

**NORTH
VANCOUVER
CITY
LIBRARY**

**2018
AUDITED
FINANCIAL
STATEMENTS**

**North Vancouver City Library
Audited Financial Statement
December 31, 2018**

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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, 2018, 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
May 31, 2019

Independent Auditor's Report

To the Board of Trustees of North Vancouver City Library

Opinion

We have audited the financial statements of the North Vancouver City Library (the "Library") which comprise the Statement of Financial Position as at December 31, 2018, and the Statements of Operations, Changes in Net Financial Assets and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2018, and its results of operations, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Library in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Library's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Library or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit 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 Library's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Library's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Library to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, BC
May 31, 2019

**North Vancouver City Library
Statement of Financial Position
As at December 31, 2018 with comparatives for 2017**

	<u>2018</u>	<u>2017</u>
Financial Assets		
Cash	\$ 995,131	\$ 1,029,113
Total Financial Assets	<u>995,131</u>	<u>1,029,113</u>
Liabilities		
Accounts Payable and Accrued Liabilities	170,028	134,923
Deferred Revenue (Note 3)	58,505	44,378
Due to the City of North Vancouver (Note 4)	177,515	285,529
Post Employment Benefits, Compensated Absences and Termination Benefits (Note 5)	<u>507,900</u>	<u>484,100</u>
Total Liabilities	<u>913,948</u>	<u>948,930</u>
Net Financial Assets	<u>81,183</u>	<u>80,183</u>
Non-Financial Assets		
Tangible capital assets (Note 7)	470,220	465,097
Prepaid expenses	<u>783</u>	<u>783</u>
Total Non-Financial Assets	<u>471,003</u>	<u>465,880</u>
Accumulated Surplus (Note 8)	<u>\$ 552,186</u>	<u>\$ 546,063</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, 2018 with comparatives for 2017

	2018 Budget	2018 Actual	2017 Actual
	(Note 9)		
Revenues			
Grants from CNV	3,895,642	3,985,894	3,684,970
Grants other			
General	126,874	117,172	122,416
Special purpose	-	7,236	3,485
Fines and fees	53,560	58,931	60,172
Interest income	7,000	16,439	8,786
Sale of services	26,000	31,985	28,956
Donations			
General	5,000	644	28,334
Special purpose	-	21,049	59,318
Miscellaneous	17,000	15,537	22,452
	<u>4,131,076</u>	<u>4,254,887</u>	<u>4,018,889</u>
Expenses			
Wages and benefits			
General	3,007,600	3,043,312	2,771,643
Special purpose	-	-	3,184
Goods and supplies			
General	414,877	212,826	204,522
Special purpose	-	23,881	44,191
Services			
General	703,476	703,354	718,848
Special purpose	-	51,004	73,447
Depreciation	-	214,387	218,014
	<u>4,125,953</u>	<u>4,248,764</u>	<u>4,033,849</u>
Annual surplus (deficit)	5,123	6,123	(14,960)
Accumulated surplus at beginning of year	<u>546,063</u>	<u>546,063</u>	<u>561,023</u>
Accumulated surplus at end of year	<u>\$ 551,186</u>	<u>\$ 552,186</u>	<u>\$ 546,063</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, 2018 with comparatives for 2017

	2018 Budget <u>(Note 9)</u>	2018 Actual	2017 Actual
Annual surplus (deficit)	\$ 5,123	\$ 6,123	\$ (14,960)
Acquisition of tangible capital assets	(219,510)	(219,510)	(210,891)
Depreciation of tangible capital assets	<u>214,387</u>	<u>214,387</u>	<u>218,014</u>
Increase (decrease) in financial assets	-	1,000	(7,837)
Net financial assets at beginning of year	<u>80,183</u>	<u>80,183</u>	<u>88,020</u>
Net financial assets at end of year	<u>\$ 80,183</u>	<u>\$ 81,183</u>	<u>\$ 80,183</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, 2018 with comparatives for 2017

	<u>2018</u>	<u>2017</u>
Operating activities		
Annual surplus (deficit)	\$ 6,123	\$ (14,960)
Items not involving cash:		
Depreciation	214,387	218,014
Changes in non-cash operating balances:		
Accounts payable and accrued liabilities	35,106	(16,216)
Deferred revenue	14,127	(70,455)
Due to the City of North Vancouver	(108,015)	182,766
Post-employment benefits, compensated absences and termination benefits	23,800	800
	<u>185,528</u>	<u>299,949</u>
Capital activities		
Acquisition of tangible capital assets	<u>(219,510)</u>	<u>(210,891)</u>
Increase (decrease) in cash	(33,982)	89,058
Cash at beginning of year	<u>1,029,113</u>	<u>940,055</u>
Cash at end of year	<u>\$ 995,131</u>	<u>\$ 1,029,113</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, 2018**

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 of 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, 2018**

