

Cranbrook Public Library
Financial Statements
December 31, 2009

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Auditors' Report

**To the Members of the Board of
the Cranbrook Public Library**

We have audited the statement of financial position of the Cranbrook Public Library as at December 31, 2009, the statement of operations, and the statement of changes in net financial assets for the year then ended. These financial statements are the responsibility of the management of the Cranbrook Public Library. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Cranbrook Public Library as at December 31, 2009 and the results of its financial activities for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants

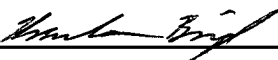
Cranbrook, BC
April 7, 2010

Cranbrook Public Library Statement of Financial Position

December 31	2009	2008
		(Note 1)
Financial Assets		
Cash and short-term deposits (Note 2)	\$ 130,560	\$ 109,685
Accounts receivable	13,514	16,550
	144,074	126,235
Liabilities		
Accounts payable and accrued liabilities	62,720	68,124
Deferred revenue (Note 3)	14,166	14,600
Capital lease obligation (Note 4)	26,618	-
	103,504	82,724
Net Financial Assets	40,570	43,511
Non-Financial Assets		
Tangible capital assets (Note 7)	535,238	510,117
Accumulated Surplus (Note 9)	\$ 575,808	\$ 553,628

On behalf of the Board


_____ Member


_____ Member Chief Librarian

Cranbrook Public Library Statement of Operations

For the year ended December 31	2009	2009	2008
	(Note 10)		(Note 1)
	<i>Budget</i>	Actual	Actual
Revenue			
Grants			
- Province of British Columbia	\$ 103,460	\$ 123,616	\$ 103,165
- Government of Canada	-	852	-
- City of Cranbrook	459,580	459,580	441,055
- Regional District of East Kootenay	114,901	125,901	129,683
- Community Access Program	5,694	6,674	3,706
- Other	-	3,000	-
Donations	35,520	58,682	85,047
Other revenue	36,480	47,333	53,491
	755,635	825,638	816,147
Expenditures			
Accounting	11,700	12,444	7,000
Advertising	5,000	4,244	3,638
Amortization	-	122,367	110,002
Building maintenance and occupancy costs	71,955	71,357	65,939
Periodical collections	13,500	12,832	12,848
Equipment leasing	18,400	13,016	17,761
Equipment repairs	18,000	17,957	17,424
Interest and bank charges	2,500	3,189	1,934
Miscellaneous	11,400	10,233	9,724
Software	625	160	2,809
Salaries, wages and benefits	504,015	517,962	472,881
Supplies and postage	15,100	14,645	17,191
Telephone and data lines	3,440	3,052	2,869
	675,635	803,458	742,020
Annual surplus	\$ 80,000	\$ 22,180	\$ 74,127
Accumulated surplus, beginning of year			
As previously stated	1,566,957	1,566,957	1,466,282
Prior period adjustment	(1,013,329)	(1,013,329)	(986,781)
	553,628	553,628	479,501
Accumulated surplus, end of year	\$ 633,628	\$ 575,808	\$ 553,628

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Cranbrook Public Library Statement of Changes in Net Financial Assets

For the year ended December 31	<i>2009</i>	2009	<i>2008</i>
	(Note 10)		(Note 1)
	<i>Budget</i>	Actual	Actual
Annual surplus	\$ 80,000	\$ 22,180	\$ 74,127
Acquisition of tangible capital assets	(82,000)	(147,623)	(147,815)
Amortization of tangible capital assets	-	122,367	110,002
Loss on disposal of tangible capital assets	-	135	-
	(82,000)	(25,121)	(37,813)
Change in net financial assets for the year	(2,000)	(2,941)	36,314
Net financial assets, beginning of year			
As previously stated	58,111	58,111	21,197
Prior period adjustment (Note 1)	(14,600)	(14,600)	(14,000)
As restated	43,511	43,511	7,197
Net financial assets, end of year	\$ 41,511	\$ 40,570	\$ 43,511

Cranbrook Public Library Statement of Cash Flows

For the year ended December 31	2009	2008
		(Note 1)
Operating transactions		
Annual surplus	\$ 22,180	\$ 74,127
Items not involving cash		
Amortization	122,367	110,002
Loss on disposal of tangible capital assets	135	-
Changes in non-cash operating balances		
Accounts receivable	3,036	(8,404)
Accounts payable and accrued liabilities	(5,404)	(2,423)
Deferred revenue	(434)	600
	141,880	173,902
Capital transactions		
Acquisition of tangible capital assets	(118,855)	(147,815)
Financing transactions		
Repayment of long-term debt	-	(6,278)
Repayment of obligations under capital lease	(2,150)	-
	(2,150)	(6,278)
Net change in cash and short-term deposits	20,875	19,809
Cash and short-term deposits, beginning of year	109,685	89,876
Cash and short-term deposits, end of year	\$ 130,560	\$ 109,685

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Cranbrook Public Library Summary of Significant Accounting Policies

December 31, 2009

Basis of Presentation The Cranbrook Public Library is incorporated under the Library Act of British Columbia and provides library services for Cranbrook and District.

