

**District of North Vancouver Municipal Public Library**  
**Financial Statements**  
**December 31, 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Chair and Members of the Board of Trustees

We have audited the accompanying financial statements of the District of North Vancouver Municipal Public Library, which comprise the statement of financial position as at December 31, 2017, the statements of operations, changes in net financial assets, 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 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 District of North Vancouver Municipal Public Library as at December 31, 2017, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

April 26, 2018  
Burnaby, Canada

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## District of North Vancouver Municipal Public Library

### Statement of Financial Position

December 31

2017

2016

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#### Financial assets

Cash	\$ 113,584	\$ 73,569
Accounts receivable	195	623
Due from the District of North Vancouver (Note 3)	1,705,456	1,622,415
Inventories held for resale	9,299	9,818
	<u>1,828,534</u>	<u>1,706,425</u>

#### Liabilities

Accounts payable and accrued liabilities	442,686	331,530
Due to governments	31,433	28,676
Restricted revenue	80,109	70,928
Post-employment benefits (Note 4)	596,600	534,900
	<u>1,150,828</u>	<u>966,034</u>

#### Net financial assets

677,706 740,391

#### Non-financial assets


Tangible capital assets (Note 5)	1,866,780	1,717,570
Prepaid expenses	57,513	49,533
	<u>1,924,293</u>	<u>1,767,103</u>


#### Accumulated surplus (Note 6)

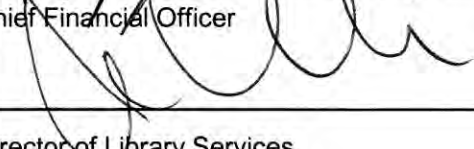
\$ 2,601,999 \$ 2,507,494

#### Commitments and contingencies (Note 7)

Approved by

  
Chair of the Board

  
Chief Financial Officer

  
Director of Library Services

See accompanying notes to the financial statements

# District of North Vancouver Municipal Public Library

## Statement of Operations

Year ended December 31

	2017 Budget	2017	2016
	(Note 9)		
<b>Revenues</b>			
District of North Vancouver contribution	\$ 5,950,897	\$ 5,996,607	\$ 5,713,134
Government grants	214,090	215,559	218,301
Donations	-	31,389	35,736
Book fines, photocopy charges and sundry	237,915	246,324	254,170
	<u>6,402,902</u>	<u>6,489,879</u>	<u>6,221,341</u>
<b>Expenses</b>			
Salaries and benefits	4,461,763	4,444,873	4,385,462
Maintenance of equipment and premises	510,169	564,312	559,603
Rent and building services	148,579	138,856	142,744
Professional services	68,326	145,077	15,891
Digital and periodical material purchases	151,281	155,930	139,529
Administrative costs	101,315	123,681	114,230
Book repairs and supplies	68,738	57,674	70,292
Federated library services	22,950	19,406	20,748
Minor equipment	34,300	60,062	9,040
Depreciation	-	537,874	541,011
Loss on disposal of tangible capital assets	-	80,087	82,041
	<u>5,567,421</u>	<u>6,327,832</u>	<u>6,080,591</u>
Annual surplus, before distribution of surplus	\$ <u>835,481</u>	162,047	140,750
Surplus returned to the District of North Vancouver (Note 8)		<u>(67,542)</u>	<u>(41,325)</u>
Annual surplus		94,505	99,425
Accumulated surplus, beginning of year		<u>2,507,494</u>	<u>2,408,069</u>
Accumulated surplus, end of year		\$ <u>2,601,999</u>	\$ <u>2,507,494</u>

See accompanying notes to the financial statements

**District of North Vancouver Municipal Public Library**  
**Statement of Changes in Net Financial Assets**  
**Year Ended December 31**

	2017 Budget	2017	2016
	(Note 9)		
Annual surplus	\$ 835,481	\$ 94,505	\$ 99,425
Acquisition of tangible capital assets	(920,442)	(767,171)	(715,712)
Depreciation of tangible capital assets	-	537,874	541,011
Loss on disposal of tangible capital assets	-	80,087	82,041
	<u>(920,442)</u>	<u>(149,210)</u>	<u>(92,660)</u>
Acquisition of prepaid expenses	-	(57,513)	(49,533)
Use of prepaid expenses	-	49,533	38,474
	<u>-</u>	<u>(7,980)</u>	<u>(11,059)</u>
Change in net financial assets	<u>\$ (84,961)</u>	(62,685)	(4,294)
Net financial assets, beginning of year		<u>740,391</u>	<u>744,685</u>
Net financial assets, end of year		<u>\$ 677,706</u>	<u>\$ 740,391</u>

See accompanying notes to the financial statements

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**District of North Vancouver Municipal Public Library**  
**Statement of Cash Flows**  
**Year Ended December 31**

