

Financial Statements of



And Independent Auditors' Report thereon

Year ended December 31, 2020

PRINCE GEORGE PUBLIC LIBRARY

Table of Contents

	Page
Management Responsibility Statement	
Independent Auditors' Report	
Statement of Financial Position	1
Statement of Operations and Accumulated Surplus	2
Statement of Changes in Net Financial Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 16



The Prince George
Public Library
www.pgpl.ca

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Prince George Public Library (the "Library") are the responsibility of the Library's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Library's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Library's Board meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Library. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Library's financial statements.

Mike Gagel, Chair of Library Board

Paul Burry, Library Director



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Prince George Public Library

Opinion

We have audited the financial statements of Prince George Public Library (the Library), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2020 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Library in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

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



Page 2

In preparing the financial statements, management is responsible for assessing the Library's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Library or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Library's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Library's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Library's to cease to continue as a going concern.



Page 3

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Prince George, Canada

April 28, 2021



Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash and cash equivalents (note 2)	\$ 323,066	\$ 439,131
Investments (note 3)	214,578	208,835
Accounts receivable (note 4)	16,969	22,171
	<u>554,613</u>	<u>670,137</u>
Financial liabilities:		
Accounts payable and accrued liabilities (note 5)	153,581	171,718
Deferred revenue (note 6)	15,045	10,466
Due to related party (note 7)	162,520	212,049
	<u>331,146</u>	<u>394,233</u>
Net financial assets	223,467	275,904
Non-Financial Assets:		
Tangible capital assets (note 8)	1,191,875	1,119,493
Prepaid expenses	44,915	48,947
	<u>1,236,790</u>	<u>1,168,440</u>
Accumulated surplus (note 10)	<u>\$ 1,460,257</u>	<u>\$ 1,444,344</u>

See accompanying notes to financial statements.

On behalf of the Library:







Statement of Operations and Accumulated Surplus

Year ended December 31, 2020, with comparative information for 2019

	2020 Budget (note 11)	2020 Actual	2019 Actual
Revenue:			
Municipal funding (note 7)	\$ 3,785,067	\$ 3,785,070	\$ 3,683,401
Provincial funding	215,000	215,293	215,293
Internally generated revenue (note 9)	90,900	32,049	108,113
Fundraising	-	71,910	114,078
	<u>4,090,967</u>	<u>4,104,322</u>	<u>4,120,885</u>
General expenses:			
Acquisitions, circulation and office supplies	21,075	67,549	16,033
Amortization	-	288,053	355,182
Fundraising	-	13,431	60,722
General and administrative	154,450	152,852	159,734
Information technology	102,572	131,236	106,524
Loss on disposal of tangible capital assets	-	13,925	4,337
Materials	280,500	275,784	278,207
Rent (note 7)	76,500	74,911	75,440
Repairs and maintenance	139,950	173,317	106,223
Salaries and benefits	<u>3,061,350</u>	<u>2,897,351</u>	<u>2,957,717</u>
	<u>3,836,397</u>	<u>4,088,409</u>	<u>4,120,119</u>
Annual surplus	254,570	15,913	766
Accumulated surplus, beginning of year	1,444,344	1,444,344	1,443,578
Accumulated surplus, end of year	<u>\$ 1,698,914</u>	<u>\$ 1,460,257</u>	<u>\$ 1,444,344</u>

See accompanying notes to financial statements.



Statement of Changes In Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	Budget	Total 2020	Total 2019
Annual surplus	\$ 254,570	\$ 15,913	\$ 766
Acquisition of tangible capital assets	(254,570)	(374,360)	(246,243)
Amortization of tangible capital assets	-	288,053	355,182
Loss on sale of tangible capital assets	-	13,925	4,337
	-	(56,469)	114,042
<u>Change in prepaid expenses</u>	-	4,032	(32,454)
Change in net financial assets	-	(52,437)	81,588
Net financial assets, beginning of year	275,904	275,904	194,316
<u>Net financial assets, end of year</u>	<u>\$ 275,904</u>	<u>\$ 223,467</u>	<u>\$ 275,904</u>

See accompanying notes to financial statements.



Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 15,913	\$ 766
Items not involving cash:		
Amortization	288,053	355,182
<u>Loss on disposal of property, plant and equipment</u>	<u>13,925</u>	<u>4,337</u>
	317,891	360,285
Changes in non-cash operating working capital:		
Prepaid expenses	4,032	(32,454)
Accounts receivable	5,202	(3,106)
Accounts payable and accrued liabilities	(18,137)	50,260
Deferred revenue	4,579	(13,748)
<u>Due to related party</u>	<u>(49,529)</u>	<u>33,855</u>
	264,038	395,092
Financing activities:		
Payment of capital lease obligation	-	(2,687)
Investing activities:		
Purchase of tangible capital assets	(374,360)	(246,243)
<u>Increase in investments</u>	<u>(5,743)</u>	<u>(4,955)</u>
	(380,103)	(251,198)
(Decrease) increase in cash and cash equivalents	(116,065)	141,207
Cash and cash equivalents, beginning of year	439,131	297,924
<u>Cash and cash equivalents, end of year</u>	<u>\$ 323,066</u>	<u>\$ 439,131</u>

See accompanying notes to financial statements.



Notes to Financial Statements

Year ended December 31, 2020

Nature of operations:

Prince George Public Library (the "Library") was established under the Library Act of British Columbia. Its principal activity is the operation of the public library serving residents of the City of Prince George and surrounding areas. The Library is a registered charity and is exempted from income tax.

The COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the Library has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Experienced temporary declines in internally generated revenue
- Temporary closure of the physical Library facilities to the public based on public health recommendations
- Modifying work and public spaces to facilitate social distancing

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations of the Library. An estimate of the financial effect is not practicable at this time.

1. Significant accounting policies:

These financial statements are prepared by management in accordance with Canadian public sector accounting standards. The Library's significant accounting policies are as follows:

(a) Reporting entity:

The financial statements include the combination of all the assets, liabilities, revenues, expenses and changes in net financial assets of the Library. The Library does not control any external entities and accordingly, no entities have been consolidated with the financial statements. Inter-fund transactions have been eliminated.



Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(b) Basis of accounting:

The Library follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

(c) Revenue recognition:

Receipts that are restricted by legislation or by agreement with external parties are deferred and reported as deferred revenue. When qualifying expenses are incurred, deferred revenues are brought into revenue in equal amounts.

Fines are recorded when received as a result of the difficulty in determining collectability.

(d) Government transfers:

Government transfers are recognized in the financial statements as revenue in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Government transfers with stipulations are recognized as revenue when authorized and eligibility criteria have been met, except to the extent the transfer gives rise to an obligation that meets the definition of a liability.

(e) Investments:

Investments are recorded at cost plus accrued income. Investment income is reported as revenue in the period earned. When there has been a loss in value that is other than a temporary decline in value, the respective investment is written down to recognize the loss.

(f) 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.



Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(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 are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Building improvements	15 years
Computer infrastructure	3 - 10 years
Equipment	5 - 15 years
Furniture	15 - 20 years
Library collection	5 years
Other	20 years
Vehicles	5 years

(i) Tangible capital assets:

Amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

When a tangible capital asset no longer contributes to the Library's ability to provide services, its carrying amount is written down to its residual value.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted as operating leases and the related payments are charged to expenses as incurred.



Notes to Financial Statements (continued)

Year ended December 31, 2020

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

(iv) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(g) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles 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 date of the financial statements and the reported amounts of revenue and expenses during the year. Items subject to such estimates and assumptions include the carrying amount of accounts receivable, amortization periods for tangible capital assets and the carrying amount of accrued liabilities.