Basis of Accounting The financial statements of the Library are the representations of management and are prepared in accordance with Canadian generally accepted accounting policies established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

Economic Dependence Approximately 55% of the Library's revenues are grants from The Corporation of the City of Cranbrook. The ongoing operations of the Library and its ability to meet its service objectives is proportionately dependant upon the level of such support.

Tangible Capital Assets Effective January 1, 2009, the Library adopted the provisions of the Public Sector Accounting Board (PSAB) Accounting Handbook Section 3150, which requires that tangible capital assets be recorded at cost and amortized over their useful lives. This is a change from the policy of previous years where tangible capital assets were recorded, but not amortized.

Tangible capital assets are now recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes all costs directly attributable to the acquisition or construction of the tangible capital assets. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is put into use. Donated tangible capital assets are recorded at fair value at the time of the donation unless fair value can not be reasonably measured. Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation.

Estimated useful lives of tangible capital assets are as follows:

Print collection	10 years
Audio-visual collection	3 years
Furnishings and equipment	5 to 10 years
Landscaping and sculptures	15 years
Equipment under capital lease	5 years

Cranbrook Public Library
Summary of Significant Accounting Policies (continued)

December 31, 2009

Revenue Recognition	<p>Unrestricted grants and contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Restricted grants or contributions received under funding agreements which relate to a subsequent period are recognized as revenue in the period in which the resources are used for the purpose or purposes specified.</p>
Contributed Services	<p>Volunteers contribute services to assist the Library in carrying out its operations. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.</p>
Financial Instruments	<p>The Library carries a number of financial instruments. Unless otherwise noted, it is management's opinion that the Library is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.</p>
Use of Estimates	<p>The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>

Cranbrook Public Library Notes to Financial Statements

December 31, 2009

1. Prior Period Adjustment

On January 1, 2009, the Library adopted the provisions of Public Sector Accounting Standards Handbook Section 1000 *Financial Statement Concepts*, Section 1100 *Financial Statement Objectives*, Section 1200 *Financial Statement Presentation* and Section 3150 *Tangible Capital Assets* and has applied these standards on a retroactive basis. The adoption of these standards require the following:

- tangible capital assets be recorded only when such expenditures or contributions-in-kind represent a new asset, or extend the life or service capacity, or improve the quality of an existing asset;
- tangible capital assets be amortized over their estimated useful lives;
- prepaid expenses and inventories of supplies be recorded and treated as non-financial assets; and
- operating surpluses, reserve funds, and equity in capital assets be grouped together and presented as accumulated surplus.

Through review of contribution agreements it was determined by management that certain grants previously received did meet the criteria for revenue deferral whereas previously were recognized as revenue.

As a result of the adoption of the new standards and corrections for revenue recognition, the presentation of the financial statements has changed retroactively and the prior year restated as follows:

	2008 Restated	2008 As previously stated	Increase / (decrease)
Statement of Financial Position			
Accumulated surplus, opening	\$ 479,501	\$ 1,466,282	\$ (986,781)
Deferred revenue	14,600	-	14,600
Tangible capital assets	510,117	1,508,846	(998,729)
Accumulated surplus, ending	553,628	1,566,957	(1,013,329)
Statement of Operations			
Revenue			
Grants - Provincial	\$ 103,165	\$ 103,765	\$ (600)
Donations	85,047	71,476	13,571
Adjusted revenues	<u>\$ 188,212</u>	<u>\$ 175,241</u>	<u>\$ 12,971</u>
Expenses / expenditures			
Amortization expense	\$ 110,002	\$ -	\$ 110,002
Capital expenditures	-	56,963	(56,963)
Collections	12,848	90,129	(77,281)
Debt repayment	-	6,278	(6,278)
Adjusted expenses / expenditures	<u>\$ 122,850</u>	<u>\$ 153,370</u>	<u>\$ (30,520)</u>
Annual surplus	<u>\$ 74,127</u>	<u>\$ 30,636</u>	<u>\$ 43,491</u>

Cranbrook Public Library Notes to Financial Statements

December 31, 2009

2. Cash and Short-term Deposits

Included in cash and short-term deposits is an amount of \$76,058 (2008 - \$36,291) which has been internally restricted for future technology, capital and collection expenditures.

