



Grant Thornton

Financial Statements

Annapolis Valley Regional Library

March 31, 2017

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Independent auditor's report

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To the Chairman and Members of the Board of the

Annapolis Valley Regional Library

We have audited the accompanying financial statements of the Annapolis Valley Regional Library, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net financial assets and cash flows for the year then ended, and 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.

Auditor's 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 the 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 the auditor's 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, the auditor considers 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.



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

Basis for qualified opinion

The Library has an obligation for sick leave benefits for certain employees. Management has not had the benefit obligation calculated by an actuary and as the amount cannot be reasonably determined by other methods, no liability has been recorded. Not recording the benefit obligation liability and expense constitutes a departure from Canadian public sector accounting standards. Accordingly, liabilities and expenses are understated.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Annapolis Valley Regional Library as at March 31, 2017 and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Kentville, Canada
June 15, 2017

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

Annapolis Valley Regional Library Statement of Financial Position

As at

	March 31, 2017	March 31, 2016
Financial assets		
Cash and cash equivalents (Note 3)	\$ 542,961	\$ 618,517
Receivables	32,176	61,143
	575,137	679,660
 Liabilities		
Payables and accruals	145,803	137,276
Deferred revenue (Note 4)	145,072	124,811
	290,875	262,087
 Net financial assets	284,262	417,573
 Non-financial assets		
Tangible capital assets (Schedule)	786,965	787,265
Prepays	36,739	53,787
	823,704	841,052
 Accumulated surplus (Note 5)	\$ 1,107,966	\$ 1,258,625

Commitments (Note 6)

Approved by

 Chairman

 Member of the Board

See accompanying notes and schedules to the financial statements.

Annapolis Valley Regional Library

Statement of Operations

Year Ended March 31

	Budget (Note 11)	2017	2016
Revenue (Schedule)			
Contributions from governments			
Province of Nova Scotia	\$ 1,739,200	\$ 1,739,200	\$ 1,739,200
Municipal councils	521,734	521,734	517,926
Towns	115,166	115,166	118,974
Community Access Program (C@P)	35,000	41,292	36,350
Library facility projects	-	128,142	100
Board generated funding	90,750	101,044	86,651
Gain on disposal of assets	-	-	265
Other revenue	-	9,463	9,522
	<u>2,501,850</u>	<u>2,656,041</u>	<u>2,508,988</u>
Expenditures			
Advertising	5,000	3,896	4,322
Amortization	261,168	261,168	263,182
Bank and payroll service charges	6,750	7,858	7,923
C@P	35,000	41,292	36,350
CEO search	-	-	10,757
Employee benefits	268,000	256,729	264,715
Insurance	15,000	14,986	16,510
Janitor	5,400	4,761	5,175
Library facility projects	-	128,142	100
Library materials - other	-	24,747	21,691
Miscellaneous and moving costs	4,500	15,530	2,464
Postage and shipping	7,500	10,237	10,504
Professional fees	15,000	18,392	29,518
Programming	5,000	12,240	9,586
Recycling	3,000	2,270	3,263
Rent	60,000	59,670	54,028
Repairs and maintenance			
Equipment	43,000	45,524	40,932
Building	500	230	1,415
Salaries and wages	1,815,000	1,778,540	1,767,191
Special programming	-	22,757	15,268
Supplies	32,000	41,475	36,276
Travel and training	46,000	33,531	39,273
Utilities	7,500	7,460	7,469
Vehicle operating	20,000	15,265	15,306
	<u>2,655,318</u>	<u>2,806,700</u>	<u>2,663,218</u>
Annual deficiency	<u>\$ (153,468)</u>	<u>(150,659)</u>	<u>(154,230)</u>
Accumulated surplus			
Accumulated surplus, beginning of year		<u>1,258,625</u>	<u>1,412,855</u>
Accumulated surplus, end of year		<u>\$ 1,107,966</u>	<u>\$ 1,258,625</u>

See accompanying notes and schedules to the financial statements.

