



City of Richmond

Report to Committee

To: Finance Committee

Date: April 18, 2019

From: Andrew Nazareth
General Manager, Finance and Corporate Services

File: 03-0905-01/2019-Vol 01

Re: 2018 Financial Statements for the Richmond Public Library

Staff Recommendation

That the 2018 Richmond Public Library audited financial statements for the year ended December 31, 2018, 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 	

To: Finance Committee

Date: April 18, 2019

From: Susan Walters, Chief Librarian

Re: 2018 Financial Statements of the Richmond Public Library Board

Recommendation

That the 2018 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, 2018

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 2018 financial statements of the Richmond Public Library Board.

Analysis

Please see the attached Financial Statements of the Richmond Public Library Board for the year ended December 31, 2018. The library's financial statements are prepared in accordance with Canadian public sector accounting standards.

KPMG did not identify any control deficiencies that they consider to be significant deficiencies in internal control for financial reporting.

The Library Board reviewed the statements and approved them at their regular meeting on Wednesday, April 17, 2019.

Statement of Financial PositionFinancial Assets

The amount due from the City of Richmond (\$2,075,485) and accounts receivable (\$63,918) arose in the normal course of business.

Liabilities

Accounts payable and accrued liabilities as of December 31, 2018 were \$1,175,615 and primarily included accrued payroll liabilities and post-employment benefits. Deferred revenue of \$110,865 is the amount of restricted donations received. Donation revenue is recognized in the year in which the related expenses are incurred.

Non-Financial Assets

As of December 31, 2018 the library had \$3,235,405 in tangible capital assets, which includes the library's collections, computer hardware and software, equipment and furniture. Note 6 in the financial statements contain a breakdown of cost, accumulated depreciation and net book value.

The 2018 net book value of tangible capital assets declined by \$126,748 due to a decline in the collection's net book value as a result of amortization exceeding additions.

Prepaid expense of \$569,795 consists of e-book subscriptions with durations longer than one year.

Accumulated Surplus

The accumulated surplus at December 31, 2018 was \$4,658,123 and consists of tangible capital assets of \$3,235,405, appropriated surplus of \$230,313 and surplus of \$1,192,405. Appropriated surplus included \$64,879 approved for capital expenditures and \$33,401 from community foundation interest.

Statement of OperationsRevenue

The library received \$9,422,954 in contributions from the City, \$380,074 from grants, \$280,118 from fines and miscellaneous charges and \$19,087 from investment income. Book fine revenue was expected to decrease after the change in the fine collection threshold from \$10 to \$5 was introduced in early 2016 and decrease in physical collections. Online services increased and other libraries improved their

collections, causing InterLINK revenues to fall by \$17,908. Miscellaneous income increased by \$14,492 due to PST refund from the Province as e-book was self-assessed incorrectly in prior years. Donation revenue matches the donations expenses incurred during 2018. The 2018 figure of \$47,524 is an increase of \$5,923 over the previous year.

Expenses

Salaries and benefits had a budget favourable variance of \$213,681 due to various vacant positions throughout the year as the recruitment process to fill vacancies takes time but were \$339,068 higher than 2017 mainly due to 2% collective agreement increase.

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 2018 this amounted to \$1,189,876.

Library subscriptions and databases include "eBooks", multimedia, databases, newspapers and magazines. The increasing popularity of "eBooks" accounts for the increase of \$69k over the previous year.

Supplies and equipment services expense is a consolidation of various items including cataloguing, supplies, printing and equipment purchases and maintenance. This expense decreased by \$45,895 compared to prior year due to lower failure rate from IT equipment. The budget figure of \$413,000 includes \$96,388 for equipment purchases and most of this amount is capitalized accounting for the budget variance.

Building, leases and maintenance expenses were \$34,350 higher than budget and \$37,973 higher than 2017 due to an increase in branch operating costs charged by the landlord as well as a new cleaning contract to reflect the market price.

General and administration expenses were \$20,150 higher than last year but \$62,014 lower than budget. There was a favourable budget variance due to underrun in printing & publications, telephones and cancellation of postage metre.

Overall, 2018 expenses were \$304,943 higher than 2017 due to contractual increases such as collective agreement, leases and other service agreements .

