	8,932
Miscellaneous	10,000	<b>6,564</b>	7,708
	<u>3,445,680</u>	<u>3,465,942</u>	<u>3,467,204</u>
<b>Expenses</b>			
Wages and benefits			
General	2,462,700	<b>2,453,725</b>	2,456,671
Special purpose	-	<b>346</b>	494
Goods and supplies			
General	357,700	<b>125,096</b>	122,225
Special purpose	-	<b>3,397</b>	8,399
Services			
General	625,280	<b>638,668</b>	641,544
Special purpose	-	<b>8,646</b>	5,751
Depreciation	-	<b>449,950</b>	456,818
	<u>3,445,680</u>	<u>3,679,828</u>	<u>3,691,902</u>
<b>Annual deficit</b>	-	<b>(213,886)</b>	(224,698)
Accumulated surplus at beginning of year	<u>930,017</u>	<u>930,017</u>	1,154,715
Accumulated surplus at end of year	<u><b>\$ 930,017</b></u>	<u><b>\$ 716,131</b></u>	<u>\$ 930,017</u>

*To be read with reference to the Notes to the Financial Statements*

**North Vancouver City Library**  
**Statement of Change in Net Financial Assets/Debt**  
**For the year ended December 31, 2012 with comparatives for 2011**

	2012 <u>Budget</u>	<b>2012</b> <u>Actual</u>	2011 <u>Actual</u>
	(unaudited)		
Annual deficit	\$ -	\$ <b>(213,886)</b>	\$ (224,698)
Acquisition of tangible capital assets	(256,250)	<b>(213,783)</b>	(228,151)
Depreciation of tangible capital assets	-	<b>449,950</b>	456,818
Acquisition of prepaid expenses	-	<b>(1,679)</b>	-
Increase (decrease) financial assets/(debt)	(256,250)	<b>20,602</b>	3,969
Net financial assets at beginning of year	<u>43,422</u>	<u><b>43,422</b></u>	<u>39,453</u>
Net financial assets/(debt) at end of year	<u>\$ (212,828)</u>	<u><b>\$ 64,024</b></u>	<u>\$ 43,422</u>

*To be read with reference to the Notes to the Financial Statements*

**North Vancouver City Library**  
**Statement of Cash Flows**  
**For the year ended December 31, 2012 with comparatives for 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating activities</b>		
Annual deficit	\$ (213,886)	\$ (224,699)
Items not involving cash:		
Depreciation	449,950	456,818
Changes in non-cash operating balances:		
Accounts payable and accrued liabilities	(1,726)	9,389
Deferred revenue	2,346	103,415
Due to the City of North Vancouver	(31,036)	(5,886)
Post-employment benefits, compensated absences and termination benefits	27,500	43,500
Prepaid expenses	(1,679)	-
	<u>231,469</u>	<u>382,537</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	<u>(213,783)</u>	<u>(228,151)</u>
	<u>(213,783)</u>	<u>(228,151)</u>
Increase in cash	17,686	154,386
Cash at beginning of year	<u>767,961</u>	<u>613,575</u>
Cash at end of year	<u>\$ 785,647</u>	<u>\$ 767,961</u>

*To be read with reference to the Notes to the Financial Statements*



**North Vancouver City Library  
Notes to the Financial Statements  
For the year ended December 31, 2012**

**1. PURPOSE OF ORGANIZATION**

The North Vancouver City Library (the "Library") was established as a municipal public library of the Corporation of the City of North Vancouver (the "City") under the Library Act of British Columbia. The Library Board, appointed by Council of the City, oversees the management and operation of library facilities within the City. The Library is funded primarily by the City.

Accounts payable and payroll transactions are processed by the City. The Library reimburses the City for financial, information technology, and human resources services provided by the City (note 4).

**2. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Accounting**

The financial statements of the Library have been prepared by management in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

**(b) Functional and Object Reporting**

The operations of the Library are comprised of a single function, Library operations. As a result, the expenses of the Library are presented by object in the statement of operations.

**(c) Tangible Capital Assets**

The City owns the Library building and lands. Those assets, along with other tangible capital assets acquired for Library purposes but funded by the City, are recorded in the City's financial statements at depreciated historical cost and are not included in these financial statements. No capital consumption amount or depreciation is charged by the City to the Library operations.

Long-term capital plans adopted by the Council of the City provide for the replacement and acquisition of tangible capital assets.

Books are depreciated over five years and audio video materials ("AV materials") are depreciated over two years on a straight line basis. Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition of the asset.

**(d) Revenue and Expense Recognition**

Revenue is recorded on an accrual basis and recognized when earned. Restricted contributions and grants are recognized as revenue in the year in which related expenditures are incurred. Other revenues are recognized when they are collected.

Expenses are recognized as they are incurred, usually when goods and services have been received and/or a legal obligation to pay has been created.

**North Vancouver City Library  
Notes to the Financial Statements  
For the year ended December 31, 2012**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Unaudited Budget Figures**

Unaudited budget figures are reviewed by the Library board are based on the City of North Vancouver's five year financial plan adopted on April 16, 2012. Amortization was not contemplated on development of the budget and as such, has not been included.

**(f) Use of Estimates**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Areas requiring significant estimation are useful lives of tangible capital assets and post-employment benefits, compensated absences and termination benefits. Actual results could differ from those estimates.

**3. DEFERRED REVENUE**

Deferred revenue represents restricted funding received from external sources, and is recognized as revenue when the restrictions have been met or the appropriate expenditures are made.

