



## Office of the City Manager

### Internal Audit Division

May 1, 2024

Members of the Vancouver Public Library Board,

At the request of the Board of the Vancouver Public Library, we have reviewed the Statement of Financial Information for the year ended December 31, 2023. This review does not constitute an independent audit or review engagement, and is not designed to detect fraud. Accordingly, there should be no such reliance.

Management is responsible for the preparation and fair representation of these financial statements and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Work Performed**

We performed the following procedures with respect to the financial information presented:

- Agreed the financial information to the general ledger of the City of Vancouver (the City);
- Reviewed the financial statements for discrepancies;
- Analyzed the financial information for reasonableness and consistency with Corporate accounting policies;
- Reviewed the working papers prepared by the Library's Director, Corporate Services & CFO for reclassifications;
- Performed variance analysis based on Council approved budgets and obtained explanations from management where appropriate;
- Inquired as to the accounting, budget and other internal controls that provide reasonable assurance that transactions are properly authorized and accurately recorded, and that the Library's assets are properly safeguarded and accounted for, thereby maintaining the integrity of financial records; and
- Inquired and received written representation from the Library's Director, Corporate Services & CFO to identify any deviations from accounting policies and procedures that would affect the integrity of the financial statements.

#### **Observations**

We summarized notable variances in the Library's revenues and expenditures from 2022 to 2023 in the table below. Explanations for these changes are from management and are reasonable.

Table 1: Notable Variances – Library Revenues & Expenditures

	2023	2022	Increase (decrease) \$	Increase (decrease) %	Explanation for change
<b>Provincial Government</b>	3,200,837	1,488,221	1,712,616	115%	In 2023, VPL received more donations from the Province and transferred to reserves.
<b>Investment income</b>	473,773	178,831	294,942	165%	Investment income represents interest on amounts in reserve. The increase was attributed to fluctuations in interest rates and a growth in the reserve balance.
<b>Charitable donations and bequests</b>	904,596	1,380,143	(475,547)	-34%	In 2023, there were less donations disbursed from the VPL Foundation compared to 2022.
<b>Other expenses</b>	1,349,399	993,181	356,218	36%	In 2023, professional fees increased due to expenses associated with consulting services for VPL's Equity Project, as well as WorkSafe required violence risk assessments.
<b>Salaries and benefits</b>	43,207,668	41,842,386	1,365,282	3%	In comparison to 2022, which was impacted by COVID-related disruptions, 2023 observed an increase in programming and in-person activities throughout the year, leading to increased hours and services.

**Conclusion**

Based on the results of the procedures performed, the Library's financial statements were prepared, in all material respects, in accordance with Public Accounting Standards and consistently with the City's corporate accounting policies and general ledger.

Submitted by:




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Carmen Fuellbrandt, CPA, CMA, CIA  
Chief of Internal Audit




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Becky Ma  
Senior Internal Auditor



## **VANCOUVER PUBLIC LIBRARY BOARD**

### **Financial Statements & Notes (Unaudited) For the Year Ending December 31, 2023**

**VANCOUVER PUBLIC LIBRARY BOARD**  
**Statement of Financial Position (Unaudited)**  
**As at December 31, 2023 with comparative figures for 2022**

	<u>2023</u>	<u>2022</u>
<b>FINANCIAL ASSETS</b>		
Accounts receivable and accrued interest	\$ 145,071	\$ 200,095
Due from the City of Vancouver (Note 2)	13,150,921	9,764,284
	<u>13,295,991</u>	<u>9,964,379</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,685,999	\$ 1,378,300
Deferred income (Note 3)	45,949	176,830
	<u>1,731,948</u>	<u>1,555,130</u>
<b>NET FINANCIAL ASSETS</b>	<u>11,564,044</u>	<u>8,409,249</u>
<b>NON-FINANCIAL ASSETS</b>		
Inventory	133,814	90,564
Prepaid expenses	155,915	278,367
Tangible capital assets (Note 6)	18,334,696	18,063,594
	<u>18,624,424</u>	<u>18,432,525</u>
<b>NET ASSETS</b>	<u>\$ 30,188,467</u>	<u>\$ 26,841,774</u>
<b>ACCUMULATED SURPLUS</b>		
Reserves (Note 4)	\$ 13,319,771	10,070,180
Investments in tangible capital assets	18,334,696	18,063,594
Deferred liabilities (Note 5)	(1,466,000)	(1,292,000)
	<u>\$ 30,188,467</u>	<u>\$ 26,841,774</u>