Library Board Approval

The Library Board reviewed the statements and approved them at their regular meeting on Wednesday, April 17, 2019

Susan Walters



Chief Librarian & Secretary to the Board
Richmond Public Library

Financial Statements of

**RICHMOND PUBLIC
LIBRARY BOARD**

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Richmond Public Library Board

Opinion

We have audited the financial statements of Richmond Public Library Board (the "Library"), which comprise:

- the statement of financial position as at December 31, 2018
- 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 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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' 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 the 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.

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 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 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 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 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 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 these 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 17, 2019

RICHMOND PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2018, with comparative information for 2017

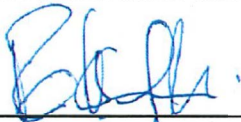
	2018	2017
Financial Assets		
Due from City of Richmond (note 3)	\$ 2,075,485	\$ 1,921,989
Accounts receivable	63,918	105,239
	<u>2,139,403</u>	<u>2,027,228</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	1,175,615	1,181,311
Deferred revenue (note 5)	110,865	66,811
	<u>1,286,480</u>	<u>1,248,122</u>
Net financial assets	852,923	779,106
Non-Financial Assets		
Tangible capital assets (note 6)	3,235,405	3,362,153
Prepaid expenses	569,795	447,389
	<u>3,805,200</u>	<u>3,809,542</u>
Accumulated surplus (note 8)	<u>\$ 4,658,123</u>	<u>\$ 4,588,648</u>

Commitments (note 15)

Economic dependence (note 19)

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, 2018 with comparative information for 2017

	Budget 2018	2018	2017
	(notes 2(a) and 17)		
Revenue:			
Municipal contribution	\$ 9,423,000	\$ 9,422,954	\$ 8,994,000
Grants (note 9)	402,200	380,074	420,875
Fines and miscellaneous (note 10)	295,500	280,118	292,864
Donations (note 11)	-	47,524	41,601
Investment income (note 12)	-	19,087	68,438
Gain on sale of tangible capital assets	-	35,803	13,501
	10,120,700	10,185,560	9,831,279
Expenses:			
Salaries and employee benefits	7,374,300	7,160,619	6,821,551
Amortization	1,538,700	1,189,876	1,221,696
Library subscriptions and databases (note 13)	566,300	590,350	516,534
Supplies and equipment services	413,000	239,388	285,283
General and administration	382,000	319,986	299,836
Building, leases and maintenance	350,400	384,750	346,777
Utilities	133,200	131,717	147,090
Contribution for capital improvements (note 18)	-	99,399	172,375
	10,757,900	10,116,085	9,811,142
Annual surplus (deficit)	(637,200)	69,475	20,137
Accumulated surplus, beginning of year	4,588,648	4,588,648	4,568,511
Accumulated surplus, end of year	\$ 3,951,448	\$ 4,658,123	\$ 4,588,648

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

	Budget 2018 (notes 2(a) and 17)	2018	2017
Annual surplus (deficit)	\$ (637,200)	\$ 69,475	\$ 20,137
Acquisition of tangible capital assets	(892,400)	(1,066,941)	(1,113,754)
Amortization of tangible capital assets	1,538,700	1,189,876	1,221,696
Gain on disposal of tangible capital assets	-	(35,803)	(13,501)
Proceeds on disposal of tangible capital assets	-	39,616	38,689
Increase in prepaid expenses	-	(122,406)	(32,757)
Change in net financial assets	9,100	73,817	120,510
Net financial assets, beginning of year	779,106	779,106	658,596
Net financial assets, end of year	\$ 788,206	\$ 852,923	\$ 779,106

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 69,475	\$ 20,137
Items not involving cash:		
Amortization	1,189,876	1,221,696
Gain on disposal of tangible capital assets	(35,803)	(13,501)
Changes in non-cash operating working capital:		
Due from City of Richmond	(153,496)	(103,355)
Accounts receivable	41,321	4,493
Prepaid expenses	(122,406)	(32,757)
Accounts payable and accrued liabilities	(5,696)	5,374
Deferred revenue	44,054	(27,022)
Net change in cash from operating activities	1,027,325	1,075,065
Capital activities:		
Proceeds on disposal of tangible capital assets	39,616	38,689
Acquisition of tangible capital assets	(1,066,941)	(1,113,754)
Net change in cash from capital activities	(1,027,325)	(1,075,065)
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, 2018

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 2018 budget approved by the Board of Trustees on September 27, 2017. Note 17 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, 2018

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 7).