	December 31 2011	Revenue	Expense	December 31 2012
Deferred Grant	\$ 160	\$ -	\$ -	\$ 160
Violet Johnson Memorial	994	-	769	225
Building Donation	7,893	-	5,549	2,344
Paul Kilby Fund	19,582	-	1,336	18,246
Equity Grant	3,931	10,000	-	13,931
General Bequests	110,000	-	-	110,000
	<u>\$ 142,560</u>	<u>\$ 10,000</u>	<u>\$ 7,654</u>	<u>\$ 144,906</u>

**4. DUE TO THE CITY OF NORTH VANCOUVER**

The Library receives an annual operating grant from the City and reimburses the City for accounts payable and payroll transactions processed by the City. The City bills the Library annually for such services. The amounts are interest free with no specific terms of repayment. The amount billed by the City for these transactions is \$263,206 (2011 - \$319,560).

The City also owes to the Library amounts relating to the Library's post-employment, compensated absences and termination benefits. This amount is reduced as used. The amount owed for 2012 \$130,132 (2011 - \$155,450).

**North Vancouver City Library**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2012**

**5. POST-EMPLOYMENT BENEFITS, COMPENSATED ABSENCES AND TERMINATION BENEFITS**

The Library provides the following benefits to all its employees:

**Sick and Severance/Termination**

Employees of the Library are entitled to payments related to unused sick leave and severance upon retirement or resignation after ten years of service. The amount recorded for these benefits is based on an evaluation done by an independent actuarial firm using a projected benefit actuarial valuation method pro-rated on services, and is reviewed on a periodic basis.

**Sick Leave**

The Library provides benefits for sick leave to all its employees. All employees accumulate sick leave on a monthly basis and can only use this entitlement for paid time off under certain circumstances. The amount recorded for this benefit is based on an evaluation done by an independent actuarial firm and is reviewed on a periodic basis.

The Library funds the employee post-employment benefits with grant revenue.

Information regarding the Library's sick and severance termination and sick leave obligations for these benefits is as follows:

	<u>2012</u>	<u>2011</u>
Accrued benefit obligation - beginning of the year	<b>\$ 377,500</b>	\$ 347,900
Add: Current service costs	<b>30,400</b>	27,200
Interest cost	<b>13,200</b>	15,300
Less: Amortization of actuarial loss	<b>(5,200)</b>	(3,000)
Benefits paid during the year	<b>(26,700)</b>	(9,900)
Accrued benefit obligation - end of the year	<b>389,200</b>	377,500
Less: Unamortized actuarial loss	<b>(56,000)</b>	(71,800)
Accrued benefit liability - end of the year	<b>\$ 333,200</b>	\$ 305,700

The accrued benefit liability is included in post employment benefits, compensated absences and termination benefits on the statement of financial position.

The most recent actuarial valuation of the Library's employee future benefits was completed as at December 31, 2012. The City commissioned an independent review which included the Library's estimated liability for sick and severance termination and sick leave benefits, vacation pay in year of retirement and early retirement vacation benefit.

**North Vancouver City Library  
Notes to the Financial Statements  
For the year ended December 31, 2012**

**5. POST-EMPLOYMENT BENEFITS, COMPENSATED ABSENCES AND TERMINATION BENEFITS (continued)**

The significant actuarial assumptions adopted in measuring the Library's accrued benefit liability are as follows:

	<b>2012</b>	2011
Discount rates	<b>3.40%</b>	3.40%
Expected future inflation rates	<b>3.00%</b>	3.00%
Expected wage and salary increases (net of inflation)	<b>.08% to 2.0%</b>	.08% to 2.0%

**6. PENSION PLAN**

The Library and its employees contribute to the Municipal Pension Plan (Plan), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

The most recent actuarial valuation as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, Plan assets and costs to individual entities participating in the Plan.

The Library paid \$171,039 for employer contributions to the Plan in fiscal 2012 (2011 - \$164,458).

**North Vancouver City Library**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2012**

**7. TANGIBLE CAPITAL ASSETS**

	2012			2011		
	Books	AV Materials	Totals	Books	AV Materials	Totals
<b>Costs</b>						
Balance beginning of year	\$ 2,002,529	\$ 110,414	\$ 2,112,943	\$ 2,021,495	\$ 107,249	\$ 2,128,744
Additions	171,177	42,606	213,783	176,937	51,214	228,151
Disposition	(183,341)	(59,200)	(242,541)	(195,903)	(48,049)	(243,952)
Balance end of year	<u>\$ 1,990,365</u>	<u>\$ 93,820</u>	<u>\$ 2,084,185</u>	<u>\$ 2,002,529</u>	<u>\$ 110,414</u>	<u>\$ 2,112,943</u>
<b>Accumulated Depreciation</b>						
Balance beginning of year	\$ 1,169,144	\$ 57,204	\$ 1,226,348	\$ 962,645	\$ 50,837	\$ 1,013,482
Depreciation	398,891	51,059	449,950	402,402	54,416	456,818
Disposition	(183,341)	(59,200)	(242,541)	(195,903)	(48,049)	(243,952)
Balance end of year	<u>\$ 1,384,694</u>	<u>\$ 49,063</u>	<u>\$ 1,433,757</u>	<u>\$ 1,169,144</u>	<u>\$ 57,204</u>	<u>\$ 1,226,348</u>
<b>Net Book Value</b>	<u>\$ 605,671</u>	<u>\$ 44,757</u>	<u>\$ 650,428</u>	<u>\$ 833,385</u>	<u>\$ 53,210</u>	<u>\$ 886,595</u>