

**NORTH  
VANCOUVER  
CITY  
LIBRARY**

**2015  
AUDITED  
FINANCIAL  
STATEMENTS**

**North Vancouver City Library  
Audited Financial Statement  
December 31, 2015**

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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, 2015 and the statements of operations, changes in net financial assets (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, 2015 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 Professional Accountants

May 26, 2016

Burnaby, Canada

**North Vancouver City Library  
Statement of Financial Position  
As at December 31, 2015 with comparatives for 2014**

	<u>2015</u>	<u>2014</u>
<b>Financial Assets</b>		
Cash	\$ 806,499	\$ 852,989
Accounts Receivable and Other	8,153	-
<b>Total Financial Assets</b>	<u>814,652</u>	<u>852,989</u>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	126,061	115,798
Deferred Revenue (Note 3)	113,662	123,032
Due to the City of North Vancouver (Note 4)	47,495	191,521
Post Employment Benefits, Compensated Absences and Termination Benefits (Note 5)	458,000	424,465
<b>Total Liabilities</b>	<u>745,218</u>	<u>854,816</u>
<b>Net Financial Assets (Net Debt)</b>	<u>69,434</u>	<u>(1,827)</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 7)	465,363	481,112
<b>Total Non-Financial Assets</b>	<u>465,363</u>	<u>481,112</u>
<b>Accumulated Surplus</b>	<u>\$ 534,797</u>	<u>\$ 479,285</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, 2015 with comparatives for 2014**

	2015 Budget	2015 Actual	2014 Actual
<b>Revenues</b>			
Grants from CNV	3,569,678	3,569,678	3,520,950
Grants other			
General	133,163	128,173	165,591
Special purpose	-	3,357	2,392
Fines and fees	80,500	66,476	75,048
Interest income	9,000	8,107	8,957
Sale of services	23,700	26,974	22,607
Donations			
General	5,000	21,516	48,398
Special purpose	-	2,322	3,450
Miscellaneous	12,000	19,225	20,548
	<u>3,833,041</u>	<u>3,845,828</u>	<u>3,867,941</u>
<b>Expenses</b>			
Wages and benefits			
General	2,788,450	2,697,912	2,767,895
Special purpose	-	735	-
Goods and supplies			
General	393,400	211,185	197,143
Special purpose	-	5,919	4,528
Services			
General	651,191	649,724	670,926
Special purpose	-	487	3,458
Depreciation	-	224,354	224,488
	<u>3,833,041</u>	<u>3,790,316</u>	<u>3,868,438</u>
<b>Annual surplus (deficit)</b>	-	55,512	(497)
Accumulated surplus at beginning of year	479,285	479,285	479,782
Accumulated surplus at end of year	<u>\$ 479,285</u>	<u>\$ 534,797</u>	<u>\$ 479,285</u>

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

**North Vancouver City Library**  
**Statement of Change in Net Financial Assets (Net Debt)**  
**For the year ended December 31, 2015 with comparatives for 2014**

	2015 Budget	2015 Actual	2014 Actual
Annual surplus (deficit)	\$ -	\$ 55,512	\$ (497)
Acquisition of tangible capital assets	(221,960)	(208,605)	(223,881)
Depreciation of tangible capital assets	-	224,354	224,488
Use of prepaid expenses	-	-	1,952
Increase (decrease) financial assets	(221,960)	71,261	2,062
Net debt at beginning of year	(1,827)	(1,827)	(3,889)
Net financial assets (net debt) at end of year	<u>\$ (223,787)</u>	<u>\$ 69,434</u>	<u>\$ (1,827)</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, 2015 with comparatives for 2014**

	<u>2015</u>	<u>2014</u>
<b>Operating activities</b>		
Annual surplus (deficit)	\$ 55,512	\$ (497)
Items not involving cash:		
Depreciation	224,354	224,488
Changes in non-cash operating balances:		
Accounts receivable and other	(8,153)	-
Accounts payable and accrued liabilities	10,263	6,527
Deferred revenue	(9,370)	(43,908)
Due to the City of North Vancouver	(144,025)	23,778
Post-employment benefits, compensated absences and termination benefits	33,535	19,720
Prepaid expenses	-	1,952
	<u>162,115</u>	<u>232,060</u>
<b>Capital activities</b>		
Acquisition of tangible capital assets	<u>(208,605)</u>	<u>(223,881)</u>
	<u>(208,605)</u>	<u>(223,881)</u>
Increase (decrease) in cash	(46,490)	8,179
Cash at beginning of year	<u>852,989</u>	<u>844,810</u>
Cash at end of year	<u>\$ 806,499</u>	<u>\$ 852,989</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, 2015**

**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**

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

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.

