

**NORTH
VANCOUVER
CITY
LIBRARY**

**2016
AUDITED
FINANCIAL
STATEMENTS**

**North Vancouver City Library
Audited Financial Statement
December 31, 2016**

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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, 2016, 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 consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and in accordance with Canadian public sector accounting standards.



Chief Librarian
May 25, 2017



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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, 2016, and the Statements of Operations, Changes in Net Assets (Net Debt) 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, 2016 and the results of its operations, changes in net assets (net debt) and cash flows for the year ended in accordance with Canadian public sector accounting standards.

Other Matter

The financial statements of the North Vancouver City Library for the year ended December 31, 2015 were audited by other auditors who expressed an unmodified opinion on those financial statements in their report dated May 26, 2016.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 25, 2017

**North Vancouver City Library
Statement of Financial Position
As at December 31, 2016 with comparatives for 2015**

	<u>2016</u>	<u>2015</u>
Financial Assets		
Cash	\$ 940,055	\$ 806,499
Accounts Receivable and Other	-	8,153
Total Financial Assets	<u>940,055</u>	<u>814,652</u>
Liabilities		
Accounts Payable and Accrued Liabilities	151,139	126,061
Deferred Revenue (Note 3)	114,833	113,662
Due to the City of North Vancouver (Note 4)	102,763	47,495
Absences and Termination Benefits (Note 5)	<u>483,300</u>	<u>458,000</u>
Total Liabilities	<u>852,035</u>	<u>745,218</u>
Net Financial Assets	<u>88,020</u>	<u>69,434</u>
Non-Financial Assets		
Tangible capital assets (Note 7)	472,220	465,363
Prepaid expenses	<u>783</u>	<u>-</u>
Total Non-Financial Assets	<u>473,003</u>	<u>465,363</u>
Accumulated Surplus (Note 8)	<u>\$ 561,023</u>	<u>\$ 534,797</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, 2016 with comparatives for 2015

	<u>2016 Budget</u>	<u>2016 Actual</u>	<u>2015 Actual</u>
Revenues			
Grants from CNV	\$ 3,614,142	\$ 3,690,142	\$ 3,569,678
Grants other			
General	127,659	127,574	128,173
Special purpose	-	11,546	3,357
Fines and fees	70,250	61,441	66,476
Interest income	9,000	7,365	8,107
Sale of services	25,700	25,775	26,974
Donations			
General	5,000	21,405	21,516
Special purpose	-	5,010	2,322
Miscellaneous	17,000	16,902	19,225
	<u>3,868,751</u>	<u>3,967,160</u>	<u>3,845,828</u>
Expenses			
Wages and benefits			
General	2,806,050	2,788,613	2,697,912
Special purpose	-	1,063	5,616
Goods and supplies			
General	183,135	190,466	211,185
Special purpose	-	33,447	5,919
Services			
General	665,606	694,256	649,724
Special purpose	-	12,221	(4,394)
Depreciation	213,960	220,868	224,354
	<u>3,868,751</u>	<u>3,940,934</u>	<u>3,790,316</u>
Annual surplus	-	26,226	55,512
Accumulated surplus at beginning of year	534,797	534,797	479,285
Accumulated surplus at end of year	<u>\$ 534,797</u>	<u>\$ 561,023</u>	<u>\$ 534,797</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, 2016 with comparatives for 2015

	2016 <u>Budget</u>	2016 <u>Actual</u>	2015 <u>Actual</u>
Annual surplus	\$ -	\$ 26,226	\$ 55,512
Acquisition of tangible capital assets	(213,960)	(227,725)	(208,605)
Depreciation of tangible capital assets	213,960	220,868	224,354
Acquisition of prepaid expenses	-	(783)	-
Increase (decrease) financial assets	-	18,586	71,261
Net financial assets (debt) at beginning of year	<u>69,434</u>	<u>69,434</u>	<u>(1,827)</u>
Net financial assets/(debt) at end of year	<u>\$ 69,434</u>	<u>\$ 88,020</u>	<u>\$ 69,434</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, 2016 with comparatives for 2015**

	<u>2016</u>	<u>2015</u>
Operating transactions		
Annual surplus	\$ 26,226	\$ 55,512
Items not involving cash:		
Depreciation	220,868	224,354
Changes in non-cash operating balances:		
Accounts receivable and other	8,153	(8,153)
Accounts payable and accrued liabilities	25,078	10,263
Deferred revenue	1,171	(9,370)
Due to the City of North Vancouver	55,268	(144,025)
Post-employment benefits, compensated absences and termination benefits	25,300	33,535
Prepaid expenses	(783)	-
	<u>361,281</u>	<u>162,115</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(227,725)</u>	<u>(208,605)</u>
	<u>(227,725)</u>	<u>(208,605)</u>
Increase (decrease) in cash	133,556	(46,490)
Cash at beginning of year	<u>806,499</u>	<u>852,989</u>
Cash at end of year	<u>\$ 940,055</u>	<u>\$ 806,499</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, 2016**

