



# Richmond Public Library

## REPORT TO COMMITTEE

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To: Finance Committee

Date: April 30, 2015

From: Greg Buss  
Chief Librarian

Re: 2014 Financial Statements for Richmond Public Library Board

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### Recommendation

That the 2014 Financial Statements for the Richmond Public Library Board be received for information.

Greg Buss  
Chief Librarian & Secretary to the Board  
Richmond Public Library

### Attachment:

Financial Statements for the Richmond Public Library Board Year Ended December 31, 2014

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## 2014 Financial Statements for Richmond Public Library

### 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 2014 audited financial statements of the Richmond Public Library Board.

### Analysis

Please see the attached Financial Statements of Richmond Public Library Board for the year ended December 31, 2014. The library's financial statements are prepared in accordance with Canadian public sector accounting standards.

The Library Board approved these statements at its regular board meeting on Wednesday, April 29<sup>th</sup>, 2015. In its presentation to the Library Board KPMG indicated that the library had received a "clean" audit in that there were no corrected or uncorrected audit misstatements, no omissions or errors in presentation and they did not identify any control deficiencies that they consider to be significant deficiencies in internal control.

### Statement of Financial Position

#### Financial Assets

The amount due from the City of Richmond (\$1,323k) and accounts receivable (\$122k) arose in the normal course of business.

#### Liabilities

Accounts payable and accrued liabilities as of December 31, 2014 were \$1,042k and primarily included accrued payroll liability and post-employment benefits. Deferred revenue of \$88k is related to restricted donation revenues that are recognized in the year in which the related expenses are incurred.

#### Non-Financial Assets

As of December 31, 2014 the Library had \$4,437k of tangible capital assets which includes the library's collections, computer hardware and software and equipment and furniture. Note 5 in the financial statements contain a breakdown of cost, accumulated depreciation and net book value.

#### Accumulated Surplus

The accumulated surplus at December 31, 2014 was \$4,753k. Of this amount \$4,437k is invested in tangible capital assets and \$315k is the accumulated operating surplus.

**Statement of Operations****Revenue**

The Library received \$8,250k in contributions from the City, \$411k from grants and \$344k from fines and miscellaneous expenses (book fines and revenues related to circulation have declined as online services increase and other libraries improve their collections causing InterLINK revenues to fall). Other capital funding of \$89k relates to a donation from the Richmond Chinese School Foundation for the mobile shelving unit in the special collection room.

The Library had a very large donation of Chinese language books in 2013, causing the 2013 donations figure to come in at \$1,020k. This year's donations of \$67k are higher than 2013 if the one time large donation is excluded from consideration.

Overall, when adjusted for the 2013 \$986k in-kind donation of Chinese language books, 2014 revenues are \$243k higher than 2013 and were \$6k lower than budget.

**Expenses**

Salaries and benefits increased by \$108k over 2013 due to contractual salary and step increases, and came in below budget due to a number of maternity leaves and time gaps between positions becoming vacant and being filled. There were 69 full time and 52 part time and auxiliary employees on payroll as of December 31, 2014.

Amortization of tangible capital assets is calculated 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 and amounted to \$1,693k.

Supplies and equipment services is a consolidation of many expense items including cataloguing, supplies, subscriptions and equipment purchases and maintenance. The total of the expenses is down \$17k from previous year.

Building, leases and maintenance expenses were higher than previous year by \$38k. The lease for the Ironwood branch was renewed at a higher base rental rate and caused the increase.

General and administration expenses were \$31k lower than previous year.

Overall, 2014 expenses were \$162k higher than 2013 and were \$24k under budget.

**Performance Improvement Opportunity**

KPMG communicated what they consider to be a performance improvement opportunity involving the reconciliation of cash receipts and library management has responded by describing improved internal procedures that will be implemented.