Annapolis Valley Regional Library Statement of Changes in Net Financial Assets

Year Ended March 31	Budget (Note 11)	2017	2016
Annual deficiency	\$ (153,468)	\$ (150,659)	\$ (154,230)
Acquisition of tangible capital assets	(246,500)	(260,868)	(284,954)
Amortization of tangible capital assets	263,182	261,168	263,182
Gain on sales of tangible capital assets	-	-	(265)
Proceeds on disposal	<u>-</u>	<u>-</u>	<u>5,000</u>
	(136,786)	(150,359)	(171,267)
Decrease (increase) in prepaids	<u>-</u>	<u>17,048</u>	<u>(17,714)</u>
Decrease in net financial assets	(136,786)	(133,311)	(188,981)
Net financial assets, beginning of year		<u>417,573</u>	<u>606,554</u>
Net financial assets, end of year		<u>\$ 284,262</u>	<u>\$ 417,573</u>

See accompanying notes and schedules to the financial statements.

Annapolis Valley Regional Library

Statement of Cash Flows

Year Ended March 31

2017

2016

Increase (decrease) in cash and cash equivalents

Operating		
Annual deficiency	\$ (150,659)	\$ (154,230)
Amortization	261,168	263,182
Gain on disposal of assets	<u>-</u>	<u>(265)</u>
	110,509	108,687
Change in non-cash operating working capital		
Receivables	28,967	(2,808)
Prepays	17,048	(17,714)
Payables and accruals	4,975	57,064
Deferred revenue	<u>23,813</u>	<u>1,516</u>
	185,312	146,745
Capital		
Purchase of capital assets		
Books and periodicals	(243,977)	(225,362)
Equipment and computers	(16,891)	(15,112)
Vehicles	-	(44,480)
Proceeds from disposal of vehicle	<u>-</u>	<u>5,000</u>
	(260,868)	(279,954)
Net decrease in cash and cash equivalents	(75,556)	(133,209)
Cash and cash equivalents, beginning of year	<u>618,517</u>	<u>751,726</u>
Cash and cash equivalents, end of year	\$ 542,961	\$ 618,517

See accompanying notes and schedules to the financial statements.

Annapolis Valley Regional Library

Notes to the Financial Statements

March 31, 2017

1. Nature of organization

The Annapolis Valley Regional Library (the Library) is a corporate body deemed to be a regional library board established under the *Libraries Act of Nova Scotia*. Under this Act, the Library operates public libraries in communities throughout the Annapolis Valley and is responsible for the delivery of public library services, as defined by the Provincial Librarian.

The Library is not subject to income taxes under Section 149(1) of the *Income Tax Act*.

2. Summary of significant accounting policies

The financial statements of the Library are the responsibility of and are prepared by management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the Library are as follows:

Basis of accounting

Items recognized in government financial statements are accounted for in accordance with the accrual basis of accounting. The accrual basis of accounting recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. Accrual accounting recognizes a liability until the obligation or condition(s) underlying the liability is partly or wholly satisfied. Accrual accounting recognizes an asset until the future economic benefit underlying the asset is partly or wholly used or lost.

Budget figures

As recommended by the Public Sector Accounting Board of CPA Canada, the financial statements show a comparison of actual results with the budget.

Revenue recognition

All non-government contributions or grant revenues that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted inflow received before the criterion has been met is reported as a liability until the resources are used for the purpose or purposes specified.

Unrestricted investment income is recognized as it is earned in the statement of operations. Externally restricted net investment income is deferred and recognized as revenue in the statement of operations when it is used for the purpose or purposes specified.

Fines are recognized when received. Book sales are recognized as revenue when the goods are delivered and collection is reasonably assured.

Annapolis Valley Regional Library

Notes to the Financial Statements

March 31, 2017

2. Summary of significant accounting policies (continued)

Government transfers

Government transfers received are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

Government transfers to individuals and other entities are recognized as an expense when the transfers are authorized and all eligibility criteria have been met.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, bank overdrafts and term deposits with maturities of three months or less.

Tangible capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution unless an estimate of fair value cannot be made, in which case the item is recognized at a nominal value. Capital assets are amortized over their estimated useful lives as follows:

Equipment	20%	declining balance basis
Books and periodicals	25%	declining balance basis
Vehicles	30%	declining balance basis
Computers and systems	20%	declining balance basis
Leasehold improvements	33%	straight-line basis

When a tangible capital asset no longer contributes to the Library's ability to provide goods and services or the value of future economic benefits associated with the tangible capital asset is less than its net book value, its cost is reduced to reflect its decline in value and the write-down is recognized as an expense in the statement of operations. Any write-downs recognized are not reversed.

