



# City of Richmond

## Report to Committee

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**To:** Finance Committee **Date:** April 26, 2018  
**From:** Andrew Nazareth **File:** 03-0905-01/2018-Vol  
General Manager, Finance and Corporate 01  
Services  
**Re:** **2017 Financial Statements for the Richmond Public Library**

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### Staff Recommendation

That the 2017 Richmond Public Library audited financial statements for the year ended December 31, 2017, as presented in the attached report from the Chief Librarian, be received for information.

Andrew Nazareth  
General Manager, Finance and Corporate Services  
(604-276-4095)

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 
APPROVED BY CAO 	

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To: Finance Committee

Date: April 25, 2018

From: Susan Walters, Chief Librarian

Re: 2017 Financial Statements of the Richmond Public Library Board

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### Recommendation

That the 2017 Financial Statements of the Richmond Public Library Board be received for information.



Susan Walters  
Chief Librarian & Secretary to the Board  
Richmond Public Library

Attachment:

Financial Statements of Richmond Public Library Board Year Ended December 31, 2017

### Origin

The Library Act, Part 2, Section 11(2) states: "The library board must provide to the municipality annual financial statements that have been audited in the same manner and at the same time as the financial statements of the municipality."

This report deals with the 2017 financial statements of the Richmond Public Library Board.

### Analysis

The library's financial statements are prepared in accordance with Canadian public sector accounting standards by KPMG, who did not identify any significant deficiencies in internal control for financial reporting.

#### Investment Income: Vancouver Foundation (VF) and Richmond Community Foundation (RCF)

Historic treatment of the interest income from the VF and the RCF endowment funds was to record the income as deferred revenue and recognize it as revenue when the funds were spent. The agreements covering the endowment funds are general and as they do not restrict how the interest income must be used, the interest income should be recognized as revenue when earned.

The amounts of interest revenue in 2017 are not considered material. . KPMG has noted the entries recording the investment income as "corrected audit adjustments". Note 12 in the financial statements give the description and the current status of both endowment funds.

Investment income from the endowment interest for prior years was considered to be not material to the financial statements. KPMG has reflected prior year investment income as an uncorrected audit misstatement.

#### Library Treatment of Miscellaneous Donated Books and Materials

The library receives miscellaneous donations from the public. Library staff sort donated material into four categories: retain for addition to the collection, retain for in-house sale, forward to the Friends of the Library (FOL), or recycle. The majority of items are forwarded to the FOL.

In 2017, approximately 1,600 items were added to the collection. The majority of the 1,600 items relate to a 2011 significant donation that were recorded as tangible capital assets in previous years but only recently added to the collection. The 2017 portion of the donated materials that were not recorded are considered to be not material to the financial statements.

The library has reviewed procedures to ensure that if the decision is made to add miscellaneous donations to the collection, these items will be tracked and accounted for within the financial statements.

### Statement of Financial Position

#### Financial Assets

The amount due from the City of Richmond (\$1,922k) and accounts receivable (\$105k) arose in the normal course of business.

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Liabilities

Accounts payable and accrued liabilities as of December 31, 2017 were \$1,181k and primarily included accrued payroll liabilities and post-employment benefits. Deferred revenue of \$67k is the amount of restricted donations received.

Non-Financial Assets

As of December 31, 2017 the library had \$3,362k in tangible capital assets, which includes the library's collections, computer hardware and software, equipment and furniture.

Note 5 in the financial statements contain a breakdown of cost, accumulated amortization and net book value. The 2017 net book value of tangible capital assets declined by \$133k due to a decline in the collection's net book value as a result of amortization exceeding additions.

Prepaid expense of \$447k consists of e-books. E-book purchases are amortized over a four year period matching that of the print collection and the remaining unamortized portion is posted to prepaid expense.

**Statement of Operations**Revenue

The library received \$8,994k in contributions from the City, \$421k from grants, \$293k from fines and miscellaneous charges and \$68k from investment income.

As fewer non-residents are borrowing physical collections from Richmond, InterLINK revenues fell by \$17k. Miscellaneous income increased by \$18k due to increases in rebates and WCB recovery.