	2017	2016
Operating transactions		
Annual surplus	\$ 94,505	\$ 99,425
Non-cash items:		
Depreciation	537,874	541,011
Loss on disposal of tangible capital assets	80,087	82,041
Change in other items:		
Accounts receivable	428	(261)
Due from the District of North Vancouver	(83,041)	(71)
Inventories held for resale	519	940
Accounts payable and accrued liabilities	111,156	6,061
Due to governments	2,757	(2,954)
Restricted revenue	9,181	(10,531)
Post-employment benefits	61,700	17,500
Prepaid expenses	(7,980)	(11,059)
Cash provided by operating transactions	<u>807,186</u>	<u>722,102</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(767,171)</u>	<u>(715,712)</u>
Cash applied to capital transactions	<u>(767,171)</u>	<u>(715,712)</u>
Increase in cash	40,015	6,390
Cash, beginning of year	<u>73,569</u>	<u>67,179</u>
Cash, end of year	<u>\$ 113,584</u>	<u>\$ 73,569</u>

See accompanying notes to the financial statements

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# District of North Vancouver Municipal Public Library

## Notes to the Financial Statements

### December 31, 2017

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#### 1. Nature of operations

The District of North Vancouver Municipal Public Library (the "Library") was established under the Library Act of British Columbia. The Library is governed by a Board of Trustees (the "Board") appointed by the Municipal Council of the District of North Vancouver ("DNV"). The Board, on behalf of the residents and taxpayers of the DNV, oversees the management and operation of the Library and further serves as its policy making body.

Funding for the provision of services is primarily through an annual contribution from the DNV. The DNV provides certain administrative support services to the Library at no cost. Title to the land and buildings occupied by the Library is held by the DNV.

The Library is a registered charity and is exempt from income tax.

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#### 2. Summary of significant accounting policies

##### a) Basis of presentation

The financial statements of the Library are prepared by management in accordance with Canadian generally accepted accounting principles for local governments, as prescribed in the CPA Canada Public Sector Accounting Handbook.

##### 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) Revenue recognition

Revenue is recorded on the accrual basis and is recognized when it is earned. Revenue unearned in the current period is reported on the Statement of Financial Position as restricted revenue.

##### d) Expense recognition

Expenses are recognized as they are incurred by the receipt of goods and services or the creation of a legal obligation to pay.

##### e) Use of accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of post-employment benefits, estimates of useful lives of tangible capital assets and provision for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in the financial statements in the period that the change in estimate is made, as well as in the period of settlement if the amount is different.

##### f) Restricted revenue

Receipts of funding which are restricted by the legislation of senior governments or by agreement with external parties are deferred and recorded as restricted revenue. When qualifying expenses are incurred, the deferred amounts are recognized as revenue at amounts equal to the qualifying expenses.



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**District of North Vancouver Municipal Public Library**  
**Notes to the Financial Statements**  
**December 31, 2017**

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**2. Summary of significant accounting policies, continued****g) Non-financial assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, are not intended for sale in the ordinary course of operations, and include prepaid expenses and tangible capital assets.

**Tangible capital assets**

- i) Tangible capital assets consist of the library collection, furniture, vehicle and information technology equipment. The library collection and information technology equipment are pooled throughout the year into major groups and an average cost attributed. Furniture and vehicle are recorded at historical cost to acquire and put in service.

The Library assets are depreciated on a straight line basis over the estimated useful life by major group as follows:

<b>Asset</b>	<b>Life in Years</b>
Library collection	2 - 10
Information technology equipment	2 - 15
Furniture	10
Vehicle	10

- ii) Tangible capital assets received as contributions are recorded at their fair market value at the date of receipt and also are recorded as revenue.
- iii) Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets.

**h) Reserves**

Certain amounts, as approved by the Board, are set aside in reserves for future expenditures. Transfers to and from reserves are reflected as an adjustment within accumulated surplus.

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**3. Related parties**

Amounts due from the District of North Vancouver are comprised of transactions arising throughout the year and are non-interest bearing, unsecured and have no specified terms of repayment.

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**District of North Vancouver Municipal Public Library**  
**Notes to the Financial Statements**  
**December 31, 2017**

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**4. Post-employment benefits**

As per the terms of its Collective Agreement and compensation policy, the Library provides its employees with sick days and certain employee benefits on termination and retirement. These include severance pay based on years of service and a full year's vacation entitlement in the year of retirement.

The Library uses an actuarial valuation to determine the estimated value of post-employment benefits. The full actuarial valuation is updated every three years. The most recent valuation was completed for December 31, 2017.