The Library capitalizes items with a useful life exceeding one year.

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.

Leases

An operating lease is a lease where substantially all the benefits and risks incidental to ownership of the property are not transferred to the Entity.

Lease rentals under operating leases are included in the determination of net income over the lease term on the same basis as the related payments.

Annapolis Valley Regional Library

Notes to the Financial Statements

March 31, 2017

2. Summary of significant accounting policies (continued)

Financial instruments

All financial instruments are recorded at their cost or amortized cost. Their initial cost is adjusted by the amount of the directly-related financing fees and transaction costs.

The Library uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, accounts receivable, grants receivable and accounts payable.

At each reporting date, the Library records financial assets at the lower of cost and net recoverable value. Changes in valuation allowances are recognized in expenses in the statement of operations. When the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery, the receivable is reduced by the amount of that loss.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

Items subject to significant management estimates include amortization.

Annapolis Valley Regional Library

Notes to the Financial Statements

March 31, 2017

3. Designated assets

As at year end, externally restricted projects with funding being separately tracked were as follows:

Projects administered on behalf of the provincial government:

- C@P Funds used to promote and provide internet access to communities

Projects administered on behalf of private community groups or individuals:

- Annapolis Royal Funds for expenses incurred for the Annapolis Royal Library branch
- C. Chipman Memorial Fund Funds for expenses incurred and upgrades to the Wolfville Library branch

As at year end, the Library designated the following assets for use in projects listed below:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents		
C@P	\$ 6,318	\$ 45,962
Annapolis Royal	13,153	13,141
C. Chipman Memorial Fund	11,399	12,849
Kentville Friends	<u> </u>	<u>17,566</u>
	<u>\$ 30,870</u>	<u>\$ 89,513</u>

Annapolis Valley Regional Library

Notes to the Financial Statements

March 31, 2017

4. Deferred revenue

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Deferred revenue, opening	\$ 124,811	\$ 123,295
Contributions recognized:		
Provincial	52,633	7,677
Private	<u>166,351</u>	<u>19,813</u>
	(94,173)	95,805
Contributions deferred:		
Provincial	52,667	-
Private	<u>186,578</u>	<u>29,006</u>
Deferred revenue, ending	<u>\$ 145,072</u>	<u>\$ 124,811</u>

Provincial contributions represent funds collected from the provincial government to cover the cost of specific projects administered by the library.

Private contributions represent donations and/or grant funds received from various sources that have restricted their use to specific projects. These funds remain in deferred revenue until used for the purpose or purposes specified.

Annapolis Valley Regional Library

Notes to the Financial Statements

March 31, 2017

5. Accumulated surplus

The Library segregates its accumulated surplus into the following categories:

	March 31, 2017	March 31, 2016
Investment in tangible capital assets	\$ 786,966	\$ 787,265
Operating	155,748	291,355
Reserve funds		
Vehicles	27,957	27,929
Equipment	25,400	39,935
Staff education	11,895	11,884
Investment	<u>100,000</u>	<u>100,257</u>
Accumulated surplus	<u>\$ 1,107,966</u>	<u>\$ 1,258,625</u>

The investment in tangible capital assets represents amounts already spent and invested in infrastructure and other non-financial assets.

Reserve funds represent funds set aside by resolution of the Board of Directors for specific purposes.

6. Commitments

Books

As at March 31, 2017, the Library had placed orders for books and periodicals valued at \$53,204 (2016 - \$37,054). This amount is not included in the current year purchases.

Rent

The Library is committed to a 20 year lease expiring 2037 for the rental of headquarter office space. Annual rent under the agreement is \$59,147 plus HST; increased by the lesser of the consumer price index or 1.5% each year.

Copier lease

The Library is required to make payments under an operating lease agreement in each of the next four years as follows:

2018	\$ 5,804
2019	\$ 5,804
2020	\$ 5,804
2021	\$ 2,902

Annapolis Valley Regional Library

Notes to the Financial Statements

March 31, 2017

7. Other matters

Pension plan

The Library has an employee defined contribution registered pension plan. Under this plan, the Library is required to contribute a percentage of annual compensation paid per eligible employee to a specified maximum. For 2017, the expense related to this plan amounted to \$89,632 (2016 - \$97,794).