2. Cash and cash equivalents:

The Library considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less at the date acquisition as cash and cash equivalents. The major components of cash and cash equivalents are as follows:

	2020	2019
Cash on hand	\$ 260,260	\$ 376,833
MFA money market fund	62,806	62,298
	\$ 323,066	\$ 439,131



Notes to Financial Statements (continued)

Year ended December 31, 2020

3. Investments:

	2020	2019
MFA intermediate fund	\$ 178,640	\$ 175,070
MFA bond fund	35,938	33,765
	<u>\$ 214,578</u>	<u>\$ 208,835</u>

4. Accounts receivable:

	2020	2019
Trade receivables	\$ 1,558	\$ 10,884
Sales taxes receivable	12,411	8,287
Donations	3,000	3,000
	<u>\$ 16,969</u>	<u>\$ 22,171</u>

5. Accounts payable and accrued liabilities:

	2020	2019
Accounts payable - trade	\$ 20,419	\$ 64,342
Payroll wages and benefits	133,162	107,376
	<u>\$ 153,581</u>	<u>\$ 171,718</u>



Notes to Financial Statements (continued)

Year ended December 31, 2020

6. Deferred revenue:

Deferred revenue, reported on the statement of financial position, is comprised of the unspent portion of restricted grants and donations as follows:

	2020	2019
Law matters	\$ 14	\$ 14
Books for babies	6,407	6,407
Friends project	18	18
Knowledge garden	955	955
Local history	242	292
Raise a reader	1,293	247
Children's programs	4,738	814
Teen programs	1,187	1,525
Other	191	194
	\$ 15,045	\$ 10,466



Notes to Financial Statements (continued)

Year ended December 31, 2020

7. Due to related party:

The City of Prince George (the "City") is a related party to the Prince George Public Library as the Library operates under the City's By-Law No. 801, dated June 20, 1955. During the course of the year, the Library conducted the following transactions with the City:

	2020	2019
Operating grant received	\$ 3,785,070	\$ 3,683,401
Rent expense	(74,911)	(75,440)

The Library and the City entered into an agreement whereas the Library was to use the City's Bob Harkins Library facility free of charge and the operating grant they received from the City would be reduced by the equivalent amount. The rent paid and received free of charge for facilities has been recorded at the carrying amount as management is not able to determine the fair value of these transactions.

The City also provides payroll processing for the Library at no charge. The amount due to the City of Prince George of \$162,520 (2019 - \$212,049) relates to payroll expenses paid by the City as well as utility and rent expenses. The balances due to related parties are unsecured, non-interest bearing with no specific terms of repayment.

Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Tangible capital assets:

2020	Building improvements	Furniture	Equipment	Computer infrastructure	Library collection	Vehicles	Other	Total
Cost								
Balance, beginning of year	\$ 318,733	\$ 735,662	\$ 252,533	\$ 577,127	\$ 1,094,825	\$ 35,363	\$ 205,550	\$ 3,219,793
Additions	11,065	129,118	60,143	15,865	158,169	-	-	374,360
Disposals	-	(58,060)	(16,723)	(12,456)	(213,385)	-	-	(300,624)
Balance, end of year	329,798	806,720	295,953	580,536	1,039,609	35,363	205,550	3,293,529
Accumulated amortization								
Balance, beginning of year	106,295	467,785	225,970	520,927	577,260	10,609	191,454	2,100,300
Amortization	12,309	40,363	6,497	20,883	199,811	7,073	1,117	288,053
Disposals	-	(40,813)	(16,723)	(12,456)	(216,707)	-	-	(286,699)
Balance, end of year	118,604	467,335	215,744	529,354	560,364	17,682	192,571	2,101,654
Net book value, end of year	\$ 211,194	\$ 339,385	\$ 80,209	\$ 51,182	\$ 479,245	\$ 17,681	\$ 12,979	\$ 1,191,875



Notes to Financial Statements (continued)

