

**NORTH
VANCOUVER
CITY
LIBRARY**

**2013
AUDITED
FINANCIAL
STATEMENTS**

**North Vancouver City Library
Audited Financial Statement
December 31, 2013**

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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, 2013 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, 2013 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

March 27, 2014

Burnaby, Canada

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**North Vancouver City Library
Statement of Financial Position
As at December 31, 2013 with comparatives for 2012**


	<u>2013</u>	<u>2012</u>
Financial Assets		
Cash	\$ 844,810	\$ 785,647
Total Financial Assets	<u>844,810</u>	<u>785,647</u>
Liabilities		
Accounts Payable and Accrued Liabilities	149,015	110,443
Deferred Revenue (Note 3)	166,941	144,906
Due to the City of North Vancouver (Note 4)	167,743	133,074
Post Employment Benefits, Compensated Absences and Termination Benefits (Note 5)	<u>365,000</u>	<u>333,200</u>
Total Liabilities	<u>848,699</u>	<u>721,623</u>
Net Financial Assets (debt)	<u>(3,889)</u>	<u>64,024</u>
Non-Financial Assets		
Tangible capital assets (Note 7)	481,719	650,428
Prepaid expenses	<u>1,952</u>	<u>1,679</u>
Total Non-Financial Assets	<u>483,671</u>	<u>652,107</u>
Accumulated Surplus	<u>\$ 479,782</u>	<u>\$ 716,131</u>

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, 2013 with comparatives for 2012**

	2013 Budget	2013 Actual	2012 Actual
Revenues			
Grants from CNV	3,193,255	3,220,167	3,101,680
Grants other			
General	136,121	149,627	136,121
Special purpose	-	9,000	-
Fines and fees	100,750	83,544	96,282
Interest income	7,000	9,162	7,309
Sale of services	25,000	21,803	21,976
Commercial lease	40,370	13,458	40,374
Donations			
General	5,000	6,682	47,982
Special purpose	-	5,393	7,654
Miscellaneous	7,500	10,038	6,564
	<u>3,514,996</u>	<u>3,528,874</u>	<u>3,465,942</u>
Expenses			
Wages and benefits			
General	2,501,066	2,523,318	2,453,725
Special purpose	-	2,148	346
Goods and supplies			
General	366,100	166,420	125,096
Special purpose	-	12,044	3,397
Services			
General	647,830	662,815	638,668
Special purpose	-	10,359	8,646
Depreciation	-	388,119	449,950
	<u>3,514,996</u>	<u>3,765,223</u>	<u>3,679,828</u>
Annual deficit	-	(236,349)	(213,886)
Accumulated surplus at beginning of year	<u>716,131</u>	<u>716,131</u>	<u>930,017</u>
Accumulated surplus at end of year	<u>\$ 716,131</u>	<u>\$ 479,782</u>	<u>\$ 716,131</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, 2013 with comparatives for 2012

	2013 <u>Budget</u>	2013 <u>Actual</u>	2012 <u>Actual</u>
Annual deficit	\$ -	\$ (236,349)	\$ (213,886)
Acquisition of tangible capital assets	(219,710)	(219,410)	(213,783)
Depreciation of tangible capital assets	-	388,119	449,950
Use of prepaid expenses	-	1,679	-
Acquisition of prepaid expenses	-	(1,952)	(1,679)
Increase (decrease) financial assets/(debt)	(219,710)	(67,913)	20,602
Net financial assets at beginning of year	<u>64,024</u>	<u>64,024</u>	<u>43,422</u>
Net financial assets/(debt) at end of year	<u>\$ (155,686)</u>	<u>\$ (3,889)</u>	<u>\$ 64,024</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, 2013 with comparatives for 2012

	<u>2013</u>	<u>2012</u>
Operating activities		
Annual deficit	\$ (236,349)	\$ (213,886)
Items not involving cash:		
Depreciation	388,119	449,950
Changes in non-cash operating balances:		
Accounts payable and accrued liabilities	38,572	(1,726)
Deferred revenue	22,035	2,346
Due to the City of North Vancouver	34,669	(31,036)
Post-employment benefits, compensated absences and termination benefits	31,800	27,500
Prepaid expenses	(273)	(1,679)
	<u>278,573</u>	<u>231,469</u>
Capital activities		
Acquisition of tangible capital assets	<u>(219,410)</u>	<u>(213,783)</u>
	<u>(219,410)</u>	<u>(213,783)</u>
Increase in cash	59,163	17,686
Cash at beginning of year	<u>785,647</u>	<u>767,961</u>
Cash at end of year	<u>\$ 844,810</u>	<u>\$ 785,647</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, 2013**