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, 2016

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) Budget Figures

The budget figures presented in these financial statements are presented to the City for funding approval. The City approved the 2016 budget on May 2, 2016. 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, 2016

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 2015	Revenue/ Transfer in	Expenditure/ Transfer out	December 31 2016
Violet Johnson Memorial	\$ 326	\$ -	\$ -	\$ 326
Building Donation	725	-	526	199
Paul Kilby Fund	11,947	-	2,826	9,121
Equity Grant	9,602	-	7,046	2,556
General Bequests	66,600	-	1,657	64,943
HOppe Resource Centre	-	290	-	290
Gala Fundraising	300	-	-	300
Family Literacy	1,828	1,313	698	2,443
Community Conversations	5,730	-	3,528	2,202
Donor Recognition	7,950	-	7,067	883
Digital Creation Station	8,654	25,658	2,742	31,570
	<u>\$ 113,662</u>	<u>\$ 27,261</u>	<u>\$ 26,090</u>	<u>\$ 114,833</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 and has no specific terms for repayment and is non-interest bearing.

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 2016 transactions is \$175,064 (2015 - \$156,942).

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 and is netted against the total amount due to the City of North Vancouver. The amount owed for 2016 is \$72,301 (2015 - \$109,447).

**North Vancouver City Library
Notes to the Financial Statements
For the year ended December 31, 2016**

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 2016.

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>2016</u>	<u>2015</u>
Accrued benefit obligation - beginning of the year	\$ 611,200	\$ 326,965
Service costs	38,900	21,200
Interest cost	17,100	8,600
Benefits paid	(52,800)	(28,665)
Actuarial loss/(gain)	(153,300)	283,100
Accrued benefit obligation - end	<u>461,100</u>	<u>611,200</u>
Unamortized actuarial gain (loss)	<u>22,200</u>	<u>(153,200)</u>
Accrued benefit liability - end of the year	<u><u>\$ 483,300</u></u>	<u><u>\$ 458,000</u></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. 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, 2016

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:

	2016	2015
Discount rates	3.30%	3.10%
Expected future inflation rates	2.50%	2.50%
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 (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 189,000 active members and approximately 85,000 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 at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis.

The Library paid \$204,775 (2015 - \$207,941) for employer contributions to the Plan in fiscal 2016.

The next valuation will be as at December 31, 2018, with results available in 2019.

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, 2016

7. TANGIBLE CAPITAL ASSETS

	2016			2015		
	Books	AV Materials	Totals	Books	AV Materials	Totals
Costs						
Balance beginning of year	\$ 841,395	\$ 107,017	\$ 948,412	\$ 865,658	\$ 107,580	\$ 973,238
Additions	174,413	53,312	227,725	157,570	51,035	208,605
Disposition	(176,937)	(55,982)	(232,919)	(181,833)	(51,598)	(233,431)
Balance end of year	<u>\$ 838,871</u>	<u>\$ 104,347</u>	<u>\$ 943,218</u>	<u>\$ 841,395</u>	<u>\$ 107,017</u>	<u>\$ 948,412</u>
Accumulated Depreciation						
Balance beginning of year	\$ 428,302	\$ 54,747	\$ 483,049	\$ 439,430	\$ 52,696	\$ 492,126
Depreciation	168,027	52,841	220,868	170,705	53,649	224,354
Disposition	(176,937)	(55,982)	(232,919)	(181,833)	(51,598)	(233,431)
Balance end of year	<u>\$ 419,392</u>	<u>\$ 51,606</u>	<u>\$ 470,998</u>	<u>\$ 428,302</u>	<u>\$ 54,747</u>	<u>\$ 483,049</u>
Net Book Value	<u>\$ 419,479</u>	<u>\$ 52,741</u>	<u>\$ 472,220</u>	<u>\$ 413,093</u>	<u>\$ 52,270</u>	<u>\$ 465,363</u>

8. ACCUMULATED SURPLUS

	December 31 2015	Transfer from (to) Appr. Equity	Revenue/TCA Addition	Expenditures/T CA Disposition	December 31 2016
Appropriated surplus	\$ 2,937	\$ 45,000	\$ -	\$ (30,176)	\$ 17,761
Equity in tangible capital assets	465,363		227,725	(220,868)	472,220
Unappropriated surplus	66,497	(45,000)	3,950,604	(3,901,059)	71,042
Accumulated surplus	<u>\$ 534,797</u>	<u>\$ -</u>	<u>\$ 4,178,329</u>	<u>\$ (4,152,103)</u>	<u>\$ 561,023</u>