Financial Statements of

**RICHMOND PUBLIC LIBRARY BOARD**

Year ended December 31, 2014



**KPMG LLP**  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

We have audited the accompanying financial statements of Richmond Public Library, which comprise the statement of financial position as at December 31, 2014, the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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, 2014 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### *Other Matters*

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The current year's supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*KPMG LLP*

Chartered Accountants

April 29, 2015

Burnaby, Canada

# **RICHMOND PUBLIC LIBRARY BOARD**


## **Statement of Financial Position**

December 31, 2014, with comparative figures for 2013

	2014	2013
<b>Financial Assets</b>		
Due from City of Richmond (note 3)	\$ 1,323,283	\$ 1,464,360
Accounts receivable	122,942	163,314
	<u>1,446,225</u>	<u>1,627,674</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	1,042,254	1,140,134
Deferred revenue	88,572	169,834
	<u>1,130,826</u>	<u>1,309,968</u>
Net financial assets	315,399	317,706
<b>Non-Financial Assets</b>		
Tangible capital assets (note 5)	4,437,707	4,837,474
	<u>4,437,707</u>	<u>4,837,474</u>
<b>Commitments (note 12)</b>		
Accumulated surplus (note 7)	\$ 4,753,106	\$ 5,155,180

See accompanying notes to financial statements.

Approved on behalf of the Library Board:

  
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Susan L. Koch.      Trustee

# RICHMOND PUBLIC LIBRARY BOARD

## Statement of Operations

Year ended December 31, 2014 with comparative figures for 2013

	Budget 2014	2014	2013
	(notes 2(a) and 13)		
Revenue:			
Municipal contribution	\$ 8,250,800	\$ 8,250,800	\$ 8,025,400
Grants (note 8)	412,500	411,607	415,326
Fines and miscellaneous (note 9)	507,000	344,818	373,355
Other capital funding	-	89,234	73,409
Donations (note 10)	-	67,735	1,020,250
	9,170,300	9,164,194	9,907,740
Expenses:			
Salaries and employee benefits	6,742,000	6,605,340	6,496,982
Amortization	1,581,300	1,693,915	1,639,501
Supplies and equipment services	723,400	598,566	615,683
Building, leases and maintenance	212,500	262,088	224,172
General and administration	190,500	264,012	295,434
Utilities	140,400	133,911	117,848
Loss on disposal of tangible capital assets	-	8,436	14,652
	9,590,100	9,566,268	9,404,272
Annual surplus (deficit)	(419,800)	(402,074)	503,468
Accumulated surplus, beginning of year	5,155,180	5,155,180	4,651,712
Accumulated surplus, end of year	\$ 4,735,380	\$ 4,753,106	\$ 5,155,180

See accompanying notes to financial statements.



# **RICHMOND PUBLIC LIBRARY BOARD**

## **Statement of Changes in Net Financial Assets**

Year ended December 31, 2014, with comparative figures for 2013

	Budget 2014	2014	2013
(notes 2(a) and 13)			
Annual surplus (deficit)	\$ (419,800)	\$ (402,074)	\$ 503,468
Acquisition of tangible capital assets	(1,161,500)	(1,320,170)	(1,378,993)
Contribution of tangible capital assets	-	-	(971,412)
Amortization of tangible capital assets	1,581,300	1,693,915	1,639,501
Loss on disposal of tangible capital assets	-	8,436	14,652
Proceeds on disposal of tangible capital assets	-	17,586	16,953
Increase in prepaid expenses	-	-	25,615
Change in net financial assets	-	(2,307)	(150,216)
Net financial assets, beginning of year	317,706	317,706	467,922
Net financial assets, end of year	\$ 317,706	\$ 315,399	\$ 317,706

See accompanying notes to financial statements.

# **RICHMOND PUBLIC LIBRARY BOARD**

## **Statement of Cash Flows**

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ (402,074)	\$ 503,468
Items not involving cash:		
Amortization	1,693,915	1,639,501
Loss on disposal of tangible capital assets	8,436	14,652
Contributed tangible capital assets	-	(971,412)
Change in non-cash working capital:		
Due from City of Richmond	141,077	375,696
Accounts receivable	40,372	54,077
Prepaid expenses	-	25,615
Accounts payable and accrued liabilities	(97,880)	(271,029)
Deferred revenue	(81,262)	(8,528)
Net change in cash from operating activities	1,302,584	1,362,040
Capital activities:		
Proceeds on disposal of tangible capital assets	17,586	16,953
Cash used to acquire tangible capital assets	(1,320,170)	(1,378,993)
Net change in cash from capital activities	(1,302,584)	(1,362,040)
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, 2014

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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 of Richmond.

