

**NORTH
VANCOUVER
CITY
LIBRARY**

**2014
AUDITED
FINANCIAL
STATEMENTS**

**North Vancouver City Library
Audited Financial Statement
December 31, 2014**

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KPMG LLP
Chartered Accountants
Metrotower II
Suite 2400 - 4720 Kingsway
Burnaby BC V5H 4N2
Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca

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, 2014 and the statements of operations, changes in net 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, 2014 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

May 22, 2015

Burnaby, Canada

**North Vancouver City Library
Statement of Financial Position
As at December 31, 2014 with comparatives for 2013**


	<u>2014</u>	<u>2013</u>
Financial Assets		
Cash	\$ 852,989	\$ 844,810
Total Financial Assets	<u>852,989</u>	<u>844,810</u>
Liabilities		
Accounts payable and accrued liabilities	154,362	149,015
Deferred revenue (Note 3)	123,033	166,941
Due to the City of North Vancouver (Note 4)	191,521	167,743
Post employment benefits, compensated absences and termination benefits (Note 5)	385,900	365,000
Total Liabilities	<u>854,816</u>	<u>848,699</u>
Net Debt	<u>(1,827)</u>	<u>(3,889)</u>
Non-Financial Assets		
Tangible capital assets (Note 7)	481,112	481,719
Prepaid expenses	-	1,952
Total Non-Financial Assets	<u>481,112</u>	<u>483,671</u>
Accumulated Surplus	<u>\$ 479,285</u>	<u>\$ 479,782</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, 2014 with comparatives for 2013**

	2014 Budget	2014 Actual	2013 Actual
Revenues			
Grants from City of North Vancouver	3,443,559	3,520,950	3,220,167
Grants other			
General	136,121	165,591	149,627
Special purpose	-	2,392	9,000
Fines and fees	85,750	75,048	83,544
Interest income	7,000	8,957	9,162
Sale of services	25,000	22,607	21,803
Commercial lease	-	-	13,458
Donations			
General	5,000	48,398	6,682
Special purpose	-	3,450	5,393
Miscellaneous	7,500	20,548	10,038
	<u>3,709,930</u>	<u>3,867,941</u>	<u>3,528,874</u>
Expenses			
Wages and benefits			
General	2,688,000	2,767,895	2,523,319
Special purpose	-	-	2,148
Goods and supplies			
General	380,600	197,143	166,420
Special purpose	-	4,528	12,044
Services			
General	641,330	670,926	662,815
Special purpose	-	3,458	10,359
Depreciation	-	224,488	388,119
	<u>3,709,930</u>	<u>3,868,438</u>	<u>3,765,223</u>
Annual deficit	-	(497)	(236,349)
Accumulated surplus at beginning of year	<u>479,782</u>	<u>479,782</u>	716,131
Accumulated surplus at end of year	<u>\$ 479,782</u>	<u>\$ 479,285</u>	<u>\$ 479,782</u>

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

**North Vancouver City Library
Statement of Changes in Net Debt
For the year ended December 31, 2014 with comparatives for 2013**

	<u>2014 Budget</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
Annual deficit	\$ -	\$ (497)	\$ (236,349)
Acquisition of tangible capital assets	(213,960)	(223,881)	(219,410)
Depreciation of tangible capital assets	-	224,488	388,119
Use of prepaid expenses	-	1,952	1,679
Acquisition of prepaid expenses	-	-	(1,952)
Increase (decrease) financial assets (debt)	(213,960)	2,062	(67,913)
Net financial assets (debt) at beginning of year	<u>(3,889)</u>	<u>(3,889)</u>	<u>64,024</u>
Net debt at end of year	<u>\$ (217,849)</u>	<u>\$ (1,827)</u>	<u>\$ (3,889)</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, 2014 with comparatives for 2013

	<u>2014</u>	<u>2013</u>
Operating activities		
Annual deficit	\$ (497)	\$ (236,349)
Items not involving cash:		
Depreciation	224,488	388,119
Changes in non-cash operating balances:		
Accounts payable and accrued liabilities	5,347	38,572
Deferred revenue	(43,908)	22,035
Due to the City of North Vancouver	23,778	34,669
Post-employment benefits, compensated absences and termination benefits	20,900	31,800
Prepaid expenses	1,952	(273)
	<u>232,060</u>	<u>278,573</u>
Capital activities		
Acquisition of tangible capital assets	<u>(223,881)</u>	<u>(219,410)</u>
	<u>(223,881)</u>	<u>(219,410)</u>
Increase in cash	8,179	59,163
Cash at beginning of year	844,810	785,647
Cash at end of year	<u>\$ 852,989</u>	<u>\$ 844,810</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, 2014**

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 Chartered Professional Accountants Canada.

