



**Richmond
Public Library**

REPORT TO COMMITTEE

To: Finance Committee

Date: April 21, 2016

From: Greg Buss
Chief Librarian

Re: 2015 Financial Statements of the Richmond Public Library Board

Recommendation

That the 2015 Financial Statements of the Richmond Public Library Board be received for information.

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

Attachment:

Financial Statements of Richmond Public Library Board Year Ended December 31, 2015

2015 Financial Statements of the 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 2015 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, 2015. The library's financial statements are prepared in accordance with Canadian public sector accounting standards.

In conducting the audit, KPMG noted that there were no corrected or uncorrected audit misstatements, no omissions or errors in presentation. In addition they did not identify any control deficiencies that they consider to be significant deficiencies in internal control for financial reporting; nor did they find or observe any other internal control deficiencies.

The Library Board will be reviewing the statements and voting on approval at its regular board meeting on Wednesday, April 27, 2016.

Statement of Financial Position*Financial Assets*

The amount due from the City of Richmond (\$1,456k) and accounts receivable (\$121k) arose in the normal course of business.

Liabilities

Accounts payable and accrued liabilities as of December 31, 2015 were \$1,030k and primarily included accrued payroll liabilities and post-employment benefits. Deferred revenue of \$64k 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, 2015 the Library had \$4,341k in tangible capital assets, which includes the library's collections, computer hardware and software and equipment and furniture. Note 5 in the financial statements contains a breakdown of cost, accumulated depreciation and net book value. The 2015 net book value of tangible capital assets declined by \$97k due to a decline in the collection's net book value as a result of amortization and collection discards exceeding additions. The decline in collection net book value was partially offset by additions to furniture and fixtures as well as equipment.

Prepaid expense for \$21k is the payment of the January 1, 2016 rent for the Cambie and Ironwood branches.

Accumulated Surplus

The accumulated surplus at December 31, 2015 was \$4,845k and consists of tangible capital assets of \$4,341k, appropriated surplus of \$303k and surplus of \$201k. Appropriated surplus included the addition of a \$115k provision for the "Launchpad Project" due to be completed in

2016. Surplus increased \$87k from 2014 as a result of the excess of revenues over expenses during 2015.

Statement of Operations

Revenue

The Library received \$8,768k in contributions from the City, \$411k from grants and \$296k from fines and miscellaneous charges. Book fines and revenues related to circulation have declined as online services increase and other libraries improve their collections causing InterLINK revenues to fall.

Donation revenue matches the donations expenses incurred during 2015. The 2015 figure of \$83k is an increase of \$15k over the previous year.

Expenses

Salaries and benefits decreased by \$35k in 2015 due to a number of time gaps between positions becoming vacant and being filled.

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 and amounted to \$1,667k.

Supplies and equipment services expense is a consolidation of many expense items including cataloguing, supplies, subscriptions, printing and equipment purchases and maintenance. The total of the expenses is up \$5k from last year but it is \$57k under budget.

Building, leases and maintenance expenses were lower than budget and last year by \$12k and \$26k respectively. Public works expenses, included in this category, accounted for most of the decrease from 2014.

General and administration expenses were \$12k lower than last year and \$2k lower than budget. Janitorial contract expenses were \$13k lower than last year and photocopier expenses were also \$5k lower. An increase in contracts – maintenance expenses of \$35k from 2014 was offset by the \$39k in consulting expenses in 2014 relating to the strategic plan that were not repeated in 2015.

Overall, 2015 expenses were \$101k lower than 2014 and were \$328k under budget.

Library Board Approval

The Library Board will be reviewing these statements at its regular board meeting on Wednesday, April 27th, 2016 and it is anticipated that they will be approved at that time.



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

Financial Statements of

RICHMOND PUBLIC LIBRARY BOARD

Year ended December 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

We have audited the accompanying financial statements of Richmond Public Library Board, which comprise the statement of financial position as at December 31, 2015, 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 Board as at December 31, 2015 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

Date
Burnaby, Canada

RICHMOND PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Financial Assets		
Due from City of Richmond (note 3)	\$ 1,456,100	\$ 1,323,283
Accounts receivable	120,751	122,942
	<u>1,576,851</u>	<u>1,446,225</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	1,029,987	1,042,254
Deferred revenue	63,653	88,572
	<u>1,093,640</u>	<u>1,130,826</u>
Net financial assets	483,211	315,399
Non-Financial Assets		
Tangible capital assets (note 5)	4,340,837	4,437,707
Prepaid expenses	21,210	-
	<u>4,362,047</u>	<u>4,437,707</u>
Commitments (note 12)		
Accumulated surplus (note 7)	<u>\$ 4,845,258</u>	<u>\$ 4,753,106</u>

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, 2015 with comparative information for 2014

