

**District of North Vancouver Municipal Public Library
Financial Statements
Year ended December 31, 2019**

And Independent Auditor's Report thereon

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INDEPENDENT AUDITORS' REPORT

To the Chair and Members of the Board of Trustees of the District of
North Vancouver Municipal Public Library

Opinion

We have audited the accompanying financial statements of District of North Vancouver Municipal Public Library (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019;
- the statement of operations for the year then ended;
- the statement of changes in net financial assets for the year then ended;
- the statement of cash flows for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 audit 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' report and 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 the 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 23, 2020

District of North Vancouver Municipal Public Library
Statement of Financial Position
As of December 31, 2019

	2019	2018
Financial assets		
Cash	\$ 94,334	\$ 87,075
Accounts receivable	554	-
Due from the District of North Vancouver (Note 3)	2,009,822	1,853,668
Inventories held for resale	-	9,002
	<u>2,104,710</u>	<u>1,949,745</u>
Liabilities		
Accounts payable and accrued liabilities	446,377	346,507
Due to governments	581	-
Deferred revenue	100,706	83,671
Post-employment benefits (Note 4)	680,300	618,500
	<u>1,227,964</u>	<u>1,048,678</u>
Net financial assets	876,746	901,067
Non-financial assets		
Tangible capital assets (Note 5)	2,092,693	1,934,859
Prepaid expenses	50,999	58,730
	<u>2,143,692</u>	<u>1,993,589</u>
Accumulated surplus (Note 6)	\$ 3,020,438	\$ 2,894,656

Subsequent event (Note 14)

See accompanying notes to the financial statements


Approved by



 Chair of the Board



 Chief Financial Officer



 Director of Library Services

District of North Vancouver Municipal Public Library
Statement of Operations
Year Ended December 31

	2019 Budget	2019	2018
	(Note 9)		
Revenue			
District of North Vancouver contribution	\$ 6,306,209	\$ 6,404,444	\$ 6,135,163
Government grants (note 10)	214,090	208,475	220,775
Donations	-	21,316	54,282
Book fines, photocopy charges and sundry (note 11)	246,903	235,756	231,324
	<u>6,767,202</u>	<u>6,869,991</u>	<u>6,641,544</u>
Expenses			
Salaries and benefits	4,845,362	4,781,153	4,651,196
Maintenance of equipment and premises	621,346	533,347	538,580
Building services	147,423	114,869	126,513
Contract services	84,337	99,220	22,767
Digital and periodical material purchases	217,394	215,511	194,131
Administrative costs	139,678	148,335	113,544
Book repairs and supplies	67,475	68,399	63,410
Federated library services	23,877	19,556	21,011
Minor equipment	234,476	48,253	15,062
Depreciation	-	504,494	507,474
Loss on disposal of tangible capital assets	-	96,934	73,371
	<u>6,381,368</u>	<u>6,630,071</u>	<u>6,327,059</u>
Annual surplus, before distribution of surplus	\$ <u>385,834</u>	239,920	314,485
Surplus returned to the District of North Vancouver (Note 8)		<u>(114,138)</u>	<u>(21,828)</u>
Annual surplus		125,782	292,657
Accumulated surplus, beginning of year		<u>2,894,656</u>	<u>2,601,999</u>
Accumulated surplus, end of year		<u>\$ 3,020,438</u>	<u>\$ 2,894,656</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

	2019 Budget	2019	2018
	(Note 9)		
Annual surplus	\$ 385,834	\$ 125,782	\$ 292,657
Acquisition of tangible capital assets	(722,834)	(759,262)	(648,924)
Depreciation of tangible capital assets	-	504,494	507,474
Loss on disposal of tangible capital assets	-	96,934	73,371
	<u>(722,834)</u>	<u>(157,834)</u>	<u>(68,079)</u>
Acquisition of prepaid expenses	-	(50,999)	(58,730)
Use of prepaid expenses	-	58,730	57,513
	<u>-</u>	<u>7,731</u>	<u>(1,217)</u>
Change in net financial assets	<u>\$ (337,000)</u>	(24,321)	223,361
Net financial assets, beginning of year		<u>901,067</u>	<u>677,706</u>
Net financial assets, end of year		<u>\$ 876,746</u>	<u>\$ 901,067</u>

