

March 31, 2014

Audit of Vancouver Public Library Financial Statement

At the request of the Board of the Vancouver Public Library (VPL), we have reviewed the statement of financial position as at December 31, 2013 and the statements of operations, change in net financial assets and cash flows and notes to the financial statements for the period then ended. 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.

The financial information presented in the financial statements is the responsibility of the management of VPL. The preparation of periodic financial statements necessarily includes some amounts, which are based on the best estimates and judgment of management with respect to future financial transactions.

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

- Agreed the financial information to the records and accounts in the general ledger of the City of Vancouver (the City);
- Reviewed the working papers prepared by the Director of Corporate Services for VPL for any reclassifications;
- Discussed and analyzed the financial information for reasonableness and consistency with Corporate accounting policies;
- Performed variance analysis based on the Council approved budgets and obtained explanations from VPL 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 assets of VPL are properly safeguarded and accounted for thereby maintaining the integrity of financial records;
- Made inquiries and received written representation from the Director of Corporate Services of VPL to identify any deviations from accounting policies and procedures that would affect the integrity of the financial statements.

Based on the results of the above procedures, we found the financial statements were prepared, in all material respects in accordance with Public Sector Accounting (PSA) Standards and consistently with the City's corporate accounting policies and general ledger.

Submitted by:

Tony Hui, CPA, CA, CRMA

Chief of Internal Audit



Vancouver Public Library

2013 STATEMENT OF FINANCIAL INFORMATION

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VANCOUVER PUBLIC LIBRARY
STATEMENT OF FINANCIAL INFORMATION APPROVAL

The undersigned represents the Board of the Vancouver Public Library and confirms that the Board of the Vancouver Public Library has received and approved, at its meeting of April 23, 2014, all the unaudited statements and schedules included in this Statement of Financial Information, produced under the Financial Information Act.

Mary Lynn Baum, Chair
Vancouver Public Library Board

April 23, 2014

**VANCOUVER PUBLIC LIBRARY
MANAGEMENT REPORT**

The unaudited Financial Statements contained in the Statement of Financial Information under the Financial Information Act have been prepared by management in accordance with the accounting principles in Note 1, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with information contained in the financial statements. The unaudited financial statements necessarily include some amounts, which are based on the best estimates and judgments of management.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Library Board is a policy setting Board and assigns to management the responsibility for day-to-day operations. The Library Board is responsible for assessing the management, systems and practices.

The Internal Audit Division of the City of Vancouver assists the Vancouver Public Library Board and management in assessing the internal control environment and making observations and recommendations on the effectiveness of management systems and processes.

The unaudited financial statements have been reviewed by the Internal Audit Division of the City of Vancouver. Internal Audit has reported to the Vancouver Public Library Board on the scope and results of the review.

Sandra Singh, Chief Librarian
Vancouver Public Library

Eric Smith CA, Director of Corporate Services
Vancouver Public Library
April 23, 2014

Current Vancouver Public Library Board

C. Barnes – Board of Parks and Recreation Representative
M. L. Baum - Chair
C. Brooks – Vice Chair
A. Chan – Vice Chair
J. Chan
G. Chow
H. Deal – Council Liaison
K. Epstein
C. Evans
M. Lombardi – School Board Representative
G. Ross
J. Schaub
J. Swift
Secretary and Chief Librarian – S. Singh

VANCOUVER PUBLIC LIBRARY
Statement of Financial Position
(unaudited)
As at December 31

	2013	2012
FINANCIAL ASSETS		
Accounts receivable and accrued interest	\$ 173,119	\$ 171,928
Due from the City of Vancouver	5,823,480	6,748,071
	5,996,599	6,919,999
LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,083,842	\$ 2,606,160
Deferred income (Note 2)	153,641	151,820
	2,237,483	2,757,980
NET FINANCIAL ASSETS	3,759,116	4,162,019
NON-FINANCIAL ASSETS		
Inventory	118,314	144,522
Prepaid expenses	339,498	332,899
Tangible capital assets (note 6)	19,257,200	20,376,900
	19,715,012	20,854,321
NET ASSETS	\$ 23,474,128	\$ 25,016,340
ACCUMULATED SURPLUS		
Reserves (Note 3)	6,082,928	6,517,440
Tangible capital assets	19,257,200	20,376,900
Deferred payroll costs (Note 4)	(1,866,000)	(1,878,000)
	\$ 23,474,128	\$ 25,016,340