(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.

(j) Library subscriptions and databases:

Library subscriptions and databases not owned by the Library or that have useful lives that are less than one operating cycle are recorded as an expense when incurred.

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2018

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:

	2018	2017
Accounts payable	\$ 252,035	\$ 144,174
Accrued liabilities	10,223	8,500
Accrued payroll liabilities	371,657	501,937
Post-employment benefits (note 7)	541,700	526,700
	\$ 1,175,615	\$ 1,181,311

5. Deferred revenue:

	2018	2017
Balance, beginning of year	\$ 66,811	\$ 93,833
Contributions	91,578	49,558
Revenue recognized	(47,524)	(76,580)
Balance, end of year	\$ 110,865	\$ 66,811

6. Tangible capital assets:

Cost	Balance at December 31, 2017	Additions	Disposals	Balance at December 31, 2018
Library collections	\$ 6,191,136	\$ 903,746	\$ (674,768)	\$ 6,420,114
Furniture and fixture	1,203,787	109,521	-	1,313,308
Equipment	1,652,832	59,196	-	1,712,028
Work in progress	5,522	(5,522)	-	-
	\$ 9,053,277	\$ 1,066,941	\$ (674,768)	\$ 9,445,450

Accumulated amortization	Balance at December 31, 2017	Amortization	Disposals	Balance at December 31, 2018
Library collections	\$ 3,463,185	\$ 1,063,625	\$ (670,955)	\$ 3,855,855
Furniture and fixture	815,429	18,665	-	834,094
Equipment	1,412,510	107,586	-	1,520,096
	\$ 5,691,124	\$ 1,189,876	\$ (670,955)	\$ 6,210,045

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Tangible capital assets (continued):

Net book value	Balance at December 31, 2017	Balance at December 31, 2018
Library collections	\$ 2,727,951	\$ 2,564,259
Furniture and fixture	388,358	479,214
Equipment	240,322	191,932
Work in progress	5,522	-
	\$ 3,362,153	\$ 3,235,405

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:

	2018	2017
Balance, beginning of year	\$ 526,700	\$ 513,700
Current service cost	33,200	30,600
Interest cost	13,900	16,500
Amortization of actuarial gain	(8,200)	(4,300)
Benefits paid	(23,900)	(29,800)
Balance, end of year	\$ 541,700	\$ 526,700

An actuarial valuation for these benefits was performed to determine the Library's accrued benefit obligation as at December 31, 2018. The difference between the actuarially determined accrued benefit obligation of \$452,000 and the liability of \$541,700 as at December 31, 2018 is an unamortized net actuarial gain of \$89,700. This actuarial gain is being amortized over a period equal to the employees' average remaining service lifetime of 10 years.

	2018	2017
Actuarial benefit obligation:		
Accrued liability, end of year	\$ 541,700	\$ 526,700
Unamortized net actuarial gain	(89,700)	(46,500)
Balance, end of year	\$ 452,000	\$ 480,200

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2018

7. Post-employment benefits (continued):

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

	2018	2017
Discount rate	3.30%	2.90%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary increases	2.50% to 3.00%	2.50% to 3.00%

8. Accumulated surplus:

	2018	2017
Operating:		
Appropriated surplus	\$ 230,313	\$ 291,299
Surplus	1,192,405	935,196
Invested in tangible capital assets	3,235,405	3,362,153
	<u>\$ 4,658,123</u>	<u>\$ 4,588,648</u>

Appropriated surplus includes \$64,879 (2017 - \$165,478) approved for capital expenditures, \$49,030 (2017 - \$9,417) for future capital acquisitions, \$33,401 (2017 - \$33,401) from community foundation interest, and \$83,003 (2017 - \$83,003) for future salary and benefit obligations.

9. Grants:

	2018	2017
Provincial Revenue Sharing Grant (a)	\$ 352,990	\$ 369,836
One Card Grant (b)	20,593	30,299
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
Resource Sharing Grants (f)	1,991	2,166
	<u>\$ 380,074</u>	<u>\$ 420,875</u>

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

(b) The One Card Grant is provided by the Libraries Branch of the 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, 2018

9. Grants (continued):

- (c) This Government of Canada grant was 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 was 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:

	2018	2017
Book fines	\$ 160,382	\$ 173,003
InterLINK revenue	30,068	47,976
Photocopy and printer revenue	50,580	47,289
Miscellaneous	39,088	24,596
	<u>\$ 280,118</u>	<u>\$ 292,864</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.