To be read in conjunction with the Notes to the Financial Statements

**VANCOUVER PUBLIC LIBRARY BOARD**  
**Statement of Operations (Unaudited)**  
**As at December 31, 2023 with comparative figures for 2022**

	<u>2023 Budget</u>	<u>2023</u>	<u>2022</u>
<b>REVENUES</b>			
City of Vancouver	\$ 55,070,539	\$ 54,723,569	\$ 53,418,837
Other fees and recoveries	2,121,500	2,128,023	2,216,477
Other grants	-	9,500	6,000
Provincial Government	1,316,300	3,200,837	1,488,221
Investment income	-	473,773	178,831
Interlink reciprocal services	140,000	45,768	52,862
Charitable donations and bequests	220,400	904,596	1,380,143
	<u>58,868,739</u>	<u>61,486,065</u>	<u>58,741,371</u>
<b>EXPENDITURES</b>			
Amortization	-	3,916,443	3,678,051
Books and materials	5,299,733	2,798,654	2,428,023
Building occupancy and maintenance	6,708,675	6,440,822	6,184,050
Equipment and fleet	631,885	773,204	667,517
Loss on disposal of tangible capital assets	-	-	-
Other	1,191,110	1,349,399	993,181
Supplies and materials	1,039,600	845,423	867,306
Salaries and benefits	43,870,948	43,207,668	41,842,386
	<u>58,741,951</u>	<u>59,331,613</u>	<u>56,660,514</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	126,788	2,154,452	2,080,858
<b>OPENING ACCUMULATED SURPLUS</b>		26,841,774	23,464,143
Transfer to City Equipment Reserve	(77,369)	(90,819)	(63,069)
Transfer to City Insurance Reserve	(55,544)	(55,548)	(55,548)
Transfer from (to) City capital and reserve	6,125	1,338,610	1,415,389
<b>ENDING ACCUMULATED SURPLUS</b>	<u>\$ -</u>	<u>\$ 30,188,467</u>	<u>\$ 26,841,774</u>

To be read in conjunction with the Notes to the Financial Statements

**VANCOUVER PUBLIC LIBRARY BOARD**  
**Statement of Changes in Net Financial Assets (Unaudited)**  
**As at December 31, 2023 with comparative figures for 2022**

	<u>2023 Budget</u>	<u>2023</u>	<u>2022</u>
Annual surplus (deficit)	\$ 126,788	\$ 2,154,452	\$ 2,080,858
Acquisition of tangible capital assets	-	(4,187,545)	(4,322,903)
Amortization of tangible capital assets	-	3,916,443	3,678,051
Loss on disposal of tangible capital assets	-	-	-
Proceeds on disposal of tangible capital assets	-	-	-
	<u>-</u>	<u>(271,102)</u>	<u>(644,852)</u>
Change in inventory and prepaids	-	79,202	16,500
Transfer to City Equipment Reserve	(77,369)	(90,819)	(63,069)
Transfer to City insurance reserve	(55,544)	(55,548)	(55,548)
Transfer from Capital for tangible capital assets	6,125	1,338,610	1,415,389
Transfer to Capital	-	-	-
	<u>(126,788)</u>	<u>1,271,445</u>	<u>1,313,272</u>
Change in net financial assets	-	3,154,795	2,749,278
Net financial assets at beginning of year	8,409,249	8,409,249	5,659,970
<b>NET FINANCIAL ASSETS AT END OF YEAR</b>	<u>\$ 8,409,249</u>	<u>\$ 11,564,044</u>	<u>\$ 8,409,249</u>