The Library has available a bank overdraft facility of up to \$200,000 which it uses to finance its operations. This facility bears interest at prime plus 1%. There was no balance outstanding at December 31, 2009 (2008 - nil).

3. Deferred Revenue

	2009	2008
Technology and literacy programs	\$ 14,166	\$ 14,600

4. Capital Lease Obligation

	2009	2008
Computer equipment lease, minimum monthly payments of \$945, interest rate 11.53%, expires August 2012	\$ 26,618	\$ -

Future minimum payments under capital lease are:

Year	Amount
2010	\$ 11,340
2011	11,340
2012	8,506
Imputed interest	31,186 (4,568)
	\$ 26,618

Cranbrook Public Library Notes to Financial Statements

December 31, 2009

5. Retirement Benefits and Pension Liability

The Library and its employees contribute to the Municipal Pension Plan ("the plan"), a jointly-trusted pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 158,000 active members and approximately 57,000 retired members. Active members include approximately 33,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicates a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the surplus to individual employers. The Library paid \$29,322 for employer contributions to the plan in fiscal 2009 (2008 - \$25,965).

6. Related Party Transactions

The Library is managed by the Cranbrook Public Library Board, a corporation created under the Library Act. This Board is appointed by the Corporation of the City of Cranbrook Council annually and consists of seven members, one of whom is elected by the Council. All remaining members are not related to the Library or the City.

Transactions with the Corporation of the City of Cranbrook during the year are as follows:

- (a) The Library received grant revenue of \$459,580 (2008 - \$441,055) from the City of Cranbrook.
- (b) Included in building maintenance and occupancy costs of which it reimbursed the City of Cranbrook are \$45,796 (2008 - \$39,813) comprised of maintenance, insurance, and utilities.
- (c) The building occupied by the Library is owned by the Corporation of the City of Cranbrook and is currently being leased for nil consideration.
- (d) Included in accounts payable and accrued liabilities is \$29,652 (2008 - \$30,742) payable to the City of Cranbrook for insurance and utilities.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**Cranbrook Public Library
Notes to Financial Statements**

December 31, 2009

7. Tangible Capital Assets

	Print Collection	Audio-Visual Collection	Furniture & Equipment	Equipment Under Capital Lease	Landscape & Sculptures	2009 Total
Cost, beginning of year	\$ 656,508	\$ 29,820	\$ 233,969	\$ -	\$ 49,630	\$ 969,927
Purchases	69,371	15,020	18,770	28,768	15,694	147,623
Disposals	(54,922)	(7,059)	(5,347)	-	-	(67,328)
Cost, end of year	670,957	37,781	247,392	28,768	65,324	1,050,222
Accumulated Amortization, beginning of year	344,457	18,648	93,396	-	3,309	459,810
Amortization	66,538	12,594	33,126	5,754	4,355	122,367
Disposals	(54,922)	(7,059)	(5,212)	-	-	(67,193)
Accumulated Amortization, end of year	356,073	24,183	121,310	5,754	7,664	514,984
Net carrying amount, end of year	\$ 314,884	\$ 13,598	\$ 126,082	\$ 23,014	\$ 57,660	\$ 535,238

**Cranbrook Public Library
Notes to Financial Statements**

December 31, 2009

7. Tangible Capital Assets (continued)

	Print Collection	Audio-Visual Collection	Furniture & Equipment	Landscape & Sculptures	2008 Total
Cost, beginning of year	\$ 613,694	\$ 27,364	\$ 256,136	\$ -	\$ 897,194
Purchases	78,925	10,756	8,504	49,630	147,815
Disposals	(36,111)	(8,300)	(30,671)	-	(75,082)
Cost, end of year	656,508	29,820	233,969	49,630	969,927
Accumulated Amortization, beginning of year	315,475	17,008	92,407	-	424,890
Amortization	65,093	9,940	31,660	3,309	110,002
Disposals	(36,111)	(8,300)	(30,671)	-	(75,082)
Accumulated Amortization, end of year	344,457	18,648	93,396	3,309	459,810
Net carrying amount, end of year	\$ 312,051	\$ 11,172	\$ 140,573	\$ 46,321	\$ 510,117

Cranbrook Public Library Notes to Financial Statements

December 31, 2009

8. Lease Commitments

The Library has equipment under operating leases. Lease commitments over the next three years are due as follows:

Year	Amount
2010	\$ 1,244
2011	653
2012	<u>48</u>
	<u>\$ 1,945</u>

9. Accumulated Surplus

	<u>2009</u>	2008
Operating fund equity (deficit)	\$ 2,794	\$ 7,220
Equity in non-financial assets	508,620	510,117
Reserve fund equity	<u>64,394</u>	<u>36,291</u>
	<u>\$ 575,808</u>	<u>\$ 553,628</u>

10. Budget

The Budget adopted by the Board of Trustees on September 17, 2008 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to \$nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Budget adopted by the Board on September 17, 2008 with adjustments as follows:

	<u>2009</u>
Budgeted surplus for the year	\$ -
Add:	
Capital expenditures	82,000
Less:	
Budgeted transfers from accumulated surplus	<u>(2,000)</u>
Budget surplus per statement of operations	<u>\$ 80,000</u>

Auditors' Comments on Supplementary Financial Information

**To the Members of the Board
of the Cranbrook Public Library**

We have audited the financial statements of the Cranbrook Public Library as at December 31, 2009 and reported thereon dated April 7, 2010. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements and, in our opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.

BDO Canada LLP

Chartered Accountants

Cranbrook, BC
April 7, 2010

Cranbrook Public Library Supplementary Schedule 1 - Statement of Operating Activities

For the year ended December 31	<i>2009</i>	2009	2008
	<i>Budget</i>	Actual	Actual
Revenue			
Grants			
Province of British Columbia			
- Per capita grant	\$ 88,710	\$ 90,179	\$ 89,165
- Other grants	14,750	15,883	14,000
City of Cranbrook	459,580	459,580	441,055
Regional District of East Kootenay	114,901	114,901	110,265
Government of Canada	-	852	-
Community Access Program	5,694	6,674	-
	<u>683,635</u>	<u>688,069</u>	654,485
Other revenue			
Bank interest	2,500	144	3,069
Donations	35,520	47,204	58,347
Fines, photocopier and book sales	24,700	29,986	24,804
Miscellaneous	9,280	13,615	11,677
	<u>755,635</u>	<u>779,018</u>	<u>752,382</u>
Expenditures			
Accounting	11,700	12,444	7,000
Advertising	5,000	4,244	3,638
Building maintenance and occupancy costs	71,955	71,357	65,939
Collection items	13,500	12,832	12,848
Equipment leasing	18,400	13,016	17,761
Equipment repairs	18,000	17,957	17,424
Interest and bank charges	2,500	3,189	1,934
Miscellaneous	11,400	8,602	9,521
Software	625	160	2,809
Salaries, wages and benefits	504,015	517,962	472,881
Supplies and postage	15,100	14,645	17,191
Telephone and data lines	3,440	3,052	2,869
	<u>675,635</u>	<u>679,460</u>	631,815
Interfund transfers			
Collections	81,500	84,157	89,682
Furnishings and equipment	500	12,358	8,503
Assets under capital lease	-	28,768	-
	<u>82,000</u>	<u>125,283</u>	98,185
Excess of revenue over expenditures	(2,000)	(25,725)	22,382
Proceeds from capital lease	-	28,768	-
Debt repayment	-	(2,150)	(6,278)
Net transfers from (to) reserves	2,000	(5,319)	(13,887)
Change in fund balance	-	(4,426)	2,217
Operating fund, beginning of year			
As previously stated	21,820	21,820	19,003
Prior period adjustment	(14,600)	(14,600)	(14,000)
As restated	<u>7,220</u>	<u>7,220</u>	5,003
Operating fund, end of year	<u>\$ 7,220</u>	<u>\$ 2,794</u>	<u>\$ 7,220</u>

Cranbrook Public Library
Supplementary Schedule 2 - Statement of Changes in Reserves

	2009		2008		
	Community Access Program Reserves	Operating Reserves	Capital Expenditure Reserves	Collection Reserves	Total
Revenue					
Donations	\$ -	\$ -	\$ 11,478	\$ -	\$ 11,478
Fundraising, net of expenses	-	-	(862)	-	(862)
Grants	-	-	31,554	-	31,554
Other	4,450	-	-	-	4,450
	4,450	-	42,170	-	46,620
Expenditures					
Event	-	-	-	-	-
Other	1,203	-	293	-	1,496
Capital expenditures	6,412	-	15,885	43	22,340
	7,615	-	16,178	43	23,836
Excess of revenue over expenditures	(3,165)	-	25,992	(43)	22,784
Interfund transfers	2,502	2,817	-	-	5,319
Change in fund balance	(663)	2,817	25,992	(43)	28,103
Reserve balance, beginning of year	13,757	19,003	3,488	43	36,291
Reserve balance, end of year	\$ 13,094	\$ 21,820	\$ 29,480	\$ -	\$ 64,394
					\$ 36,291