Donation revenue matches the donations expenses incurred during 2017. The 2017 amount of \$42k is an increase of \$11k over 2016.

Expenses

Salaries and benefits increased by \$201k in 2017. Actual expenses are normally lower than budgeted as the recruitment process to fill vacancies takes time.

Amortization of tangible capital assets is on a straight-line basis with library collections over 4 to 20 years, furniture and fixtures over 10 to 20 years and equipment over 5 to 10 years. In 2017 this amounted to \$1,222k.

Library collections and digital databases include eBooks, multimedia, databases, newspapers and magazines. The increasing popularity of eBooks and multimedia account for the increase of \$61k over 2016.

Supplies and equipment services was budgeted for \$340k and is a consolidation of expense items that include cataloguing, supplies, printing, equipment purchases and maintenance. \$77K in equipment purchases were capitalized as tangible capital assets as part of the year end process, which accounts for the budget to actual variance.

Building, leases and maintenance expenses were \$9k lower than budgeted, but higher than 2016 by \$33k due to an increase in branch operating costs charged by the landlord.

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General and administration expenses were \$82k lower than the previous year and \$71k lower than budget. There were several one-time expenditures in contracts maintenance and contracts other in 2016 that were not repeated in 2017 accounting for most of the year over year decrease. Capitalization of improvements to the self-checkout machines and software also contribute to the budget variance.

Overall, 2017 expenses were \$134k higher than 2016 which is due in part to a \$172k contribution for capital improvements related to the Launchpad renovation.

Accumulated Surplus

The accumulated surplus at December 31, 2017 was \$4,589k and consists of tangible capital assets of \$3,362k, appropriated surplus of \$291k and general surplus of \$935k. The appropriated surplus includes \$165k approved for capital expenditures, \$33k from community foundation interest (VF and RCF) and \$83k for future salary and benefit obligations.

**Library Board Approval**

The Library Board reviewed the statements and approved them at their regular meeting on Wednesday, April 18, 2018.



Susan Walters  
Chief Librarian & Secretary to the Board  
Richmond Public Library

Financial Statements of

**RICHMOND PUBLIC LIBRARY BOARD**

Year ended December 31, 2017



KPMG LLP  
Metro Tower I  
4710 Kingsway, Suite 2400  
Burnaby BC V5H 4M2  
Canada  
Telephone 604-527-3600  
Fax 604-527-3636

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Richmond Public Library

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

*KPMG LLP*

Chartered Professional Accountants

Burnaby, Canada  
April 18, 2018



# RICHMOND PUBLIC LIBRARY BOARD

## Statement of Financial Position

December 31, 2017, with comparative information for 2016


	2017	2016
<b>Financial Assets</b>		
Due from City of Richmond (note 3)	\$ 1,921,989	\$ 1,818,634
Accounts receivable	105,239	109,732
	<u>2,027,228</u>	<u>1,928,366</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	1,181,311	1,175,937
Deferred revenue (note 5)	66,811	93,833
	<u>1,248,122</u>	<u>1,269,770</u>
Net financial assets	779,106	658,596
<b>Non-Financial Assets</b>		
Tangible capital assets (note 6)	3,362,153	3,495,283
Prepaid expenses	447,389	414,632
	<u>3,809,542</u>	<u>3,909,915</u>
Accumulated surplus (note 8)	<u>\$ 4,588,648</u>	<u>\$ 4,568,511</u>

Commitments (note 15)

See accompanying notes to financial statements.

Approved on behalf of the Library Board:

  
\_\_\_\_\_  
Trustee

  
\_\_\_\_\_  
Trustee

# RICHMOND PUBLIC LIBRARY BOARD

## Statement of Operations

Year ended December 31, 2017 with comparative information for 2016

	Budget 2017	2017	2016
	(notes 2(a) and 16)		
Revenue:			
Municipal contribution	\$ 8,994,000	\$ 8,994,000	\$ 8,744,000
Grants (note 9)	395,700	420,875	402,173
Fines and miscellaneous (note 10)	337,600	292,864	333,946
Donations (note 11)	-	41,601	30,838
Investment income (note 12)	-	68,438	-
Gain on sale of tangible capital assets	-	13,501	-
	9,727,300	9,831,279	9,510,957
Expenses:			
Salaries and employee benefits	7,069,900	6,821,551	6,620,749
Amortization	1,538,700	1,221,696	1,319,116
Library collections and digital databases (note 13)	184,600	516,534	455,323
Supplies and equipment services	340,100	285,283	296,946
General and administration	370,900	299,836	381,645
Building, leases and maintenance	355,800	346,777	313,305
Utilities	122,500	147,090	137,191
Loss on disposal of tangible capital assets	-	-	152,730
Contribution for capital improvements (note 17)	-	172,375	-
	9,982,500	9,811,142	9,677,005
Annual surplus (deficit)	(255,200)	20,137	(166,048)
Accumulated surplus, beginning of year	4,568,511	4,568,511	4,734,559
Accumulated surplus, end of year	\$ 4,313,311	\$ 4,588,648	\$ 4,568,511

See accompanying notes to financial statements.

# RICHMOND PUBLIC LIBRARY BOARD

## Statement of Changes in Net Financial Assets

Year ended December 31, 2017, with comparative information for 2016

	Budget 2017 (notes 2(a) and 16)	2017	2016
Annual surplus (deficit)	\$ (255,200)	\$ 20,137	\$ (166,048)
Acquisition of tangible capital assets	(1,274,400)	(1,113,754)	(1,146,863)
Amortization of tangible capital assets	1,538,700	1,221,696	1,319,116
Loss (gain) on disposal of tangible capital assets		(13,501)	152,730
Proceeds on disposal of tangible capital assets		38,689	38,410
Increase in prepaid expenses		(32,757)	(21,960)
Change in net financial assets	9,100	120,510	175,385
Net financial assets, beginning of year	658,596	658,596	483,211
Net financial assets, end of year	\$ 667,696	\$ 779,106	\$ 658,596

See accompanying notes to financial statements.

# RICHMOND PUBLIC LIBRARY BOARD

## Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ 20,137	\$ (166,048)
Items not involving cash:		
Amortization	1,221,696	1,319,116
Loss (gain) on disposal of tangible capital assets	(13,501)	152,730
Changes in non-cash working capital:		
Due from City of Richmond	(103,355)	(362,534)
Accounts receivable	4,493	11,019
Prepaid expenses	(32,757)	(21,960)
Accounts payable and accrued liabilities	5,374	145,950
Deferred revenue	(27,022)	30,180
Net change in cash from operating activities	1,075,065	1,108,453
Capital activities:		
Proceeds on disposal of tangible capital assets	38,689	38,410
Acquisition of tangible capital assets	(1,113,754)	(1,146,863)
Net change in cash from capital activities	(1,075,065)	(1,108,453)
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

See accompanying notes to financial statements.

# RICHMOND PUBLIC LIBRARY BOARD

## Notes to Financial Statements

Year ended December 31, 2017

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### 1. Operations:

The Richmond Public Library Board (the "Library") is responsible for the administration of public libraries in the City of Richmond (the "City"). Funding for the provisions of these services is primarily through an annual contribution from the City and from provincial government grants. In addition, revenue is received from library fees, donations and other miscellaneous sources. The Library is a registered charity under provisions of the Income Tax Act (Canada) and is not a taxable entity. The Library receives accounting services from, and operates primarily in facilities provided free of charge by, the City.

### 2. Significant accounting policies:

The accounting policies of the Library conform to Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada and include the following specific policies:

#### (a) Budget data:

The budget data presented in these financial statements is based on the 2017 budget approved by the Board on September 28, 2016. Note 16 reconciles the approved budget to the budget figures reported in these financial statements.

#### (b) 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to the determination of accrued sick benefits and useful lives of tangible capital assets. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

#### (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) 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 and are not intended for sale in the ordinary course of operations.

# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

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## 2. Significant accounting policies (continued):

(e) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of the asset. The cost, less residual value, of the tangible capital assets, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Library collections	4 - 20 years
Furniture and fixtures	10 - 20 years
Equipment	5 - 10 years

Amortization is charged over the asset's useful life commencing when the asset is available for use.