See accompanying Notes to Financial Statements
Long term debt (Note 1 (e))
Contingencies and commitments (Note 5)

VANCOUVER PUBLIC LIBRARY
Statement of Operations
(unaudited)
Years Ended December 31

	2013	2013	2012
	Budget		
	(version 4)*		
REVENUES			
City of Vancouver	\$ 38,938,500	\$ 39,180,750	\$ 38,955,000
Other fees and recoveries	2,616,200	2,714,717	2,750,169
Other grants	-	40,841	120,380
Provincial Government	1,285,300	1,347,742	1,344,301
Investment income	-	109,631	120,590
Interlink reciprocal services	100,000	114,740	100,000
Charitable donations and bequests	377,900	219,021	168,711
	43,317,900	43,727,442	43,559,151
EXPENDITURES			
Amortization		3,477,400	3,551,000
Books and materials	4,363,200	1,439,906	1,700,846
Building and equipment rental	1,185,800	1,118,856	1,150,760
Interlink operating costs	140,000	128,894	136,174
Loss on disposal of tangible capital assets		1,447,500	2,239,200
Maintenance	793,400	662,817	587,739
Other	2,587,800	2,745,912	2,077,934
Salaries and benefits	33,891,500	34,017,874	33,415,328
Utilities	352,400	364,495	341,889
	43,314,100	45,403,654	45,200,870
ANNUAL SURPLUS (DEFICIT)	\$ 3,800	(1,676,212)	(1,641,719)
OPENING ACCUMULATED SURPLUS		25,016,340	24,521,859
Transfer from City capital		134,000	2,136,200
ENDING ACCUMULATED SURPLUS		\$ 23,474,128	\$ 25,016,340

See accompanying Notes to Financial Statements.

* Version 4 is the original budget approved by Vancouver City Council (excludes the 2013 wage provision)

VANCOUVER PUBLIC LIBRARY
Statement of Changes in Net Financial Assets
(unaudited)
Years Ended December 31

	2013	2012
Annual surplus (deficit)	\$ (1,676,212)	\$ (1,641,719)
Acquisition of tangible capital assets	(3,822,200)	(5,683,700)
Amortization of tangible capital assets	3,477,400	3,551,000
Loss on disposal of tangible capital assets	1,447,500	2,239,200
Proceeds on disposal of tangible capital assets	17,000	-
	1,119,700	106,500
Change in inventory and prepaids	19,609	406,695
Transfer from Capital for tangible capital assets	134,000	2,136,200
Change in net financial assets	(402,903)	1,007,676
Net financial assets at beginning of year	4,162,019	3,154,343
Net financial assets at end of year	\$ 3,759,116	\$ 4,162,019

See accompanying Notes to Financial Statements.

VANCOUVER PUBLIC LIBRARY
Statement of Cash Flows
(unaudited)
Years Ended December 31

	2013	2012
CASH PROVIDED BY (USED IN):		
Operating Transactions		
Annual surplus (deficit)	\$ (1,676,212)	\$ (1,641,719)
Items not involving cash		
Amortization	3,477,400	3,551,000
Loss on disposal of tangible capital assets	1,447,500	2,239,200
Transfer from capital	134,000	2,136,200
Proceeds on disposal of tangible capital assets	17,000	-
Change in non-cash items		
Decrease (increase) in inventory	26,208	18,729
Decrease (increase) in prepaids	(6,599)	387,966
Decrease (increase) in accounts receivable	(1,191)	(24,110)
Decrease (increase) in due from City of Vancouver	924,591	(901,239)
Increase (decrease) in accounts payable	<u>(522,318)</u>	<u>(198,509)</u>
	<u>3,820,379</u>	<u>5,567,518</u>
Financing Transactions		
Increase (decrease) in deferred income	<u>1,821</u>	<u>57,044</u>
Capital Transactions		
Acquisition of tangible capital assets	<u>(3,822,200)</u>	<u>(5,683,700)</u>
Investing		
Sale (Purchase) of investments	<u>-</u>	<u>59,138</u>
NET INCREASE (DECREASE) IN CASH	-	-
Cash at beginning of year	<u>-</u>	<u>-</u>
Cash at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

The Vancouver Public Library Board (Library) is established under the *Library Act of British Columbia* and is a registered charity under the *Income Tax Act*. Its principal activity is the operation of public libraries in the City of Vancouver (City).