	Budget 2015 (notes 2(a) and 13)	2015	2014
Revenue:			
Municipal contribution	\$ 8,767,700	\$ 8,767,700	\$ 8,250,800
Grants (note 8)	409,700	411,089	411,607
Fines and miscellaneous (note 9)	422,500	295,530	344,818
Other capital funding	-	-	89,234
Donations (note 10)	-	83,029	67,735
	9,599,900	9,557,348	9,164,194
Expenses:			
Salaries and employee benefits	6,907,300	6,570,413	6,605,340
Amortization	1,581,300	1,666,999	1,693,915
Supplies and equipment services	485,400	428,808	423,513
General and administration	429,700	427,436	439,065
Building, leases and maintenance	248,600	236,258	262,088
Utilities	140,400	120,130	133,911
Loss on disposal of tangible capital assets	-	15,152	8,436
	9,792,700	9,465,196	9,566,268
Annual surplus (deficit)	(192,800)	92,152	(402,074)
Accumulated surplus, beginning of year	4,753,106	4,753,106	5,155,180
Accumulated surplus, end of year	\$ 4,560,306	\$ 4,845,258	\$ 4,753,106

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

Year ended December 31, 2015, with comparative information for 2014

	Budget 2015 (notes 2(a) and 13)	2015	2014
Annual surplus (deficit)	(192,800)	\$ 92,152	\$ (402,074)
Acquisition of tangible capital assets	(1,388,500)	(1,618,197)	(1,320,170)
Amortization of tangible capital assets	1,581,300	1,666,999	1,693,915
Loss on disposal of tangible capital assets	-	15,152	8,436
Proceeds on disposal of tangible capital assets	-	32,916	17,586
	-	189,022	(2,307)
Increase in prepaid expenses	-	(21,210)	-
Change in net financial assets	-	167,812	(2,307)
Net financial assets, beginning of year	315,399	315,399	317,706
Net financial assets, end of year	\$ 315,399	\$ 483,211	\$ 315,399

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ 92,152	\$ (402,074)
Items not involving cash:		
Amortization	1,666,999	1,693,915
Loss on disposal of tangible capital assets	15,152	8,436
Change in non-cash working capital:		
Due from City of Richmond	(132,817)	141,077
Accounts receivable	2,191	40,372
Prepaid expenses	(21,210)	-
Accounts payable and accrued liabilities	(12,267)	(97,880)
Deferred revenue	(24,919)	(81,262)
Net change in cash from operating activities	1,585,281	1,302,584
Capital activities:		
Proceeds on disposal of tangible capital assets	32,916	17,586
Acquisition of tangible capital assets	(1,618,197)	(1,320,170)
Net change in cash from capital activities	(1,585,281)	(1,302,584)
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, 2015

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 on the 2015 budget approved by the Board on January 28, 2015. 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, 2015

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 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, 2015

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:

	2015	2014
Accounts payable	\$ 288,292	\$ 121,073
Accrued liabilities	7,786	18,215
Accrued payroll liabilities	208,209	354,166
Post-employment benefits (note 6)	525,700	548,800
	<u>\$ 1,029,987</u>	<u>\$ 1,042,254</u>

5. Tangible capital assets:

Cost	Balance December 31, 2014	Additions	Disposals	Balance December 31, 2015
Library collections	\$ 6,852,673	\$ 1,466,331	\$ (1,207,209)	\$ 7,111,795
Furniture and fixture	1,029,332	76,176	-	1,105,508
Equipment	1,377,752	75,690	-	1,453,442
	<u>\$ 9,259,757</u>	<u>\$ 1,618,197</u>	<u>\$ (1,207,209)</u>	<u>\$ 9,670,745</u>

Accumulated amortization	Balance December 31, 2014	Amortization	Disposals	Balance December 31, 2015
Library collections	\$ 3,034,904	\$ 1,521,761	\$ (1,159,141)	\$ 3,397,524
Furniture and fixture	712,294	45,597	-	757,891
Equipment	1,074,852	99,641	-	1,174,493
	<u>\$ 4,822,050</u>	<u>\$ 1,666,999</u>	<u>\$ (1,159,141)</u>	<u>\$ 5,329,908</u>

Net book value	Balance December 31, 2014	Balance December 31, 2015
Library collections	\$ 3,817,769	\$ 3,714,271
Furniture and fixture	317,038	347,617
Equipment	302,900	278,949
	<u>\$ 4,437,707</u>	<u>\$ 4,340,837</u>

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

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:

	2015	2014
Balance, beginning of year	\$ 548,800	\$ 580,800
Current service cost	32,600	30,600
Interest cost	15,300	18,200
Amortization of actuarial gain	(33,500)	(24,300)
Benefits paid	(37,500)	(56,500)
Balance, end of year	\$ 525,700	\$ 548,800

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, 2015. The difference between the actuarially determined accrued benefit obligation of \$483,400 and the accrued benefit liability of \$525,700 as at December 31, 2015 is an unamortized net actuarial gain of \$42,300. 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.