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) 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 2017	Revenue/ Transfer in	Expenditure/ Transfer out	December 31 2018
Violet Johnson Memorial	\$ 326	\$ -	\$ 326	\$ -
Small Donation	2,408	-	2,408	-
Paul Kilby Fund	6,004	-	1,540	4,464
Family Literacy	2,796	4,187	3,679	3,304
NS Writers Festival	-	2,130	2,025	105
Donations - Youth	-	5,996	3,748	2,248
Donations - Projects	-	23,061	9,136	13,925
HOpe Resource Centre	290	-	-	290
Seniors/Access	-	1,526	50	1,476
Donations - Collections	-	14,000	4,095	9,905
Equity	3,699	6,342	6,664	3,377
General Bequests	8,940	18,444	10,175	17,209
Community Conversations	2,202	-	-	2,202
Digital Creation Station	15,408	-	15,408	-
Youth Program	2,305	250	2,555	-
	<u>\$ 44,378</u>	<u>\$ 75,936</u>	<u>\$ 61,809</u>	<u>\$ 58,505</u>

**North Vancouver City Library
Notes to the Financial Statements
For the year ended December 31, 2018**

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 2018 transactions is \$182,783 (2017 - \$319,687).

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 2018 is \$5,268 (2017 - \$34,157).

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, 2018.

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:

North Vancouver City Library
Notes to the Financial Statements
For the year ended December 31, 2018

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

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation - beginning of the year	\$ 475,400	\$ 461,100
Service costs	42,100	38,800
Interest cost	14,300	15,500
Benefits paid	(37,400)	(56,500)
Actuarial loss/(gain)	105,700	16,500
Accrued benefit obligation - end	600,100	475,400
Unamortized actuarial gain (loss)	(92,200)	8,700
Accrued benefit liability - end of the year	<u>\$ 507,900</u>	<u>\$ 484,100</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, 2018. 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>2018</u>	<u>2017</u>
Discount rates	3.30%	2.90%
Expected future inflation rates	2.50%	2.50%
Expected wage and salary increases (net of inflation)	.08% to 2%	.08% to 2.13%

North Vancouver City Library
Notes to the Financial Statements
For the year ended December 31, 2018

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, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

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. 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 \$197,180 (2017 - \$202,930) for employer contributions to the plan in fiscal 2018.

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, 2018

7. TANGIBLE CAPITAL ASSETS

	2018			2017		
	Books	AV Materials	Totals	Books	AV Materials	Totals
Costs						
Balance beginning of year	\$ 839,540	\$ 96,344	\$ 935,884	\$ 838,871	\$ 104,347	\$ 943,218
Additions	173,755	45,755	219,510	167,859	43,032	210,891
Disposition	(171,798)	(53,312)	(225,110)	(167,190)	(51,035)	(218,225)
Balance end of year	<u>\$ 841,497</u>	<u>\$ 88,787</u>	<u>\$ 930,284</u>	<u>\$ 839,540</u>	<u>\$ 96,344</u>	<u>\$ 935,884</u>
Accumulated Depreciation						
Balance beginning of year	\$ 420,043	\$ 50,744	\$ 470,787	\$ 419,392	\$ 51,606	\$ 470,998
Depreciation	168,104	46,283	214,387	167,841	50,173	218,014
Disposition	(171,798)	(53,312)	(225,110)	(167,190)	(51,035)	(218,225)
Balance end of year	<u>\$ 416,349</u>	<u>\$ 43,715</u>	<u>\$ 460,064</u>	<u>\$ 420,043</u>	<u>\$ 50,744</u>	<u>\$ 470,787</u>
Net Book Value	<u>\$ 425,148</u>	<u>\$ 45,072</u>	<u>\$ 470,220</u>	<u>\$ 419,497</u>	<u>\$ 45,600</u>	<u>\$ 465,097</u>

8. ACCUMULATED SURPLUS

	December 31 2017	Transfer from (to) Unappr/Appr Equity	Revenue/TCA Addition	Expenditures/ TCA Depreciation	December 31 2018
Appropriated surplus	\$ 5,805	\$ 45,000	\$ 28,285	\$ (74,885)	\$ 4,205
Equity in tangible capital assets	465,097	-	219,510	(214,387)	470,220
Unappropriated surplus	75,161	(45,000)	4,226,602	(4,179,002)	77,761
Accumulated surplus	<u>\$ 546,063</u>	<u>\$ -</u>	<u>\$ 4,474,397</u>	<u>\$ (4,468,274)</u>	<u>\$ 552,186</u>

North Vancouver City Library
Notes to the Financial Statements
For the year ended December 31, 2018

9. BUDGET

The budget approved by the City on April 9, 2018 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 9, 2018 with adjustments as follows:

	<u>2018</u>
Budget surplus for the year	\$ -
Add:	
Acquisition of tangible capital assets	219,510
Less:	
Depreciation	<u>(214,387)</u>
Budget surplus per statement of operations	<u>\$ 5,123</u>