### **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 upon the 2014 budget submission approved by the Board on November 29, 2013. Note 13 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, 2014

## 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, 2014

## 3. Due from City of Richmond:

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

## 4. Accounts payable and accrued liabilities:

	2014	2013
Accounts payable	\$ 121,073	\$ 172,563
Accrued liabilities	18,215	23,737
Accrued payroll liabilities	354,166	363,034
Post-employment benefits (note 6)	548,800	580,800
	<u>\$ 1,042,254</u>	<u>\$ 1,140,134</u>

## 5. Tangible capital assets:

Cost	Balance December 31, 2013	Additions	Disposals	Balance December 31, 2014
Library collections	\$ 7,130,342	\$ 1,174,760	\$ (1,452,429)	\$ 6,852,673
Furniture and fixture	923,779	105,553	-	1,029,332
Equipment	1,337,895	39,857	-	1,377,752
	<u>\$ 9,392,016</u>	<u>\$ 1,320,170</u>	<u>\$ (1,452,429)</u>	<u>\$ 9,259,757</u>

Accumulated amortization	Balance December 31, 2013	Amortization	Disposals	Balance December 31, 2014
Library collections	\$ 2,953,212	\$ 1,508,099	\$ (1,426,407)	\$ 3,034,904
Furniture and fixture	638,294	74,000	-	712,294
Equipment	963,036	111,816	-	1,074,852
	<u>\$ 4,554,542</u>	<u>\$ 1,693,915</u>	<u>\$ (1,426,407)</u>	<u>\$ 4,822,050</u>

Net book value	Balance December 31, 2013	Balance December 31, 2014
Library collections	\$ 4,177,130	\$ 3,817,769
Furniture and fixture	285,485	317,038
Equipment	374,859	302,900
	<u>\$ 4,837,474</u>	<u>\$ 4,437,707</u>

# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

## 6. 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:

	2014	2013
Balance, beginning of year	\$ 580,800	\$ 611,700
Current service cost	30,600	36,400
Interest cost	18,200	15,400
Amortization of actuarial gain	(24,300)	(37,300)
Benefits paid	(56,500)	(45,400)
Balance, end of year	\$ 548,800	\$ 580,800

An actuarial valuation for these benefits was performed to determine the Library's accrued benefit obligation as at December 31, 2013 and the results are extrapolated to December 31, 2014. The difference between the actuarially determined accrued benefit obligation of \$489,400 and the accrued benefit liability of \$548,800 as at December 31, 2014 is an unamortized net actuarial gain of \$59,400. This actuarial gain is being amortized over the period equal to the employees' average remaining service life of 10 years. The employee future benefit liability is included in accounts payable and accrued liabilities on the statement of financial position.

	2014	2013
Actuarial benefit obligation:		
Accrued liability, end of year	\$ 548,800	\$ 580,800
Unamortized net actuarial gain	(59,400)	(30,500)
Balance, end of year	\$ 489,400	\$ 550,300

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

	2014	2013
Discount rate	3.10%	3.50%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary increases	2.50%	3.50%

# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

## 7. Accumulated surplus:

	2014	2013
Operating:		
Appropriated Surplus	\$ 200,847	\$ 130,774
Surplus	114,552	186,932
Invested in tangible capital assets	4,437,707	4,837,474
	<u>\$ 4,753,106</u>	<u>\$ 5,155,180</u>

Appropriated surplus includes \$49,100 for approved for capital expenditures, \$68,700 for future capital acquisitions and \$83,000 for future salary and benefit obligations.

## 8. Grants:

	2014	2013
Provincial Revenue Sharing Grant	\$ 355,909	\$ 351,783
One Card Grant	46,146	52,604
British Columbia Equity Grant	4,500	4,500
Writers in Library Grant	1,905	3,023
Resource Sharing Grants	3,147	3,416
	<u>\$ 411,607</u>	<u>\$ 415,326</u>

Provincial Revenue Sharing Grant is funded by the Libraries and Literacy Branch Ministry of Education.