(f) Donations of tangible capital assets:

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

(g) 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.

(h) Employee future benefits:

The Library and its employees make contributions to the Municipal Pension Plan (the "Plan"). These contributions are expensed as incurred.

Sick leave and post-employment benefits are available to the Library's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The liabilities under these benefits plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits (note 6).

(i) Government transfers:

Restricted transfers from government 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 or if the amount to be received can be reasonably assured.

# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

### 3. Due from City of Richmond:

Due from City of Richmond is comprised of funds held by the City on behalf of the Library. This balance is non-interest bearing and is due on demand.

### 4. Accounts payable and accrued liabilities:

	2017	2016
Accounts payable	\$ 144,174	\$ 139,798
Accrued liabilities	8,500	13,035
Accrued payroll liabilities	501,937	509,404
Post-employment benefits (note 7)	526,700	513,700
	<b>\$ 1,181,311</b>	<b>\$ 1,175,937</b>

### 5. Deferred revenue:

	2017	2016
Balance, beginning of year	\$ 93,833	\$ 62,887
Contributions	49,558	61,785
Revenue recognized	(76,580)	(30,839)
Balance, end of year	<b>\$ 66,811</b>	<b>\$ 93,833</b>

### 6. Tangible capital assets:

Cost	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017
Library collections	\$ 5,747,505	\$ 933,287	\$ (489,656)	\$ 6,191,136
Furniture and fixture	1,119,875	83,912	-	1,203,787
Equipment	1,560,767	92,065	-	1,652,832
Work in Progress	1,032	4,490	-	5,522
	<b>\$ 8,429,179</b>	<b>\$ 1,113,754</b>	<b>\$ (489,656)</b>	<b>\$ 9,053,277</b>

Accumulated amortization	Balance at December 31, 2016	Amortization	Disposals	Balance at December 31, 2017
Library collections	\$ 2,856,722	\$ 1,070,931	\$ (464,468)	\$ 3,463,185
Furniture and fixture	800,150	15,279	-	815,429
Equipment	1,277,024	135,486	-	1,412,510
	<b>\$ 4,933,896</b>	<b>\$ 1,221,696</b>	<b>\$ (464,468)</b>	<b>\$ 5,691,124</b>

# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

## 6. Tangible capital assets (continued):

	Balance at December 31, 2016	Balance at December 31, 2017
Net book value		
Library collections	\$ 2,890,783	\$ 2,727,951
Furniture and fixture	319,725	388,358
Equipment	283,743	240,322
Work in progress	1,032	5,522
	\$ 3,495,283	\$ 3,362,153

## 7. Post-employment benefits:

The Library provides certain post-employment benefits, compensated absences and termination benefits to its employees. These benefits include accumulated non-vested sick leave and post-employment benefits.

Details of the accrued employee future benefit liability are as follows:

	2017	2016
Balance, beginning of year	\$ 513,700	\$ 525,700
Current service cost	30,600	33,500
Interest cost	16,500	14,900
Amortization of actuarial gain	(4,300)	(11,300)
Benefits paid	(29,800)	(49,100)
Balance, end of year	\$ 526,700	\$ 513,700

An actuarial valuation for these benefits was performed to determine the Library's accrued benefit obligation as at December 31, 2017. The difference between the actuarially determined accrued benefit obligation of \$480,200 and the liability of \$526,700 as at December 31, 2017 is an unamortized net actuarial gain of \$46,500. This actuarial gain is being amortized over a period equal to the employees' average remaining service lifetime of 10 years.

	2017	2016
Actuarial benefit obligation:		
Accrued liability, end of year	\$ 526,700	\$ 513,700
Unamortized net actuarial (gain) loss	(46,500)	1,500
Balance, end of year	\$ 480,200	\$ 515,200



# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

## 7. Post-employment benefits (continued):

Actuarial assumptions used to determine the Library's accrued benefit obligation are as follows:

	2017	2016
Discount rate	2.90%	3.30%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary increases	2.50% to 3.00%	2.50%

## 8. Accumulated surplus:

	2017	2016
Operating:		
Appropriated surplus	\$ 291,299	\$ 387,909
Surplus	935,196	685,319
Invested in tangible capital assets	3,362,153	3,495,283
	\$ 4,588,648	\$ 4,568,511

Appropriated surplus includes \$165,478 approved for capital expenditures, \$9,417 for future capital acquisitions, \$33,401 from community foundation interest, and \$83,003 for future salary and benefit obligations.