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, 2013**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Audited Budget Figures

The audited budget figures presented in these financial statements are presented to the City of North Vancouver for funding approval. The City of North Vancouver approved the funding on April 8, 2013. 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 2012	Revenue	Expenditure	December 31 2013
Deferred Grant	\$ 160	\$ -	\$ -	\$ 160
Violet Johnson Memorial	225	101	-	326
Building Donation	2,344	-	-	2,344
Paul Kilby Fund	18,246	-	2,145	16,101
Equity Grant	13,931	4,500	12,247	6,184
General Bequests	110,000	-	-	110,000
Storytelling	-	1,729	-	1,729
New Horizons	-	11,597	-	11,597
Family literacy	-	18,500	-	18,500
	<u>\$ 144,906</u>	<u>\$ 36,427</u>	<u>\$ 14,393</u>	<u>\$ 166,941</u>

4. DUE TO THE CITY OF NORTH VANCOUVER

The amount due to the City of North Vancouver is net of amounts due from the City.

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 \$297,875 (2012 - \$263,206).

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 2013 remains at \$130,132 (2012 - \$130,132).

**North Vancouver City Library
Notes to the Financial Statements
For the year ended December 31, 2013**

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>2013</u>	<u>2012</u>
Accrued benefit obligation - beginning of the year	\$ 389,200	\$ 377,500
Add: Current service costs	19,400	30,400
Interest cost	12,300	13,200
Less: Amortization of actuarial gain	(91,700)	(5,200)
Benefits paid during the year	(9,900)	(26,700)
Accrued benefit obligation - end of the year	319,300	389,200
Unamortized actuarial gain (loss)	45,700	(56,000)
Accrued benefit liability - end of the year	\$ 365,000	\$ 333,200

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, 2013. 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, 2013**

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:

	2013	2012
Discount rates	4.00%	3.40%
Expected future inflation rates	3.00%	3.00%
Expected wage and salary increases (net of inflation)	.08% to 2.0%	.08% to 2.0%

6. PENSION PLAN

The Library and its employees contribute to the Municipal Pension Plan (the 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 179,000 active members and approximately 71,000 retired members. Active members include approximately 49 contributors from the Library.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The Library paid \$172,402 (2012 - \$171,039) for employer contributions to the Plan in fiscal 2013.

North Vancouver City Library
Notes to the Financial Statements
For the year ended December 31, 2013

7. TANGIBLE CAPITAL ASSETS

	2013			2012		
	Books	AV Materials	Totals	Books	AV Materials	Totals
Costs						
Balance beginning of year	\$1,990,365	\$ 93,820	\$2,084,185	\$2,002,529	\$ 110,414	\$2,112,943
Additions	167,812	51,598	219,410	171,177	42,606	213,783
Disposition	(1,283,429)	(51,214)	(1,334,643)	(183,341)	(59,200)	(242,541)
Balance end of year	<u>\$ 874,748</u>	<u>\$ 94,204</u>	<u>\$ 968,952</u>	<u>\$1,990,365</u>	<u>\$ 93,820</u>	<u>\$2,084,185</u>
Accumulated Depreciation						
Balance beginning of year	\$1,384,694	\$ 49,063	\$1,433,757	\$1,169,144	\$ 57,204	\$1,226,348
Depreciation	341,113	47,006	388,119	398,891	51,059	449,950
Disposition	(1,283,429)	(51,214)	(1,334,643)	(183,341)	(59,200)	(242,541)
Balance end of year	<u>\$ 442,378</u>	<u>\$ 44,855</u>	<u>\$ 487,233</u>	<u>\$1,384,694</u>	<u>\$ 49,063</u>	<u>\$1,433,757</u>
Net Book Value	<u>\$ 432,370</u>	<u>\$ 49,349</u>	<u>\$ 481,719</u>	<u>\$ 605,671</u>	<u>\$ 44,757</u>	<u>\$ 650,428</u>