**North Vancouver City Library  
Notes to the Financial Statements  
For the year ended December 31, 2015**

**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 2015 budget on April 27, 2015. 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, 2015**

**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 2014	Revenue/ Transfer in	Expenditure/ Transfer out	December 31 2015
Deferred Grant	\$ 37	\$ -	\$ 37	\$ -
Violet Johnson Memorial	326	-	-	326
Building Donation	725	-	-	725
Paul Kilby Fund	14,270	-	2,323	11,947
Equity Grant	8,459	4,500	3,357	9,602
General Bequests	92,100	-	25,500	66,600
Gala Fundraising	300	-	-	300
New Horizons	514	37	551	-
Family Literacy	177	2,182	531	1,828
Community Conversations	6,125	-	395	5,730
Donor Recognition	-	15,000	7,050	7,950
Digital Creation Station	-	14,500	5,846	8,654
	<u>\$ 123,033</u>	<u>\$ 36,219</u>	<u>\$ 45,590</u>	<u>\$ 113,662</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 2015 transactions is \$156,942 (2014 - \$319,227).

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 2015 is \$109,447 (2014 - \$127,706).

**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, 2015.

**North Vancouver City Library**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2015**

**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>2015</u>	<u>2014</u>
Accrued benefit obligation - beginning of the year	\$ 326,965	\$ 359,045
Service costs	21,200	18,900
Interest cost	8,600	12,000
Benefits paid	(28,665)	(9,680)
Actuarial loss (gain)	283,100	(53,300)
Accrued benefit obligation - end of year	<u>611,200</u>	<u>326,965</u>
Unamortized actuarial gain (loss)	<u>(153,200)</u>	97,500
Accrued benefit liability - end of the year	<u>\$ 458,000</u>	<u>\$ 424,465</u>

The accrued benefit liability is presented as 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, 2015. 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>2015</u>	<u>2014</u>
Discount rates	3.10%	3.10%
Expected future inflation rates	2.50%	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, 2015**

**6. PENSION PLAN**

The Library and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The Board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2015, the plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 37,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation for the Municipal Pension Plan as of December 31, 2012, indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis. 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, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the plan.

The Library paid \$207,941 (2014 - \$208,858) for employer contributions to the Plan in fiscal 2015.

**7. TANGIBLE CAPITAL ASSETS**

	2015			2014		
	Books	AV Materials	Totals	Books	AV Materials	Totals
<b>Costs</b>						
Balance beginning of year	\$ 865,658	\$ 107,580	\$ 973,238	\$ 874,748	\$ 94,204	\$ 968,952
Additions	157,570	51,035	208,605	167,899	55,982	223,881
Disposition	(181,833)	(51,598)	(233,431)	(176,989)	(42,606)	(219,595)
Balance end of year	\$ 841,395	\$ 107,017	\$ 948,412	\$ 865,658	\$ 107,580	\$ 973,238
<b>Accumulated Depreciation</b>						
Balance beginning of year	\$ 439,430	\$ 52,696	\$ 492,126	\$ 442,378	\$ 44,855	\$ 487,233
Depreciation	170,705	53,649	224,354	174,041	50,447	224,488
Disposition	(181,833)	(51,598)	(233,431)	(176,989)	(42,606)	(219,595)
Balance end of year	\$ 428,302	\$ 54,747	\$ 483,049	\$ 439,430	\$ 52,696	\$ 492,126
<b>Net Book Value</b>	\$ 413,093	\$ 52,270	\$ 465,363	\$ 426,228	\$ 54,884	\$ 481,112

***North Vancouver City Library  
Notes to the Financial Statements  
For the year ended December 31, 2015***

**8. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.