## 9. Grants:

	2017	2016
Provincial Revenue Sharing Grant (a)	\$ 369,836	\$ 358,319
One Card Grant (b)	30,299	35,153
Government of Canada – Tech Buddies Grant (c)	12,274	-
British Columbia Equity Grant (d)	4,500	4,500
Writers in Library Grant (e)	1,800	1,073
Resource Sharing Grants (f)	2,166	3,128
	\$ 420,875	\$ 402,173

(a) Provincial Revenue Sharing Grant is funded by the Libraries Branch Ministry of Education.

(b) The One Card Grant is provided by the Libraries Branch Ministry of Education to ensure that every British Columbian with a valid library card has complete access to all public libraries within the province, and that every school-age child in Richmond is given their own library card so that they may take full advantage of the library's resources.

# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

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## 9. Grants (continued):

- (c) This Government of Canada grant is from the "New Horizons for Seniors" program for a project called "Tech Buddies"
- (d) British Columbia Equity Grant is awarded by the Libraries Branch of the Ministry of Education to support the Library in its role in fostering literacy and life-long learning in our community through the purchase of additional library materials in the area of literacy and English as a Second Language (ESL).
- (e) The Writers in Library Grant is funded by the Canada Council for the Arts for the secondment of writers to attend libraries and perform readings.
- (f) Resource Sharing Grants - Annual grants are provided to BC public libraries to encourage their participation in the province-wide inter library loan system.

## 10. Fines and miscellaneous:

	2017	2016
Book fines	\$ 173,003	\$ 213,694
InterLINK revenue	47,976	65,275
Photocopy and printer revenue	47,289	48,383
Miscellaneous	24,596	6,594
	<u>\$ 292,864</u>	<u>\$ 333,946</u>

## 11. Donations:

Donations revenue is a combination of unrestricted donations received in the year and the recognition of restricted donations relating to expenses incurred in the year.

	2017	2016
Friends of the Library	\$ 30,730	\$ 24,488
Other	9,947	2,474
Ben Dayson in Memory Fund	924	2,249
Collection Donations	-	1,392
McDonald Estate	-	235
	<u>\$ 41,601</u>	<u>\$ 30,838</u>

# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

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## 12. Investment income:

The Library has endowment funds administered by the Vancouver Foundation and Richmond Community Foundation. The Library receives the net income generated from each fund after deduction of administrative costs.

(a) Richmond Public Library Endowment Fund administered by Vancouver Foundation:

The fund was established in 1994 and the contributed capital in the fund amounts to \$282,900 at December 31, 2017 (2016 - \$282,900). The balance is comprised of donations from Friends of the Library (\$156,000), Vancouver Foundation's matching program (\$75,000), and other donors (\$51,900).

The fair value of the capital in the fund amounted to \$372,829 (2016 - \$359,871).

Under the terms of the agreement, the Library is entitled to withdraw only the investment income generated from the fund. Investment income for the year ended December 31, 2017 was \$13,153 (2016 - \$12,646) and is presented as investment income on the statement of operations.

(b) Richmond Public Library Permanent Agency Endowment Fund administered by the Richmond Community Foundation:

The fund was established in 2010 and the contributed capital in the fund amounts to \$130,518 at December 31, 2017 (2016 - \$125,518). The balance is comprised of donations from Friends of the Library (\$39,000) and other donors (\$92,000).

The fair value of the capital in the fund amounted to \$152,250 (2016 - \$142,841).

Under the terms of the agreement, the Library is entitled to withdraw only the investment income generated from the fund. Investment income for the year ended December 31, 2017 was \$5,751 (2016 - \$5,071) and is presented as investment income on the statement of operations.

