

**NORTH
VANCOUVER
CITY
LIBRARY**

**2017
AUDITED
FINANCIAL
STATEMENTS**

**North Vancouver City Library
Audited Financial Statement
December 31, 2017**

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Statement of Management Responsibility

The Trustees of the North Vancouver City Library (“Library”) has delegated the responsibility for the integrity and objectivity of the financial information contained in the financial statements to the management of the Library. The financial statements which, in part, are based on informed judgments and estimates, have been prepared by management in accordance with Canadian public sector accounting standards, which have been applied on a basis consistent with that of the preceding year.

To assist in carrying out their responsibility, management maintains an accounting system and internal controls to provide reasonable assurance that transactions are executed and recorded in accordance with authorization, and that financial records are reliable for preparation of financial statements.

The Trustees oversee management's responsibilities for the financial reporting and internal control systems. The Trustees annually review and approves the financial statements.

The Library’s independent auditors, BDO Canada LLP, are engaged to express an opinion as to whether the Library’s financial statements present fairly in all material respects the financial position of the Library as at December 31, 2017, and the results of operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian generally accepted auditing standards.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards.

“Deborah Koep”

Chief Librarian
April 19, 2018



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Independent Auditor's 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, 2017, and the Statements of Operations, Changes in Net Financial Assets and Cash Flows for the year then ended, and 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.

Auditor's 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 the 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 the auditor's 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, the auditor considers 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, 2017 and the results of its operations, changes in net financial assets and cash flows for the year ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia

April 19, 2018

**North Vancouver City Library
Statement of Financial Position
As at December 31, 2017 with comparatives for 2016**

	<u>2017</u>	<u>2016</u>
Financial Assets		
Cash	\$ 1,029,113	\$ 940,055
Total Financial Assets	<u>1,029,113</u>	<u>940,055</u>
Liabilities		
Accounts Payable and Accrued Liabilities	134,923	151,139
Deferred Revenue (Note 3)	44,378	114,833
Due to the City of North Vancouver (Note 4)	285,529	102,763
Post Employment Benefits, Compensated Absences and Termination Benefits (Note 5)	484,100	483,300
Total Liabilities	<u>948,930</u>	<u>852,035</u>
Net Financial Assets	<u>80,183</u>	<u>88,020</u>
Non-Financial Assets		
Tangible capital assets (Note 7)	465,097	472,220
Prepaid expenses	783	783
Total Non-Financial Assets	<u>465,880</u>	<u>473,003</u>
Accumulated Surplus (Note 8)	<u>\$ 546,063</u>	<u>\$ 561,023</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, 2017 with comparatives for 2016**

	2017 Budget (Note 9)	2017 Actual	2016 Actual
Revenues			
Grants from CNV	3,684,970	3,684,970	3,690,142
Grants other			
General	126,874	122,416	127,574
Special purpose	-	3,485	11,546
Fines and fees	70,250	60,172	61,441
Interest income	9,000	8,786	7,365
Sale of services	25,700	28,956	25,775
Donations			
General	5,000	28,334	21,405
Special purpose	-	59,318	5,010
Miscellaneous	17,000	22,452	16,902
	<u>3,938,794</u>	<u>4,018,889</u>	<u>3,967,160</u>
Expenses			
Wages and benefits			
General	2,856,400	2,771,643	2,788,613
Special purpose	-	3,184	1,063
Goods and supplies			
General	195,780	204,522	190,466
Special purpose	-	44,191	33,447
Services			
General	666,236	718,848	694,256
Special purpose	-	73,447	12,221
Depreciation	218,014	218,014	220,868
	<u>3,936,430</u>	<u>4,033,849</u>	<u>3,940,934</u>
Annual surplus/(deficit)	2,364	(14,960)	26,226
Accumulated surplus at beginning of year	561,023	561,023	534,797
Accumulated surplus at end of year	<u>\$ 563,387</u>	<u>\$ 546,063</u>	<u>\$ 561,023</u>

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

North Vancouver City Library
Statement of Change in Net Financial Assets
For the year ended December 31, 2017 with comparatives for 2016

	2017 Budget (Note 9)	2017 Actual	2016 Actual
Annual surplus	\$ 2,364	\$ (14,960)	\$ 26,226
Acquisition of tangible capital assets	(220,378)	(210,891)	(227,725)
Depreciation of tangible capital assets	218,014	218,014	220,868
Acquisition of prepaid expenses	-	-	(783)
Increase (decrease) financial assets	-	(7,837)	18,586
Net financial assets at beginning of year	88,020	88,020	69,434
Net financial assets at end of year	<u>\$ 88,020</u>	<u>\$ 80,183</u>	<u>\$ 88,020</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, 2017 with comparatives for 2016

	<u>2017</u>	<u>2016</u>
Operating transactions		
Annual surplus/(deficit)	\$ (14,960)	\$ 26,226
Items not involving cash:		
Depreciation	218,014	220,868
Changes in non-cash operating balances:		
Accounts receivable and other	-	8,153
Accounts payable and accrued liabilities	(16,216)	25,078
Deferred revenue	(70,455)	1,171
Due to the City of North Vancouver	182,766	55,268
Post-employment benefits, compensated absences and termination benefits	800	25,300
Prepaid expenses	-	(783)
	<u>299,949</u>	<u>361,281</u>
Capital Transactions		
Acquisition of tangible capital assets	<u>(210,891)</u>	<u>(227,725)</u>
Increase in cash	89,058	133,556
Cash at beginning of year	940,055	806,499
Cash at end of year	<u>\$ 1,029,113</u>	<u>\$ 940,055</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, 2017***