	2017	2016
Accrued benefit obligation:		
Balance, beginning of year	\$ 495,500	\$ 469,900
Current service cost	53,800	53,100
Interest cost	17,200	15,700
Benefits paid	-	(42,200)
Actuarial loss/(gain)	(10,600)	(1,000)
Balance, end of year	<u>\$ 555,900</u>	<u>\$ 495,500</u>

Actuarial gains and losses are amortized over 8-10 years, being the expected average remaining service period of the related employee group, commencing the year after the gain or loss arises.

	2017	2016
Accrued benefit obligation:		
Liability, end of year	\$ 555,900	\$ 495,500
Unamortized actuarial gain	40,700	39,400
Accrued benefit liability, end of year	<u>\$ 596,600</u>	<u>\$ 534,900</u>

The significant actuarial assumptions used in estimating the Library's accrued benefit obligation are as follows:

	2017	2016
Discount rate	2.9%	3.3%
Expected future inflation rates	2.50%	2.50%
Expected wage increases	2.58 - 4.50%	2.58 - 4.50%

**District of North Vancouver Municipal Public Library**  
**Notes to the Financial Statements**  
**December 31, 2017**

**5. Tangible capital assets**

	2017			
	Work in Progress	Library collection	Information technology, furniture & vehicle	Total
Cost, beginning of year	\$ -	\$ 4,390,954	\$ 1,543,504	\$ 5,934,458
Additions	70,836	570,161	126,174	767,171
Disposals/transfers	-	(575,059)	(91,401)	(666,460)
Cost, end of year	<u>70,836</u>	<u>4,386,056</u>	<u>1,578,277</u>	<u>6,035,169</u>
Accumulated depreciation, beginning of year	-	3,096,806	1,120,082	4,216,888
Expense for the year	-	399,244	138,630	537,874
Disposals	-	(499,874)	(86,499)	(586,373)
Balance, end of year	<u>-</u>	<u>2,996,176</u>	<u>1,172,213</u>	<u>4,168,389</u>
Net book value, end of year	<u>\$ 70,836</u>	<u>\$ 1,389,880</u>	<u>\$ 406,064</u>	<u>\$ 1,866,780</u>
Net book value, beginning of year	<u>\$ -</u>	<u>\$ 1,294,148</u>	<u>\$ 423,422</u>	<u>\$ 1,717,570</u>

Contributed tangible capital assets are recognized at fair market value at the date of receipt. The value of contributed tangible capital assets received during the year is \$nil (2016 - \$nil).  
The write down of tangible capital assets during the year was \$nil (2016 - \$nil).

**6. Accumulated surplus**

Accumulated surplus is comprised of:

	2017	2016
Operating contingency reserve	\$ 75,700	\$ 130,020
Equipment replacement reserve	36,431	33,431
General surplus	397,523	397,523
Equity in tangible capital assets	1,866,780	1,717,570
Committed funds	220,662	177,950
Reserve for future expenditures	4,903	51,000
	<u>\$ 2,601,999</u>	<u>\$ 2,507,494</u>

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## District of North Vancouver Municipal Public Library

### Notes to the Financial Statements

#### December 31, 2017

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#### 7. Commitments and contingencies

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 58 contributors from the Library.

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 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 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.

The Library paid \$313,366 (2016 - \$294,233) for employer contributions to the plan in fiscal 2017.

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#### 8. Surplus returned to the District of North Vancouver

All operating surplus is to be allocated so that 50% is retained by the Library and 50% is returned to the District of North Vancouver unless specified otherwise by mutual consent.

Distribution calculation:

	2017	2016
Annual surplus, before distribution	\$ 162,047	\$ 140,750
Decrease in reserves	122,247	34,560
Change in equity in tangible capital assets	(149,210)	(92,660)
	<u>\$ 135,084</u>	<u>\$ 82,650</u>
50% returned to the District of North Vancouver	<u>\$ 67,542</u>	<u>\$ 41,325</u>

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## District of North Vancouver Municipal Public Library

### Notes to the Financial Statements

#### December 31, 2017

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#### 9. Budget data:

The budget data presented in these financial statements is based upon the original 2017 operating and capital budgets approved by Council as part of the 2017 - 2021 Financial Plan Approval Bylaw No. 8214 on Feb 6, 2017. Under the Library Act, the Board submits the Library budget to Council. Council approves the budget with or without amendment. Depreciation was not included on development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	<b>Budget</b>
Revenues	
Operating revenues	\$ 5,482,460
Capital revenue	<u>920,442</u>
Total revenue	<u>6,402,902</u>
Expenses	
Operating budget	<u>5,567,421</u>
Total expenses	<u>5,567,421</u>
Annual surplus	<u>835,481</u>
Acquisition of tangible capital assets	<u>(920,442)</u>
Change in net financial assets	<u>\$ (84,961)</u>
Change in net financial assets is funded by:	
Capital maintenance funded from General Operating Fund	(87,961)
Contribution to reserves	<u>3,000</u>
Total change in net financial assets	<u>\$ (84,961)</u>