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The financial statements of the Library have been prepared, in all material respects, in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

(b) Basis of Accounting

- (i) Revenues, with the exception of overdue book fines and lost book charges, are recorded in the period in which the transactions or events that give rise to the revenues occur. 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) Overdue book fine revenues and lost book charges are recorded on a cash basis.
- (iii) Expenditures are recorded in the period in which the goods or services are acquired and a liability is incurred or transfers are due.
- (iv) Inventory of supplies and materials are valued at cost with allowances made for obsolete stock. Cost is determined on a first in, first out basis.
- (v) 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 and the reported amounts of revenues and expenditures during the reporting period. Actual results will depend on future economic events and could differ from the estimates. Adjustments, if any, will be reflected in the period of settlement or upon a change in the estimate.
- (vi) Effective January 1, 2010, the Library adopted the recommendations under Section PS 1200 of the CICA Public Sector Accounting Board Handbook for financial statement presentation.

(c) Tangible Capital Assets

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. These capital assets are recorded at cost. Amortization is recorded on a straight line basis over the useful lives of the assets as follows:

Collections	10 years
Furniture and equipment	15 years
Technology	5 years

Note 1 (continued)

(d) 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.

(e) Long term debt

The City is responsible for all debt associated with the Library. The debt is reported in the City's Consolidated Statement of Financial Position and principal and interest payments are reported in the City's Consolidated Statement of Financial Activities.

(f) Pension Plan and Deferred Payroll 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.

2. DEFERRED INCOME

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

	<u>2012</u>	<u>2013</u>
Advanced receipts	<u>\$151,820</u>	<u>\$ 153,641</u>

3. RESERVES

These amounts are set aside by the Library Board with the approval of City Council for specific purposes.

	<u>2012</u>	Change <u>During Year</u>	<u>2013</u>
Grants and Donation	\$ 4,073,265	\$ (185,348)	\$ 3,887,917
Other	1,242,572	39,836	1,282,408
Equipment Replacement	<u>1,201,603</u>	<u>(289,000)</u>	<u>912,603</u>
	<u>\$ 6,517,440</u>	<u>\$ (434,512)</u>	<u>\$ 6,082,928</u>

4. DEFERRED PAYROLL COSTS

The liabilities reported in the 2013 financial statements are based on an actuarial valuation as at December 31, 2013 using the following valuation assumptions:

	<u>2012</u>	<u>2013</u>
Discount rate	4.25%	4.25%
Inflation rate	3.00%	3.00%
Rate of compensation increase	1.45% to 4.00%	1.45% to 4.00%

Employee benefit liabilities as at December 31 are as follows:

	<u>2012</u>	<u>2013</u>
Sick leave gratuity	\$ 389,000	\$ 376,000
Deferred Vacation	685,000	703,000
Non-vested accumulating sick leave	317,000	297,000
Other post employment benefits	<u>259,000</u>	<u>252,000</u>
	1,650,000	1,628,000
Unamortized actuarial gain	<u>228,000</u>	<u>238,000</u>
Liabilities to be funded from future revenues	\$ <u>1,878,000</u>	\$ <u>1,866,000</u>

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

	<u>2012</u>	<u>2013</u>
Balance, beginning of year	\$2,574,567	\$1,878,000
Current service cost	162,000	243,000
Interest cost	97,000	72,000
Amortization of Actuarial gain	(327,567)	(27,000)
Plan amendment	(228,000)	-
Actual benefits paid	<u>(400,000)</u>	<u>(300,000)</u>
Balance, end of year	<u>\$1,878,000</u>	<u>\$1,866,000</u>

5. 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 overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 179,000 active members and approximately 71,000 retired members. Active members include approximately 36,000 contributors from local governments.

The most recent actuarial 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 fiscal 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 costs to individual employers participating in the Plan,

The Library paid \$2,329,600 (2012 - \$2,246,200) for employer contributions to the Plan in 2013. Employees contributed \$2,071,300 (2012- \$2,002,400) in 2013.