Year ended December 31, 2020

8. Tangible capital assets (continued):

2019	Building improvements	Furniture	Equipment	Computer infrastructure	Library collection	Vehicles	Other	Total
Cost								
Balance, beginning of year	\$ 318,733	\$ 745,187	\$ 258,627	\$ 571,652	\$ 1,132,535	\$ 35,363	\$ 194,166	\$ 3,256,263
Additions	-	-	19,068	24,968	188,407	-	13,800	246,243
Disposals	-	(9,525)	(25,162)	(19,493)	(226,117)	-	(2,416)	(282,713)
Balance, end of year	318,733	735,662	252,533	577,127	1,094,825	35,363	205,550	3,219,793
Accumulated amortization								
Balance, beginning of year	94,354	442,199	231,762	503,275	574,734	3,536	173,634	2,023,494
Amortization	11,941	35,111	19,370	34,732	227,630	7,073	19,325	355,182
Disposals	-	(9,525)	(25,162)	(17,080)	(225,104)	-	(1,505)	(278,376)
Balance, end of year	106,295	467,785	225,970	520,927	577,260	10,609	191,454	2,100,300
Net book value, end of year	\$ 212,438	\$ 267,877	\$ 26,563	\$ 56,200	\$ 517,565	\$ 24,754	\$ 14,096	\$ 1,119,493



Notes to Financial Statements (continued)

Year ended December 31, 2020

9. Internally generated revenue:

Revenue was generated from from the following internal services:

	2020	2019
Late charges	\$ 15,116	\$ 53,255
Interest	6,370	8,441
Lost and damaged materials	6,867	26,649
Photocopier	1,926	7,833
Miscellaneous	1,770	11,935
	<u>\$ 32,049</u>	<u>\$ 108,113</u>

10. Accumulated surplus:

Accumulated surplus is made up of the following:

	2020	2019
Investment in tangible capital assets	\$ 1,191,875	\$ 1,119,493
Appropriated surplus	91,202	165,102
Unrestricted surplus	177,180	159,749
	<u>\$ 1,460,257</u>	<u>\$ 1,444,344</u>



Notes to Financial Statements (continued)

Year ended December 31, 2020

10. Accumulated surplus (continued):

Appropriated surplus is made up of the following:

	2020	2019
Administration	\$ 4,512	\$ 5,462
Adult programs	1,344	-
Equity literacy	10,090	9,868
Reading without rules	-	987
Skate for literacy	-	500
Technology	1,961	-
Van fund	14,445	17,842
BOD collections fund	6,256	2,857
BOD current campaign fund	37,419	26,065
BOD greatest need fund	8,917	6,102
BOD programs fund	912	697
BOD spaces fund	571	90,051
BOD special events fund	4,775	4,671
	\$ 91,202	\$ 165,102

11. Budget data:

The budget data presented in these financial statements is based upon the 2020 operating budget approved by the Library Board. Amortization was not contemplated on development of the budget and, as such, has not be included.

12. Legacy fund:

The Library has previously entered into an agreement with the Prince George Community Foundation (the "Foundation") whereby funds will be transferred to the Foundation to be held and invested in a Prince George Library Legacy Fund (a "Fund"), with the purpose of the Fund being to enhance the ability of the Library to deliver quality library services. The Library has a balance at December 31, 2020 of \$62,186 (2019 - \$63,508) in the Fund.



Notes to Financial Statements (continued)

Year ended December 31, 2020

13. Municipal pension plan:

The Library and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The Library paid \$205,677 (2019 - \$191,693) for employer contributions to the plan in fiscal 2020.

The next valuation will be as at December 31, 2021, with results available in 2022. 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.

14. Economic dependence:

Approximately 92% (2019 - 89%) of the Library's revenues are derived from contributions from the City of Prince George. Should this funding be cancelled or not renewed, management is of the opinion that the continued viability of operations would not be assured.