	2018	2017
Friends of the Library	\$ 35,847	\$ 30,730
Other	11,677	10,871
	<u>\$ 47,524</u>	<u>\$ 41,601</u>

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2018

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, 2018 (2017 - \$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).

As at December 31, 2018, the fair value of the capital in the fund amounted to \$353,839 (2017 - \$372,829).

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, 2018 was \$13,872 (2017 - \$48,087) 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 \$135,518 at December 31, 2018 (2017 - \$130,518). The balance is comprised of donations from Friends of the Library (\$44,000) and other donors (\$91,518).

As at December 31, 2018, the fair value of the capital in the fund amounted to \$145,376 (2017 - \$152,250).

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, 2018 was \$5,215 (2017 - \$20,351) and is presented as investment income on the statement of operations.

13. Library subscriptions and databases:

	2018	2017
Digital books and multimedia	\$ 404,472	\$ 335,389
Databases, newspapers and magazines	185,878	181,145
	<hr/>	<hr/>
	\$ 590,350	\$ 516,534

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2018

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, 2018, 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 \$560,852 (2017 - \$501,329) for employer contributions while employees contributed \$485,427 (2017 - \$432,191) 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 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:

2019	\$ 267,442
2020	171,825
2021	171,825
2022	171,825
2023 and thereafter	157,506

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2018

16. 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.

17. Budget data:

The budget data presented in these financial statements is based on the 2018 budget approved by the Board on September 27, 2017. The table below reconciles the approved budget to the budget figures reported in these financial statements.

	Board Approved Budget	Financial Statement Budget
Revenue:		
Operating budget	\$ 10,120,700	\$ 10,120,700
Expenses:		
Operating budget	(9,219,200)	(9,219,200)
Less: Transfer to surplus	(9,100)	-
Less: Acquisition of tangible capital assets	(892,400)	-
Less: Amortization of tangible capital assets	-	(1,538,700)
Annual deficit	\$ -	\$ (637,200)

18. Contribution for capital improvements:

In 2018, the Library incurred \$99,399 (2017 - \$172,375) for capital improvements towards Brighthouse Library. As the infrastructure is owned by the City, the Library's contribution is expensed in the year that it was incurred.

19. Economic dependence:

The Library is economically dependent on receiving funding from the City.

20. 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

Year ended December 31, 2018

	2018			2017		
	Operating	Capital	Total	Operating	Capital	Total
Revenue:						
Municipal contribution	\$ 8,453,604	\$ 969,350	\$ 9,422,954	\$ 7,719,600	\$ 1,274,400	\$ 8,994,000
Grants	380,074	-	380,074	420,875	-	420,875
Fines and miscellaneous	280,118	-	280,118	292,864	-	292,864
Donations	47,524	-	47,524	41,601	-	41,601
Investment income	19,087	-	19,087	68,438	-	68,438
Gain on sale of tangible capital assets	-	35,803	35,803	-	13,501	13,501
	9,180,407	1,005,153	10,185,560	8,543,378	1,287,901	9,831,279
Expenses:						
Salaries and employee benefits	7,160,619	-	7,160,619	6,821,551	-	6,821,551
Amortization	-	1,189,876	1,189,876	-	1,221,696	1,221,696
Library subscriptions and databases	590,350	-	590,350	516,534	-	516,534
Supplies and equipment services	239,388	-	239,388	285,283	-	285,283
General and administration	319,986	-	319,986	299,836	-	299,836
Building, leases and maintenance	384,750	-	384,750	346,777	-	346,777
Utilities	131,717	-	131,717	147,090	-	147,090
Contribution for capital improvements	99,399	-	99,399	172,375	-	172,375
	8,926,209	1,189,876	10,116,085	8,589,446	1,221,696	9,811,142
Annual surplus (deficit)	254,198	(184,723)	69,475	(46,068)	66,205	20,137
Accumulated surplus, beginning of year	435,440	4,153,208	4,588,648	481,508	4,087,003	4,568,511
Accumulated surplus, end of year	\$ 689,638	\$ 3,968,485	\$ 4,658,123	\$ 435,440	\$ 4,153,208	\$ 4,588,648