	2015	2014
Actuarial benefit obligation:		
Accrued liability, end of year	\$ 525,700	\$ 548,800
Unamortized net actuarial gain	(42,300)	(59,400)
Balance, end of year	\$ 483,400	\$ 489,400

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

	2015	2014
Discount rate	3.10%	3.10%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary increases	2.50%	2.50%

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

7. Accumulated surplus:

	2015	2014
Operating:		
Appropriated Surplus	\$ 303,275	\$ 200,847
Surplus	201,146	114,552
Invested in tangible capital assets	4,340,837	4,437,707
	\$ 4,845,258	\$ 4,753,106

Appropriated surplus includes \$25,542 for approved capital expenditures, \$194,730 for future capital acquisitions and \$83,003 for future salary and benefit obligations.

8. Grants:

	2015	2014
Provincial Revenue Sharing Grant (a)	\$ 358,319	\$ 355,909
One Card Grant (b)	40,873	46,146
British Columbia Equity Grant (c)	4,500	4,500
Writers in Library Grant (d)	4,566	1,905
Resource Sharing Grants (e)	2,831	3,147
	\$ 411,089	\$ 411,607

(a) The 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.

(c) The 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).

(d) 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.

(e) Resource Sharing Grants are annual grants 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, 2015

9. Fines and miscellaneous:

	2015	2014
Book fines	\$ 144,871	\$ 159,267
InterLINK revenue	91,711	113,112
Photocopy and printer revenue	48,278	39,214
Miscellaneous	10,670	33,225
	<u>\$ 295,530</u>	<u>\$ 344,818</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.

	2015	2014
Friends of the Library	\$ 33,505	\$ 21,575
Ozone Showcase Donations	556	19,861
Collection Donations	170	3,238
Law Matters	1,552	2,774
McDonald Estate	13,162	-
Celebrate with Books	-	1,168
Vancouver Foundation Interest	13,467	-
Other	20,617	19,119
	<u>\$ 83,029</u>	<u>\$ 67,735</u>

11. Pension plan:

The Library and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteesd pension plan. The Plan's 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, 2014, the plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 37,000 contributors from local governments.

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

11. Pension plan (continued):

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, 2012, indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis.

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 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.

The Library paid \$492,018 (2014 - \$477,519) for employer contributions while employees contributed \$427,316 (2014 - \$409,330) to the plan in fiscal 2015.

12. Commitments:

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

2016	\$ 262,422
2017	251,947
2018	249,221
2019	241,253
2020 and thereafter	751,737

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

13. Budget data:

The budget data presented in these financial statements is based on the 2015 budget approved by the Board on January 28, 2015. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenue:	
Operating budget	\$ 9,599,900
Expenses:	
Operating	8,211,400
Acquisition of tangible capital assets	1,388,500
Annual deficit per approved budget	-
Reconciling adjustments:	
Add: Acquisition of tangible capital assets	1,388,500
Less: Amortization of tangible capital assets	(1,581,300)
Annual deficit per statement of operations	\$ (192,800)

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, 2015, with comparative information for 2014

	2015			2014		
	Operating	Capital	Total	Operating	Capital	Total
Revenue:						
Municipal contribution	\$ 7,379,200	\$ 1,388,500	\$ 8,767,700	\$ 7,089,300	\$ 1,161,500	\$ 8,250,800
Grants	411,089	-	411,089	411,607	-	411,607
Fines and miscellaneous	295,530	-	295,530	344,818	-	344,818
Other capital funding	-	-	-	-	89,234	89,234
Donations	83,029	-	83,029	67,735	-	67,735
	8,168,848	1,388,500	9,557,348	7,913,460	1,250,734	9,164,194
Expenses:						
Salaries and employee benefits	6,570,413	-	6,570,413	6,605,340	-	6,605,340
Amortization	-	1,666,999	1,666,999	-	1,693,915	1,693,915
Supplies and equipment services	428,808	-	428,808	598,566	-	598,566
General and administration	427,436	-	427,436	264,012	-	264,012
Building, leases and maintenance	236,258	-	236,258	262,088	-	262,088
Utilities	120,130	-	120,130	133,911	-	133,911
Loss on disposal of tangible capital assets	-	15,152	15,152	-	8,436	8,436
	7,783,045	1,682,151	9,465,196	7,863,917	1,702,351	9,566,268
Annual surplus	385,803	(293,651)	92,152	49,543	(451,617)	(402,074)
Accumulated surplus, beginning of year	367,249	4,385,857	4,753,106	317,706	4,837,474	5,155,180
Accumulated surplus, end of year	\$ 753,052	\$ 4,092,206	\$ 4,845,258	\$ 367,249	\$ 4,385,857	\$ 4,753,106