(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 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.

***North Vancouver City Library
Notes to the Financial Statements
For the year ended December 31, 2014***

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. Government transfers are recognized as revenue in the period they are authorized and any eligibility criteria are met, except to the extent they contain a stipulation that gives rise to a liability. Such transfers are initially deferred and recognized as revenue in the period the stipulations are met.

Expenses are recorded on an accrual basis and recognized when goods and services have been received and/or a legal obligation to pay has been created. Other expenses are recognized when they are incurred.

(e) Audited Budget Figures

The audited budget figures presented in these financial statements are presented to the City for funding approval. The City approved the 2014 budget on April 28, 2014. Depreciation 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.

**North Vancouver City Library
Notes to the Financial Statements
For the year ended December 31, 2014**

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 2013	Revenue/ Transfer in	Expenditure/ Transfer out	December 31 2014
Deferred Grant	\$ 160	\$ -	\$ 123	\$ 37
Violet Johnson Memorial	326	-	-	326
Building Donation	2,344	-	1,619	725
Paul Kilby Fund	16,101	-	1,831	14,270
Equity Grant	6,184	4,500	2,225	8,459
General Bequests	110,000	-	17,900	92,100
Gala Fundraising	-	300	-	300
Storytelling	1,729	4,619	6,348	-
New Horizons	11,597	-	11,083	514
Family literacy	18,500	11,242	29,565	177
Community Conversations	-	6,125	-	6,125
	<u>\$ 166,941</u>	<u>\$ 26,786</u>	<u>\$ 70,694</u>	<u>\$ 123,033</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 invoices the Library annually for such services. The amounts are interest free with no specific terms of repayment. The amount invoiced by the City for 2014 transactions is \$319,227 (2013 - \$297,875).

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 2014 is \$127,706 (2013 - \$130,132).

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

The Library provides the following benefits to all its employees:

Sick and Severance

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 firm of actuaries using a projected benefit actuarial valuation method pro-rated on services. The most recent actuarial valuation of the Library's post-employment benefits was completed as at December 31, 2012.

North Vancouver City Library
Notes to the Financial Statements
For the year ended December 31, 2014

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

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 as it is accrued.

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

	<u>2014</u>	<u>2013</u>
Accrued benefit obligation - beginning of the year	\$ 319,300	\$ 389,200
Add: Current service costs	18,900	19,400
Interest cost	12,000	12,300
Less: Amortization of actuarial gain	(53,300)	(91,700)
Benefits paid during the year	(8,500)	(9,900)
Accrued benefit obligation - end of the year	288,400	319,300
Unamortized actuarial gain	97,500	45,700
Accrued benefit liability - end of the year	<u>\$ 385,900</u>	<u>\$ 365,000</u>

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.

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

	<u>2014</u>	<u>2013</u>
Discount rates	3.10%	4.00%
Expected future inflation rates	3.00%	3.00%
Expected wage and salary increases (net of inflation)	.08% to 2.0%	.08% to 2.0%

**North Vancouver City Library
Notes to the Financial Statements
For the year ended December 31, 2014**

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 182,000 active members and approximately 75,000 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 \$208,858 (2013 - \$172,402) for employer contributions to the Plan in fiscal 2014.

7. TANGIBLE CAPITAL ASSETS

	2014			2013		
	Books	AV Materials	Totals	Books	AV Materials	Totals
Costs						
Balance beginning of year	\$ 874,748	\$ 94,204	\$ 968,952	\$1,990,365	\$ 93,820	\$2,084,185
Additions	167,899	55,982	223,881	167,812	51,598	219,410
Disposition	(176,989)	(42,606)	(219,595)	(1,283,429)	(51,214)	(1,334,643)
Balance end of year	<u>\$ 865,658</u>	<u>\$ 107,580</u>	<u>\$ 973,238</u>	<u>\$ 874,748</u>	<u>\$ 94,204</u>	<u>\$ 968,952</u>
Accumulated Depreciation						
Balance beginning of year	\$ 442,378	\$ 44,855	\$ 487,233	\$1,384,694	\$ 49,063	\$1,433,757
Depreciation	174,041	50,447	224,488	341,113	47,006	388,119
Disposition	(176,989)	(42,606)	(219,595)	(1,283,429)	(51,214)	(1,334,643)
Balance end of year	<u>\$ 439,430</u>	<u>\$ 52,696</u>	<u>\$ 492,126</u>	<u>\$ 442,378</u>	<u>\$ 44,855</u>	<u>\$ 487,233</u>
Net Book Value	<u>\$ 426,228</u>	<u>\$ 54,884</u>	<u>\$ 481,112</u>	<u>\$ 432,370</u>	<u>\$ 49,349</u>	<u>\$ 481,719</u>