To be read in conjunction with the Notes to the Financial Statements

**VANCOUVER PUBLIC LIBRARY BOARD**  
**Statement of Cash Flows (Unaudited)**  
**As at December 31, 2023 with comparative figures for 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>Operating Transactions</b>		
Annual Surplus (deficit)	\$ 2,154,452	2,080,858
Items not involving cash		
Amortization	3,916,443	3,678,051
Loss on disposal of tangible capital assets	-	-
Net transfer from (to) capital	1,338,610	1,415,389
Transfer to City equipment reserve	(90,819)	(63,069)
Transfer to City insurance reserve	(55,548)	(55,548)
Proceeds on disposal of tangible capital assets	-	-
Change in non-cash items		
Decrease (increase) in inventory	(43,250)	10,997
Decrease (increase) in prepaids	122,452	5,504
Decrease (increase) in accounts receivable	55,024	26,613
Decrease (increase) in due from City of Vancouver	(3,386,636)	(2,000,334)
Decrease (increase) in accounts payable	307,700	(793,236)
	<u>4,318,428</u>	<u>4,305,225</u>
<b>Financing Transactions</b>		
Increase (decrease) in deferred income	(130,882)	17,678
<b>Capital Transactions</b>		
Increase (decrease) in capital assets	(4,187,545)	(4,322,903)
<b>Investing</b>		
Sale (purchase) of investments	-	-
<b>NET INCREASE (DECREASE) IN CASH</b>	<u>-</u>	<u>-</u>
Cash at beginning of year	-	-
<b>CASH AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>

To be read in conjunction with the Notes to the Financial Statements

**VANCOUVER PUBLIC LIBRARY BOARD**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**  
**Year Ended December 31, 2023**

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The Vancouver Public Library Board (the "Library"), which is funded and supported primarily by the City of Vancouver ("City"), was established in 1898, and is established under the Library Act of British Columbia (Part 2) as a Municipal Public Library. The Library Board, on behalf of the residents and taxpayers of the City, oversees the management and operation of the Library and further serves as a policy making body for the organization. The Library Board is appointed by the City.

The Library is economically dependent on the City to provide certain services on behalf of the Library and to provide sufficient operating grants to cover any expenses incurred directly by the Library. In addition, revenue is received from provincial government grants, library fees, donations and other miscellaneous sources.

The Library is a registered charity under provisions of the Canadian Income Tax Act and is not a taxable entity. Its principal activity is the operation of public libraries in the City of Vancouver (City).

## **1. SIGNIFICANT ACCOUNTING POLICIES**

### **a) Basis of Accounting**

The financial statements of the Library are prepared by management in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board ("PSAB"). These financial statements are included in the Consolidated Financial Statements of the City of Vancouver.

### **b) Budget Information**

The budget data presented in these financial statements is based on the 2023 budget approved by Vancouver City Council on February 28, 2023, and approved by the Vancouver Public Library Board of Trustees (the "Board") on March 22, 2023.

### **c) Revenue Recognition**

- (i) Revenues, with the exception of fines and fees, are recorded in the period in which the transaction or event occurs that give rise to the revenues or when the goods or services are delivered. All revenues are recorded on an accrual basis, except when the amounts cannot be determined with a reasonable degree of certainty. Amounts received in advance of services rendered are considered deferred income until the Library discharges the obligations that led to the collection of funds.
- (ii) The library recognizes fines and fees as revenue upon receipt as collectability is uncertain until that time.
- (iii) Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any stipulations are met.

### **d) Expense Recognition**

Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay

### **e) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.



(i) 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 assets. The cost, less residual value of the tangible capital assets, is amortized on a straight-line basis over their estimated useful lives as follows:

Collections (Library books and materials)	10 years
Furniture and equipment	3 to 25 years
Technology & Computer Systems	5 to 10 years

The cost of electronic resources, including books, magazines, database subscriptions, and other periodicals are expensed when acquired or over the period of benefit.

Annual amortization is charged over the asset's useful life commencing when the asset is acquired or available for use.

The City owns the land, buildings, leasehold improvements, and vehicles used by the Library. These assets are reported in the City's Consolidated Statement of Financial Position. Books and materials and furniture and equipment are owned by the Library and are recorded in these statements.

(ii) Inventory and Prepays

Inventory and prepaid expenses of supplies and materials held for consumption are recorded at the lower of cost with allowances made for obsolete stock. Cost is determined on a first in, first out basis.

**f) Pension Plan and Deferred Employee Benefit Liabilities**

The Library and its employees participate in a Municipal Pension Plan. The Municipal Pension is a multi-employer contributory defined benefit pension plan. Payments in the year are expensed.