See accompanying notes to the financial statements

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

	2019	2018
Operating transactions		
Annual surplus	\$ 125,782	\$ 292,657
Non-cash items:		
Depreciation	504,494	507,474
Loss on disposal of tangible capital assets	96,934	73,371
Change in other items:		
Accounts receivable	(554)	195
Due from the District of North Vancouver	(156,154)	(148,212)
Inventories held for resale	9,002	297
Accounts payable and accrued liabilities	99,870	(96,179)
Due to governments	581	(31,433)
Deferred revenue	17,035	3,562
Post-employment benefits	61,800	21,900
Prepaid expenses	7,731	(1,217)
Cash provided by operating transactions	<u>766,521</u>	<u>622,415</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(759,262)</u>	<u>(648,924)</u>
Cash applied to capital transactions	(759,262)	(648,924)
Increase (decrease) in cash	7,259	(26,509)
Cash, beginning of year	<u>87,075</u>	<u>113,584</u>
Cash, end of year	<u>\$ 94,334</u>	<u>\$ 87,075</u>

See accompanying notes to the financial statements

District of North Vancouver Municipal Public Library

Notes to the Financial Statements

December 31, 2019

1. Operations

The District of North Vancouver Municipal Public Library (the "Library") was established under the Library Act of British Columbia in 1963. 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 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.

2. Significant accounting policies

a) Basis of presentation

These financials are prepared in accordance with the Canadian public sector accounting standards.

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) Deferred revenue

The Library records the receipt of restricted donations as deferred revenue and recognizes the revenue in the year in which related expenses are incurred.

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) Government transfers

Restricted transfers from governments are deferred and are recognized as revenue in the year in which the related expenditures are incurred or the stipulations in the related agreement are met. Unrestricted transfers are recognized as revenue when received.

District of North Vancouver Municipal Public Library
Notes to the Financial Statements
December 31, 2019

2. 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.

h) Tangible capital assets

Tangible capital assets consist of the library collection, information technology equipment, furniture and vehicle. 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:

Asset	Life in Years
Library collection	2 - 10
Information technology equipment	4 - 15
Furniture	10
Vehicle	10

i. Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

ii. Works of art

The Library owns various works of art, including paintings and prints, and historical arts & crafts furnishings displayed at various Library locations. These assets are not recorded as tangible capital assets and are not depreciated.

i) 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.

District of North Vancouver Municipal Public Library
Notes to the Financial Statements
December 31, 2019

3. Due from the District of North Vancouver

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

These transactions between the District and the Library are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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, and has been updated to December 31, 2019.

	2019	2018
Accrued benefit obligation:		
Balance, beginning of year	\$ 517,900	\$ 555,900
Current service cost	53,300	53,200
Interest cost	17,600	16,300
Benefits paid	(500)	(39,900)
Actuarial gain	(24,600)	(67,600)
Balance, end of year	<u>\$ 563,700</u>	<u>\$ 517,900</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.

	2019	2018
Accrued benefit obligation balance, end of year	\$ 563,700	\$ 517,900
Unamortized actuarial gain	116,600	100,600
Accrued benefit liability, end of year	<u>\$ 680,300</u>	<u>\$ 618,500</u>

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

	2019	2018
Discount rate	2.7%	3.2%
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, 2019

5. Tangible capital assets

	2019			Total
	Work in Progress	Library collection	Information technology, furniture & vehicle	
Cost, beginning of year	\$ 96,759	\$ 4,456,541	\$ 1,459,313	\$6,012,613
Additions	106,751	588,857	160,413	856,021
Disposals/transfers	(96,759)	(539,706)	(16,958)	(653,423)
Cost, end of year	<u>106,751</u>	<u>4,505,692</u>	<u>1,602,768</u>	<u>6,215,211</u>
Accumulated depreciation, beginning of year	-	2,943,417	1,134,337	4,077,754
Expense for the year	-	377,529	126,965	504,494
Disposals	-	(443,429)	(16,301)	(459,730)
Balance, end of year	<u>-</u>	<u>2,877,517</u>	<u>1,245,001</u>	<u>4,122,518</u>
Net book value, end of year	<u>\$ 106,751</u>	<u>\$ 1,628,175</u>	<u>\$ 357,767</u>	<u>\$2,092,693</u>
Net book value, beginning of year	<u>\$ 96,759</u>	<u>\$ 1,513,124</u>	<u>\$ 324,976</u>	<u>\$1,934,859</u>

Contributed tangible capital assets are recognized at fair value at the date of receipt. The value of contributed tangible capital assets received during the year was \$nil (2018 - \$nil).
The write down of tangible capital assets during the year was \$nil (2018 - \$nil).