(b) Contingent Legal Liabilities

As at December 31, 2013, there were no legal claims pending against the Library.

(c) Operating Leases

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

2014	1,028,700
2015	1,096,600
2016	1,000,800
2017	730,600
2018	737,400

6. TANGIBLE CAPITAL ASSETS

Cost	<u>2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>2013</u>
Furniture and Equipment	\$12,607,700	\$361,000	\$ (674,200)	\$12,294,500
Technology	5,186,200	228,500	(233,700)	5,181,000
Collections	<u>43,997,800</u>	<u>3,232,700</u>	<u>(3,270,800)</u>	<u>43,959,700</u>
	<u>\$61,791,700</u>	<u>\$3,822,200</u>	<u>\$(4,178,700)</u>	<u>\$61,435,200</u>
Accumulated Amortization	<u>2012</u>	<u>Amortization</u>	<u>Disposals</u>	<u>2013</u>
Furniture and Equipment	\$9,510,500	\$314,000	\$ (547,200)	\$9,277,300
Technology	3,421,600	561,300	(233,700)	3,749,200
Collections	<u>28,482,700</u>	<u>2,602,100</u>	<u>(1,933,300)</u>	<u>29,151,500</u>
	<u>\$41,414,800</u>	<u>\$3,477,400</u>	<u>\$(2,714,200)</u>	<u>\$42,178,000</u>
Net Book value				
Furniture and Equipment	\$3,097,200			\$3,017,200
Technology	1,764,600			1,431,800
Collections	<u>15,515,100</u>			<u>14,808,200</u>
	<u>\$20,376,900</u>			<u>\$19,257,200</u>

VANCOUVER PUBLIC LIBRARY
SCHEDULE OF REMUNERATION AND EXPENSES (A)

**Members of the Library
Board**

Expenses

Brooks, C.	Vice Chair	\$805
Chan, A		474
Epstein, K.		252
Evans, C.	Chair	84
Millward, D		19
		<hr/>
	Total	<u>\$1,634</u>

VANCOUVER PUBLIC LIBRARY
SCHEDULE OF REMUNERATION AND EXPENSES (B)

Employees' remuneration greater than \$75,000 and expenses

	<u>Expenses</u>	<u>Remuneration</u>
Baron, D	\$418	\$82,334
Barrington, S	425	90,886
Bliss, R	169	112,899
Burma, RL	740	78,416
Cahill, K	792	78,472
Campbell, I	-	83,902
Chan, K	2,274	85,927
Chen, G	288	75,957
Chou, M	479	76,068
Cribdon, G L.	-	81,357
Curry, L	536	83,113
Davies, B	586	94,208
De Castell, C	6,189	118,342
Dickson, E	452	83,107
Douglas, J	1,825	75,958
Elmslie, K	578	111,512
Esparo, D	626	111,077
Everall, S	635	111,947
Flaherty, S	878	135,234
Fortin, A	-	86,090
Fu, H	3,101	83,558
Guilmant-Smith, G	207	78,717
Guinn, D	876	129,230
Haaf, A	28	96,129
Hall, P	289	82,035
Hama, G	-	79,707
Horne, J	2,466	158,677
Iannacone, J	1,865	96,708
Ibey, M	1,552	112,314
Johal, S	285	82,664
Koep, M	685	79,646
Langley, M	138	82,177
Lightfoot, H	-	76,484
Ma, N	-	75,318
Masoumi, A	-	76,641
McGee, M	-	82,953

**VANCOUVER PUBLIC LIBRARY
SCHEDULE OF REMUNERATION AND EXPENSES (B)**

McNeilly, E J	-	113,604
Middlemass, C	116	110,671
Mildenberger, N	452	86,185
O' Coffey, T	2,223	75,003
Olsen, A	4,091	107,032
O'Shea, A	2,148	93,475
Payne, K	1,516	100,217
Preston, P	75	82,526
Quigley, T	-	94,963
Richmond, S	670	89,765
Russell, K	-	76,584
Safarian, L	441	76,028
Scudder, N	-	76,084
Singh, S	9,398	189,971
Smith, E	4,609	145,752
Tolentino, C	960	78,649
Tomkins, J	96	83,901
Tosa, Y	178	89,006
Uldall-Ekman, M	2,223	79,904
Van Kemenade, I	2,092	129,803
Voth, V	-	81,844
Wang, S	425	76,322
Watson, S C	123	87,093
Wilde, M	-	75,045
Wood, D	3,426	129,051
Wotherspoon, P	-	77,686
Employees' remuneration less than \$75,000		<u>23,975,589</u>
Total remuneration		29,811,517
Employer share of EI, CPP, and other benefits (*)		5,204,458
Accruals and amounts recorded in other accounts		<u>(998,101)</u>
Total per financial statements		<u>\$34,017,874</u>

Note. Some of the remunerations numbers listed above include 2013 payments related to prior year's frozen vacation banks.