Employees are entitled to earned benefits related to non-vested accumulating sick leave, sick leave gratuity and vacation entitlements at retirement. Employees may also defer current vacation entitlements. The cost of post-employment benefits is actuarially determined based on service provided, a best estimate of retirement ages, and expected future salary and wage increases. The liability under these benefit plans is accrued based on projected benefits as the employees render service necessary to earn the future benefits.

As well, certain employees are entitled to income continuation benefits under long term disability plans. The Library recognizes a liability and expense for these post-employment benefits in the period when the event occurs that obligates the Library to provide the benefit.

**g) Reserves**

Reserves are established at the discretion of the Library Board with the approval of City Council for future operating and capital expenditures. The reserves are held by the City.

**h) Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

**VANCOUVER PUBLIC LIBRARY BOARD**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**  
**Year Ended December 31, 2023**

Significant areas requiring the use of management estimates and assumptions relate to the actuarial valuations of employee future benefits and the useful lives of tangible capital assets.

Actual results could differ from the estimate and adjustments, if any, will be reflected in the period of settlement or upon a change in the estimate.

**i) Comparative Figures**

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year. These changes did not have an impact on the annual surplus.

**j) Segment Disclosure**

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.

**2. DUE FROM THE CITY OF VANCOUVER**

All cash transactions of the Library are handled by the City, including payroll and accounts payable processing. The amount shown as due from City represents the net cash balance held by the City owed to the Library, primarily for Reserves.

During the year, certain employees of the City performed administrative services for the Library, including legal, human resources, risk management, payroll and financial services. The Library was not charged by the City for these services for the year ended December 31, 2023 or 2022.

**3. DEFERRED REVENUE**

Amounts will be recognized as income in the year the related service is provided.

	<u>2023</u>	<u>2022</u>
Advanced receipts at the beginning of year	\$176,831	\$159,153
Contributions received in the year	45,949	174,281
Recognized as revenue in the year	<u>(176,831)</u>	<u>(156,603)</u>
Advanced receipts at the end of year	<b>\$45,949</b>	<b>\$176,831</b>

**4. RESERVES**

These amounts are set aside by the Library Board with the approval of City Council for specific purposes, and the library earns interest on these reserves from the City. Interest income for the year ended December 31, 2023 was \$473,773 (2022 - \$178,831) and is presented as investment income on the Statement of Operations.

	<u>2022</u>	<u>Transfers to</u>	<u>Transfers from</u>	<u>2023</u>
Grants and Donation	\$ 7,108,144	\$ 3,123,596	(\$ 75,000)	\$ 10,156,740
Other	1,850,433	89,995	0	1,940,429
Equipment Replacement	1,111,603	111,000	0	1,222,603
	<b>\$ 10,070,180</b>	<b>\$ 3,324,592</b>	<b>(\$ 75,000)</b>	<b>\$ 13,319,771</b>

**VANCOUVER PUBLIC LIBRARY BOARD**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**  
**Year Ended December 31, 2023**

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**5. DEFERRED LIABILITIES**

The liabilities reported in the 2023 financial statements are based on an actuarial valuation as at December 31, 2023 using the following valuation assumptions:

	<u>2023</u>	<u>2022</u>
Discount rate	3.13%	3.02%
Inflation rate	3.50%	2.50%
Rate of compensation increase	0% to 2.20%	2.58% to 4.50%

Employee benefit liabilities as at December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Sick leave gratuity	\$ 471,000	\$ 352,000
Deferred Vacation	1,303,000	786,000
Non-vested accumulating sick leave	777,000	652,000
Other post-employment benefits	<u>634,000</u>	<u>1,221,000</u>
	3,185,000	3,011,000
Unamortized actuarial gain (loss)	<u>(1,719,000)</u>	<u>(1,719,000)</u>
Liabilities to be funded from future revenues	<b>\$1,466,000</b>	<b>\$1,292,000</b>

The continuity of the Library's employee benefit liabilities are as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$1,292,000	\$1,905,000
Current service cost	(361,000)	(125,000)
Interest cost	89,000	102,000
Amortization of Actuarial gain (loss)	766,000	(206,000)
Actual benefits paid	<u>(320,000)</u>	<u>(384,000)</u>
Balance, end of year	<b>\$1,466,000</b>	<b>\$1,292,000</b>