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 assets. 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, 2017**

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 2017 budget on April 10, 2017. 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, 2017

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 2016	Revenue/ Transfer in	Expenditure/ Transfer out	December 31 2017
Violet Johnson Memorial	\$ 326	\$ -	\$ -	\$ 326
Building Donation	199	-	199	-
Small Donation	-	2,408	-	2,408
Paul Kilby Fund	9,121	-	3,117	6,004
Equity Grant	2,556	4,500	3,357	3,699
General Bequests	64,943	-	56,003	8,940
HOpE Resource Centre	290	-	-	290
Gala Fundraising	300	36	336	-
Family Literacy	2,443	955	602	2,796
Community Conversations	2,202	-	-	2,202
Donor Recognition	883	128	1,011	-
Digital Creation Station	31,570	2,313	18,475	15,408
Youth Program	-	3,351	1,046	2,305
	<u>\$ 114,833</u>	<u>\$ 13,691</u>	<u>\$ 84,146</u>	<u>\$ 44,378</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 2017 transactions is \$319,687 (2016 - \$175,064).

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 2017 is \$34,157 (2016 - \$72,301).

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, and extrapolated for 2017.

North Vancouver City Library
Notes to the Financial Statements
For the year ended December 31, 2017

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>2017</u>	<u>2016</u>
Accrued benefit obligation - beginning of the year	\$ 461,100	\$ 611,200
Service costs	38,800	38,900
Interest cost	15,500	17,100
Benefits paid	(56,500)	(52,800)
Actuarial loss/(gain)	16,500	(153,300)
Accrued benefit obligation - end	475,400	461,100
Unamortized actuarial gain	8,700	22,200
Accrued benefit liability - end of the year	<u>\$ 484,100</u>	<u>\$ 483,300</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, 2015, and extrapolated for 2017. 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>2017</u>	<u>2016</u>
Discount rates	2.90%	3.30%
Expected future inflation rates	2.50%	2.50%
Expected wage and salary increases (net of inflation)	.08% to 2.13%	.08% to 2.0%

North Vancouver City Library
Notes to the Financial Statements
For the year ended December 31, 2017

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, 2016, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 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, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The Library paid \$202,930 (2016 - \$204,775) for employer contributions to the Plan in fiscal 2017.

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.

North Vancouver City Library
Notes to the Financial Statements
For the year ended December 31, 2017

7. TANGIBLE CAPITAL ASSETS

	2017			2016		
	Books	AV Materials	Totals	Books	AV Materials	Totals
Costs						
Balance beginning of year	\$ 838,871	\$ 104,347	\$ 943,218	\$ 841,395	\$ 107,017	\$ 948,412
Additions	167,859	43,032	210,891	174,413	53,312	227,725
Disposition	(167,190)	(51,035)	(218,225)	(176,937)	(55,982)	(232,919)
Balance end of year	<u>\$ 839,540</u>	<u>\$ 96,344</u>	<u>\$ 935,884</u>	<u>\$ 838,871</u>	<u>\$ 104,347</u>	<u>\$ 943,218</u>
Accumulated Depreciation						
Balance beginning of year	\$ 419,392	\$ 51,606	\$ 470,998	\$ 428,302	\$ 54,747	\$ 483,049
Depreciation	167,841	50,173	218,014	168,027	52,841	220,868
Disposition	(167,190)	(51,035)	(218,225)	(176,937)	(55,982)	(232,919)
Balance end of year	<u>\$ 420,043</u>	<u>\$ 50,744</u>	<u>\$ 470,787</u>	<u>\$ 419,392</u>	<u>\$ 51,606</u>	<u>\$ 470,998</u>
Net Book Value	<u>\$ 419,497</u>	<u>\$ 45,600</u>	<u>\$ 465,097</u>	<u>\$ 419,479</u>	<u>\$ 52,741</u>	<u>\$ 472,220</u>

8. ACCUMULATED SURPLUS

	December 31 2016	Transfer from (to) Unappr/Appr Equity	Revenue/TCA Addition	Expenditures/T CA Depreciation	December 31 2017
Appropriated surplus	\$ 17,761	\$ 46,063	\$ 62,803	\$ (120,822)	\$ 5,805
Equity in tangible capital assets	472,220	-	210,891	(218,014)	465,097
Unappropriated surplus	71,042	(46,063)	3,956,085	(3,905,903)	75,161
Accumulated surplus	<u>\$ 561,023</u>	<u>\$ -</u>	<u>\$ 4,229,779</u>	<u>\$ (4,244,739)</u>	<u>\$ 546,063</u>

North Vancouver City Library
Notes to the Financial Statements
For the year ended December 31, 2017

9. Budget

The budget approved by the City on April 10, 2017 was not prepared on a basis consistent with that used to report actual results (Canadian Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Canadian Public Accounting Standards now require a full accrual basis. The budget figures expensed all tangible capital expenditures rather than including depreciation expenses. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the budget approved by the City on April 10, 2017 with adjustments as follows:

	<u>2017</u>
Budget surplus for the year	\$ -
Add:	
Acquisition of tangible capital assets	220,378
Less:	
Depreciation	<u>(218,014)</u>
Budget surplus per statement of operations	<u>\$ 2,364</u>