(*) Payments to the Receiver General are made directly by the City of Vancouver on behalf of the Library. These payments are shown on this schedule at the standard rate allocated by the City of Vancouver, and not on the Schedule of Payments for the Provision of Goods and Services.

VANCOUVER PUBLIC LIBRARY
SCHEDULE OF PAYMENTS FOR THE PROVISION OF GOODS AND SERVICES

Payments to Vendors with a cumulative total greater than or equal to \$25,000

3M Canada Co.	\$181,862
Academic Bookbinding Co Ltd	42,311
Aquilini Properties LP	75,623
BC Hydro	144,587
BC Libraries Cooperative	324,060
Bibliocommons Inc.	30,404
Bridgeall Libraries Limited	27,051
Brink's Canada Limited	37,224
Brodart Canada Company	33,055
Cambridge University Press	32,818
CCH Canadian Limited	36,421
Champlain Square LP	165,666
Compugen Inc	480,161
Concord Security Corporation	192,587
CVS Midwest Tape	607,602
DA Architects + Planners	189,012
Ebsco canada Ltd.	300,526
Effective Data Solutions	25,256
Environics Analytics	33,201
First General Services	34,395
FortisBC Energy Inc	43,118
Gale Group	60,830
Great Courses	26,027
How To Video	34,289
Ingram (Electronic)	106,511
ITC Systems	104,368
Kidsbooks	142,237
Konica Minolta Business (leasing)	27,120
Konica Minolta Business Solutions	98,439
Librairie Monet	52,881
Library Bound Inc. (Elec)	263,711
Mainland Information Systems Ltd	156,047
Mal (Richmond)	38,396
Martello Property Services Inc	109,952
Newspapers Direct	53,437
Novell Canada	49,824

VANCOUVER PUBLIC LIBRARY
SCHEDULE OF PAYMENTS FOR THE PROVISION OF GOODS AND SERVICES

Oakridge Centre Vancouver	613,626
Oclc, Inc	100,759
OfficeMax Canada Grand & Toy	159,358
Openroad Communications	96,557
Overdrive	313,198
Pitneyworks	48,231
ProQuest LLC	143,578
Public Library Interlink	294,810
Raincoast Book Distribution Ltd.	42,775
Renaud-Bray	53,247
Roper Greyell	43,534
Securiguard Services Ltd	407,460
Sino United Publishing (Can) Ltd.	123,601
Swen Investment Ltd	169,762
Telus Communications (BC) Inc	26,672
Telus Services Inc	67,617
United Library Services Inc.	1,020,562
Vancouver Public Library Foundation	84,654
Whitehots Canadian Library Services	395,517
Workers' Compensation Board	124,572
World Book Educational Products	27,752
YWCA Vancouver	219,299
vendors > 25,000	<hr/> 8,938,150
vendors < 25,000	1,960,718
Sub total	<hr/> \$10,898,868
Capital asset purchases from Operating budget	(3,688,200)
Amortization and loss on disposals	4,924,900
Amounts charged to City, capital accounts, GST/HST rebates, Accruals, and Other	(1,178,668)
Amounts charged by City departments	<u>428,880</u>
Total per statement of operations	<u>\$11,385,780</u>
Total expense per statement of operations	\$45,403,654
Less salaries and benefits per statement of operations	<u>(34,017,874)</u>
Total non - salary and benefit expenses	<u>\$11,385,780</u>

Schedule of Debts

A Schedule of Debts has not been prepared because the information required is disclosed in the Statement of Financial Position and no additional information would be provided in the schedule.

Schedule of Guarantees and Indemnity Payments

The Vancouver Public Library has not given any guarantees or indemnities and a schedule would not provide any information.