**6. GOVERNMENT TRANSFERS**

The Library recognizes the transfer of government funding as expenses or revenues in the period that the events giving rise to the transfer occurred. The Government transfers reported on the Statement of Operations are:

	<u>2023</u>	<u>2022</u>
Per Capita Operating grant	\$1,181,732	\$1,126,986
Resource Sharing grant	19,705	22,086
BC One Card grant	40,207	40,207
Literacy grant	50,800	50,728
Immigration, Refugees and Citizenship Canada	44,231	44,367
Covid 19 Relief & Recovery grant	-	203,847
Indigenous Rights & Reconciliation Strategy grant	150,000	-
Provincial Enhancement grant	<u>1,714,162</u>	<u>-</u>
	<b>\$3,200,837</b>	<b>\$1,488,221</b>

## 7. CONTINGENCIES AND COMMITMENTS

### (a) Municipal Pension Plan

The Vancouver Public 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 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. The Municipal Pension Plan had 240,549 active members who worked for 971 employers as at December 31, 2022. The total membership was 421,666.

There are four types of members:

- Active: Currently contributing, on a leave of absence or receiving benefits from an approved long-term disability plan. There were 240,549 active plan members, an increase of 5.7 per cent from 2021.
- Inactive: Not currently contributing; has ended employment with a plan employer and left contributions in the plan. Inactive members may be eligible for a pension in the future, or may become eligible if they return to work for a plan employer to contribute to the plan and accrue additional service. There were 57,209 inactive plan members, a 9.3 per cent increase from 2021.
- Retired: Currently receiving a pension, including a survivor pension or disability benefit. There were 123,908 retired plan members, a 5.0 per cent increase from 2021.
- Limited: A plan member's former spouse who has the right to a portion of the plan member's pension and applies to become a limited member after a separation or divorce. These members are included in the retired total if they are receiving a pension.

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 amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the Plan, as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be at December 31, 2024, with results available in 2025.

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 costs to individual employers participating in the Plan.

The Library paid \$2,800,700 (2022 - \$2,713,400) for employer contributions to the Plan in 2023. Employees contributed \$2,590,200 (2022 - \$2,509,400) in 2023.

### (b) Contingent Legal Liabilities

As at December 31, 2023, there were no legal claims pending against the Library.

**VANCOUVER PUBLIC LIBRARY BOARD**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**  
**Year Ended December 31, 2023**

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**(c) Operating Leases**

The Library is committed to operating leases for buildings and equipment. Minimum future lease payments are as follows:

2024	\$844,300
2025	\$834,700
2026	\$856,000
2027	\$877,900
2028	\$900,300

**8. TANGIBLE CAPITAL ASSETS**

<b>Cost</b>	<u>2022</u>	<u>Additions</u>	<u>2023</u>
Furniture and Equipment	\$14,038,074	\$88,977	\$14,127,051
Technology	10,344,790	1,332,976	11,677,766
Collections	44,594,054	2,765,592	47,359,646
	<u>\$68,976,918</u>	<u>\$4,187,545</u>	<u>\$73,164,463</u>
<b>Accumulated Amortization</b>	<u>2022</u>	<u>Amortization</u>	<u>2023</u>
Furniture and Equipment	\$11,183,487	\$440,716	\$11,624,203
Technology	7,670,681	1,029,939	8,700,620
Collections	32,059,156	2,445,788	34,504,944
	<u>\$50,913,324</u>	<u>\$3,916,443</u>	<u>\$54,829,767</u>
<b>Net Book value</b>	<u>2022</u>	<u>Change</u>	<u>2023</u>
Furniture and Equipment	\$2,854,587	(\$351,739)	\$2,502,848
Technology	2,674,109	303,037	2,977,146
Collections	12,534,898	319,804	12,854,703
	<u>\$18,063,594</u>	<u>\$271,102</u>	<u>\$18,334,696</u>

**9. DONATIONS**

Donations revenue, on the Statement of Operations, is a combination of restricted and unrestricted donations received in the year:

	<u>2023</u>	<u>2022</u>
Vancouver Public Library Foundation	\$819,769	\$1,338,241
Friends of the VPL	34,000	33,000
VPL Trust	40,000	-
Other	10,827	8,902
	<u>\$904,596</u>	<u>\$1,380,143</u>