## 13. Library collections and digital databases:

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	2017	2016
Digital books and multimedia	\$ 335,389	\$ 279,109
Databases, newspapers and magazines	181,145	176,214
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	\$ 516,534	\$ 455,323

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# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

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## 14. 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 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 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 \$501,329 (2016 - \$493,510) for employer contributions while employees contributed \$432,191 (2016 - \$426,382) to the plan in fiscal 2017.

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 individual employers participating in the plan.

## 15. Commitments:

The Library has committed to operating lease payments for the Ironwood and Cambie Branch premises, with minimum annual lease payments as follows:

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2018	\$ 257,779
2019	236,450
2020	175,002
2021	175,002
2022 and thereafter	387,670

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# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2017

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## 16. Budget data:

The budget data presented in these financial statements is based on the 2017 budget approved by the Board on September 28, 2016. The table below reconciles the approved budget to the budget figures reported in these financial statements.

	Board Approved Budget	Financial Statement Budget
Revenues:		
Operating budget	\$ 9,727,300	\$ 9,727,300
Expenses:		
Operating budget	8,443,800	8,443,800
Less: Transfer to surplus	(9,100)	-
Less: Acquisition of tangible capital assets	(1,274,400)	-
Less: Amortization of tangible capital assets	-	(1,538,700)
Annual deficit	\$ -	\$ (255,200)

## 17. Contribution for capital improvements:

The Richmond Public Library Board approved the use of appropriated surplus for the Launchpad project on April 27, 2016 which are capital improvements towards Brighthouse Library. As the infrastructure is owned by the City of Richmond, the Library's contribution is expensed in the year that it was incurred. The total contribution in 2017 towards the City-owned infrastructure was \$172,375 (2016 - nil).

## 18. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted for the current year.

# RICHMOND PUBLIC LIBRARY BOARD

Unaudited Statement of Operations by Fund

Schedule 1

Year ended December 31, 2017, with comparative figures for 2016

	2017			2016		
	Operating	Capital	Total	Operating	Capital	Total
Revenue:						
Municipal contribution	\$ 7,719,600	\$ 1,274,400	\$ 8,994,000	\$ 7,432,500	\$1,311,500	\$ 8,744,000
Grants	420,875	-	420,875	402,173	-	402,173
Fines and miscellaneous	292,864	-	292,864	333,946	-	333,946
Other Capital Funding Sources	-	-	-	-	-	-
Donations	41,601	-	41,601	30,838	-	30,838
Investment income	68,438	-	68,438	-	-	-
Gain on sale of tangible capital assets	-	13,501	13,501	-	-	-
	<u>8,543,378</u>	<u>1,287,901</u>	<u>9,831,279</u>	<u>8,199,457</u>	<u>1,311,500</u>	<u>9,510,957</u>
Expenses:						
Salaries and employee benefits	6,821,551	-	6,821,551	6,620,749	-	6,620,749
Amortization	-	1,221,696	1,221,696	-	1,319,116	1,319,116
Library collections and digital databases	516,534	-	516,534	455,323	-	455,323
Supplies and equipment services	285,283	-	285,283	296,946	-	296,946
General and administration	299,836	-	299,836	381,645	-	381,645
Building, leases and maintenance	346,777	-	346,777	313,305	-	313,305
Utilities	147,090	-	147,090	137,191	-	137,191
Loss on disposal of tangible capital assets	-	-	-	-	152,730	152,730
Contribution to City of Richmond	172,375	-	172,375	-	-	-
	<u>8,589,446</u>	<u>1,221,696</u>	<u>9,811,142</u>	<u>8,205,159</u>	<u>1,471,846</u>	<u>9,677,005</u>
Annual surplus	(46,068)	66,205	20,137	(5,702)	(160,346)	(166,048)
Accumulated surplus, beginning of year	481,508	4,087,003	4,568,511	487,210	4,247,349	4,734,559
Accumulated surplus, end of year	<u>\$ 435,440</u>	<u>\$ 4,153,208</u>	<u>\$ 4,588,648</u>	<u>\$ 481,508</u>	<u>\$4,087,003</u>	<u>\$ 4,568,511</u>