6. Accumulated surplus

Accumulated surplus is comprised of:

	2019	2018
Operating contingency reserve	\$ 121,021	\$ 33,028
Equipment replacement reserve	39,431	36,431
General surplus	-	235,523
Equity in tangible capital assets	2,092,693	1,934,859
Committed funds	692,777	588,158
Reserve for future expenditures	74,516	66,657
	<u>\$ 3,020,438</u>	<u>\$2,894,656</u>

District of North Vancouver Municipal Public Library
Notes to the Financial Statements
December 31, 2019

7. Municipal 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, 2018 the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 60 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, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2021, with results available in 2022. 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 \$309,086 (2018 - \$310,900) for employer contributions to the plan in fiscal 2019.

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.

	<u>2019</u>	<u>2018</u>
Surplus returned to the District of North Vancouver	<u>\$ 114,138</u>	<u>\$ 21,828</u>

District of North Vancouver Municipal Public Library

Notes to the Financial Statements

December 31, 2019

9. Budget data

The budget data presented in these financial statements is based upon the original 2019 operating and capital budgets approved by Council as part of the 2019 - 2023 Financial Plan Approval Bylaw No. 8373 on October 1, 2018. 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.

	Budget
Revenues	
Operating revenues	\$ 6,044,368
Capital revenue	<u>722,834</u>
Total revenue	<u>6,767,202</u>
Expenses	
Operating budget	<u>6,381,368</u>
Total expenses	<u>6,381,368</u>
Annual surplus	<u>385,834</u>
Acquisition of tangible capital assets	<u>(722,834)</u>
Change in net financial assets	<u>\$ (337,000)</u>

Council approved an amended budget Bylaw 8413 on December 2, 2019, which increased approved funding for various projects funded from reserves and surplus in the amount of \$151,000.

This amendment is not reflected in the above table.

Subsequent to the original budget approval by Council, certain expense categories in the budget reflected in the Statement of Operations were reallocated to reflect a correction for presentation purposes only.

These include \$48,500 budget from Maintenance of equipment and premises to Salaries and benefits and an allocation to move \$45,000 budget from Administrative costs to Salaries and benefits.

District of North Vancouver Municipal Public Library
Notes to the Financial Statements
December 31, 2019

10. Government grants

	<u>2019</u>	<u>2018</u>
Federal: Canadian Council of Archives (a)	\$ 9,937	\$ 18,310
Provincial: Province of British Columbia (b)	198,538	201,323
Regional and other: Municipal Insurance Association of B.C. (c)	<u>-</u>	<u>1,142</u>
Total grant revenue	<u>\$ 208,475</u>	<u>\$ 220,775</u>

- (a) Young Canada Works in Heritage Organizations grant is an annual grant funded by the Canadian Council of Archives to provide summer employment opportunities for students.
- (b) Province of British Columbia grants are annual grants provided to BC public libraries to support library operations and to encourage participation in province-wide initiatives.
- (c) The Municipal Insurance Association of B.C. grant was a one-time grant for the purchase of equipment.

11. Book fines, photocopy charges and sundry

	<u>2019</u>	<u>2018</u>
Late fines	\$ 161,464	\$ 169,624
Photocopy and print fees	26,700	24,285
Sundry (room rentals, book sales, fundraising and miscellaneous revenue)	<u>47,592</u>	<u>37,415</u>
	<u>\$ 235,756</u>	<u>\$ 231,324</u>

12. Contractual rights

The Library has a longstanding agreement with InterLINK, entitling them to compensation subject to net circulation services to non-residents. The compensation varies from year to year.

13. Commitments

The Library has committed to rental payments for the Lynn Valley branch premises, with minimum annual payment of \$309,648.

14. Subsequent event

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. At this time, this situation presents uncertainty over the Library's future cash flows, and may have a significant impact on the Library's future operations. In response to the outbreak, the Library has temporarily closed its facilities. Potential impacts on the Library's business could include future decreases in revenue and funding. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the Library is not practicable at this time.