The One Card Grant is provided by the Libraries and Literacy 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.

British Columbia Equity Grant is awarded by the Libraries and Literacy Branch 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).

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.

Resource Sharing Grants - Annual grants are provided to BC public libraries to encourage their participation in the province-wide inter library loan system.

# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

## 9. Fines and miscellaneous:

	2014	2013
Book fines	\$ 159,267	\$ 165,369
InterLINK revenue	113,112	142,886
Photocopy and printer revenue	39,214	29,206
Miscellaneous	33,225	35,894
	<u>\$ 344,818</u>	<u>\$ 373,355</u>

## 10. 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.

	2014	2013
Friends of the Library	\$ 21,575	\$ -
Ozone Showcase Donations	19,861	-
Collection Donations	3,238	986,953
Law Matters	2,774	2,607
Celebrate with Books	1,168	14,970
Other	19,119	15,720
	<u>\$ 67,735</u>	<u>\$ 1,020,250</u>

## 11. Pension plan:

The Library and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including the investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 100 contributors from the Library.

The most recent valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.



# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

## 11. Pension plan (continued):

The Library paid \$477,519 (2013 - \$472,197) for employer contributions to the Plan in fiscal 2014. Employees paid \$409,330 (2013 - \$394,306) for employee contributions to the Plan in fiscal 2014.

## 12. Commitments:

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

2015	\$ 262,422
2016	262,422
2017	250,137
2018	172,575
Thereafter	864,026

## 13. Budget data:

The budget data presented in these financial statements is based upon the 2014 budget approved by the Board on November 29, 2013. Amortization was not contemplated on the 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 Amount
Revenue:	
<u>Operating budget</u>	<u>\$ 9,170,300</u>
	9,170,300
Expenses:	
Operating	9,590,100
<u>Capital</u>	<u>1,161,500</u>
	10,751,600
Annual deficit per approved budget	(1,581,300)
Add capital expenditures:	
Library collection	1,161,500
Annual deficit per statement of operations	<u>\$ (419,800)</u>

## 14. Comparative Figures:

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

# **RICHMOND PUBLIC LIBRARY BOARD**

Schedule 1 - Statement of Operations by Fund  
Year ended December 31, 2014, with comparative figures for 2013

	2014			2013		
	Operating	Capital	Total	Operating	Capital	Total
<b>Revenue:</b>						
Municipal contribution	\$ 7,037,450	\$ 1,213,350	\$ 8,250,800	\$ 6,736,769	\$ 1,288,631	\$ 8,025,400
Grants	411,607	-	411,607	415,326	-	415,326
Fines and miscellaneous	344,818	-	344,818	373,355	-	373,355
Other capital funding	-	89,234	89,234	-	73,409	73,409
Donations	67,735	-	67,735	48,838	971,412	971,412
	7,861,610	1,302,584	9,164,194	7,574,288	2,333,452	9,907,740
<b>Expenses:</b>						
Salaries and employee benefits	6,605,340	-	6,605,340	6,496,982	-	6,496,982
Amortization	-	1,693,915	1,693,915	-	1,639,501	1,639,501
Supplies and equipment services	598,566	-	598,566	615,683	-	615,683
General and administration	264,012	-	264,012	295,434	-	295,434
Building, leases and maintenance	262,088	-	262,088	224,172	-	224,172
Utilities	133,911	-	133,911	117,848	-	117,848
Gain (loss) on disposal of tangible capital assets	-	8,436	8,436	-	14,652	14,652
	7,863,917	1,702,351	9,566,268	7,750,119	1,654,153	9,404,272
Annual surplus	(2,307)	(399,767)	(402,074)	(175,831)	679,299	503,468
Accumulated surplus, beginning of year	317,706	4,837,474	5,155,180	493,537	4,158,175	4,651,712
Accumulated surplus, end of year	\$ 315,399	\$ 4,437,707	\$ 4,753,106	\$ 317,706	\$ 4,837,474	\$ 5,155,180