8. Financial instrument risks

The Library's financial instrument risk exposure is detailed as follows.

Credit risk

The Library has determined that the financial assets with credit risk exposure are accounts and grants receivable since failure of any of these parties to fulfill their obligations could result in significant financial losses for the Library. The Library is also exposed to concentration risk in that all of its cash is held with one financial institution and the balances held are in excess of Canadian Deposit Insurance Corporation Limits.

The Library measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Library's historical experience regarding collections. The amounts outstanding at year end were as follows:

	<u>Total</u>	<u>0 – 30 Days</u>	<u>31 – 60 Days</u>	<u>61 – 90 Days</u>	<u>91+ Days</u>
Government receivables	\$ 31,629	31,629	-	-	-
Other receivables	<u>\$ 548</u>	<u>368</u>	<u>25</u>	<u>25</u>	<u>130</u>
Total	<u>\$ 32,177</u>	<u>31,997</u>	<u>25</u>	<u>25</u>	<u>130</u>

Credit risk of accounts receivable is mitigated by limiting the balance at any given time by requiring payments at the point of delivery of goods or provision of services.

Credit risk of grants receivable is mitigated by ensuring all grants are entered into by way of contract.

Liquidity risk

The Library's liquidity risk represents the risk that the Library could encounter difficulty in meeting obligations associated with its financial liabilities. The Library is, therefore, exposed to liquidity risk with respect to its accounts payable.

The Library mitigates this risk by maintaining financial assets well above the balance of accounts payable. The Library does not allow payables to accumulate by making payments within 30 days.

The amounts outstanding at year end were as follows:

	<u>Total</u>	<u>0 – 30 Days</u>	<u>31 – 60 Days</u>	<u>61 – 90 Days</u>	<u>91+ Days</u>
Accounts payable and accrued liabilities	\$ 145,803	\$ 145,803	-	-	-
Total	<u>\$ 145,803</u>	<u>\$ 145,803</u>	<u>-</u>	<u>-</u>	<u>-</u>

Annapolis Valley Regional Library

Notes to the Financial Statements

March 31, 2017

8. Financial instrument risks (continued)

Market risk

The Library is not exposed to significant market risk.

Changes in risk

During the year, the Library's exposure to financial instrument risks did not change.

9. Statement of remeasurement gain and losses

Under PSAS, the Library is required to present a statement of remeasurement gains and losses. This statement has not been presented in the Library's March 31, 2017 financial statements on the basis that there were no remeasurements during the periods presented.

10. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.

Annapolis Valley Regional Library

Notes to the Financial Statements

March 31, 2017

11. Budget figures

PSAS requires a comparison of the results for the period with those originally planned on the same basis as that used for actual results. The fiscal plan in the statement of operations has been adjusted to be on a consistent basis as actual results. Below is a reconciliation of the figures from the approved fiscal budget to the fiscal budget per the financial statements. The reconciling items include purchases and amortization of tangible capital assets, revenues from prior period deferrals, restricted donations, and gas tax rebates.

	Approved Operating Budget	Adjustments	Budget Per Financial Statements
Revenue			
Appropriations from Governments			
Province of Nova Scotia	\$ 1,739,200	\$ -	\$ 1,739,200
Municipal councils	521,734		521,734
Towns	115,166		115,166
Community Access Program (C@P)	35,000		35,000
Board generated funding	92,750	(2,000)	90,750
Other revenue	1,250	(1,250)	-
Expenditures			
Advertising	5,000		5,000
Amortization	-	261,168	261,168
Bank and payroll service charges	6,750		6,750
C@P	35,000		35,000
Employee benefits	268,000		268,000
Equipment purchases	6,000	(6,000)	-
Insurance	15,000		15,000
Janitor	5,400		5,400
Library materials – other	240,500	(240,500)	-
Miscellaneous	4,500		4,500
Postage and shipping	7,500		7,500
Professional fees	15,000		15,000
Programming	5,000		5,000
Recycling	3,000		3,000
Rent	60,000		60,000
Repairs and maintenance			
Equipment	43,000		43,000
Building	500		500
Salaries and wages	1,815,000		1,815,000
Special programming	-		-
Supplies	32,000		32,000
Travel and training	46,000		46,000
Utilities	7,500		7,500
Vehicle operating	20,000		20,000
Annual surplus	<u>\$ (135,550)</u>	<u>\$ (17,918)</u>	<u>\$ (153,468)</u>

Annapolis Valley Regional Library

Schedule of Revenues

Year Ended March 31

2017

2016

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Appropriations from Governments			
Province of Nova Scotia	\$ 1,739,200	\$ 1,739,200	\$ 1,739,200
Municipal councils			
Municipality of the			
County of Kings	305,252	305,252	305,252
Municipality of the			
County of Annapolis	120,718	120,718	120,718
Municipality of the			
District of West Hants	95,764	95,764	91,956
Towns of			
Annapolis Royal	2,824	2,824	2,824
Berwick	15,767	15,767	15,767
Hantsport	-	-	3,808
Kentville	36,948	36,948	36,948
Middleton	11,528	11,528	11,528
Windsor	23,779	23,779	23,779
Wolfville	24,320	24,320	24,320
C@P	<u>35,000</u>	<u>41,292</u>	<u>36,350</u>
	<u>2,411,100</u>	<u>2,417,392</u>	<u>2,412,450</u>
Library facility projects	-	128,142	100
Board generated funding			
Fines, donations and book sales	84,000	98,216	79,722
Interest income	<u>6,750</u>	<u>2,828</u>	<u>6,929</u>
	<u>90,750</u>	<u>101,044</u>	<u>36,651</u>
Gain on disposal of capital assets	-	-	<u>265</u>
Other revenue	-	<u>9,463</u>	<u>9,522</u>
Total revenue	<u>\$ 2,501,850</u>	<u>\$ 2,656,041</u>	<u>\$ 2,508,988</u>

Annapolis Valley Regional Library Schedule of Tangible Capital Assets

As at

	March 31, 2017									
	Opening	Cost Additions	Disposals	Closing	Opening	Accumulated Amortization Expense	Disposals	Closing	Opening	Net Book Value Closing
Equipment	\$ 171,642	\$ 16,891	\$ -	\$ 188,533	\$ 166,556	\$ 4,395	\$ -	\$ 170,951	\$ 5,086	\$ 17,582
Books and periodicals	2,464,078	243,977	(309,540)	2,398,515	1,810,254	224,450	(309,540)	1,725,164	\$ 653,824	673,351
Vehicles	147,647	-	-	147,647	81,125	19,957	-	101,082	\$ 66,522	46,565
Computers and systems	888,494	-	-	888,494	826,661	12,366	-	839,027	\$ 61,833	49,467
Leasehold improvements	19,353	-	(19,353)	-	19,353	-	(19,353)	-	-	-
Total	\$ 3,691,214	\$ 260,868	\$ (328,893)	\$ 3,623,189	\$ 2,903,949	\$ 261,168	\$ (328,893)	\$ 2,836,224	\$ 787,265	\$ 786,965

	March 31, 2016									
	Opening	Cost Additions	Disposals	Closing	Opening	Accumulated Amortization Expense	Disposals	Closing	Opening	Net Book Value Closing
Equipment	\$ 171,642	\$ -	\$ -	\$ 171,642	\$ 165,284	\$ 1,272	\$ -	\$ 166,556	\$ 6,358	\$ 5,086
Books and periodicals	2,807,134	225,362	(568,418)	2,464,078	2,160,730	217,942	(568,418)	1,810,254	\$ 646,404	653,824
Vehicles	131,341	44,480	(28,174)	147,647	76,054	28,510	(23,439)	81,125	\$ 55,287	66,522
Computers and systems	873,382	15,112	-	888,494	811,203	15,458	-	826,661	\$ 62,179	61,833
Leasehold improvements	19,353	-	-	19,353	19,353	-	-	19,353	\$ -	-
Total	\$ 4,002,852	\$ 284,954	\$ (596,592)	\$ 3,691,214	\$ 3,232,624	\$ 263,182	\$ (591,857)	\$ 2,903,949	\$ 770,228	\$ 787,265