

Cranbrook Public Library
Financial Statements
December 31, 2011

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Cranbrook Public Library Statement of Financial Position

December 31	2011	2010
Financial Assets		
Cash and cash equivalents (Note 1)	\$ 130,732	\$ 135,740
Accounts receivable	12,770	19,834
	143,502	155,574
Liabilities		
Accounts payable and accrued liabilities	59,231	62,420
Deferred revenue (Note 2)	16,641	19,641
Capital lease obligation (Note 3)	7,713	17,017
	83,585	99,078
Net Financial Assets	59,917	56,496
Non-Financial Assets		
Tangible capital assets (Note 6)	492,394	509,496
Prepaid expenses	4,593	-
	496,987	509,496
Accumulated Surplus	\$ 556,904	\$ 565,992

On behalf of the Board

_____ Member

_____ Chief Librarian

Cranbrook Public Library Statement of Operations

For the year ended December 31	2011 (Note 9)	2011	2010 (Note 8)
	<i>Budget</i>	Actual	Actual
Revenue			
Grants			
- Province of British Columbia	\$ 110,086	\$ 110,746	\$ 99,811
- Government of Canada	1,120	1,226	840
- City of Cranbrook	484,502	484,502	473,020
- Regional District of East Kootenay	121,125	121,125	118,256
- Community Access Program	3,600	4,582	-
- Other	-	5,981	10,658
Donations	33,600	40,200	39,390
Other revenue	38,515	44,524	50,363
	<u>792,548</u>	<u>812,886</u>	<u>792,338</u>
Expenses			
Accounting	13,460	12,208	11,217
Advertising	3,000	2,314	2,815
Amortization	-	110,641	120,984
Building maintenance and occupancy costs	78,600	71,729	72,770
Periodical collections	19,300	15,456	9,069
Equipment leasing	14,600	4,068	3,889
Equipment repairs	21,500	21,977	23,044
Interest and bank charges	3,100	4,549	5,139
Miscellaneous	7,500	17,321	15,138
Software	500	-	-
Salaries, wages and benefits	538,690	547,306	523,502
Supplies and postage	12,750	11,322	11,737
Telephone and data lines	4,500	3,083	2,850
	<u>717,500</u>	<u>821,974</u>	<u>802,154</u>
Annual surplus (deficit)	75,048	(9,088)	(9,816)
Accumulated surplus, beginning of year	565,992	565,992	575,808
Accumulated surplus, end of year	<u>\$ 641,040</u>	<u>\$ 556,904</u>	<u>\$ 565,992</u>

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>2011</i> (Note 9)	2011	<i>2010</i> (Note 8)
	<i>Budget</i>	Actual	Actual
Annual surplus (deficit)	\$ 75,048	\$ (9,088)	\$ (9,816)
Acquisition of tangible capital assets	(76,250)	(93,539)	(96,120)
Amortization of tangible capital assets	-	110,641	120,984
Loss (gain) on disposal of tangible capital assets	-	-	(220)
Adjustment to capital lease	-	-	1,098
Increase in prepaid expenses	-	(4,593)	-
	<u>(76,250)</u>	<u>12,509</u>	<u>25,742</u>
Change in net financial assets for the year	1,202	3,421	15,926
Net financial assets, beginning of year	56,496	56,496	40,570
Net financial assets, end of year	\$ 57,698	\$ 59,917	\$ 56,496

Cranbrook Public Library Statement of Cash Flows

For the year ended December 31	2011	2010
Operating transactions		
Annual deficit	\$ (9,088)	\$ (9,816)
Items not involving cash		
Amortization	110,641	120,984
Loss (gain) on disposal of tangible capital assets	-	(220)
Changes in non-cash operating balances		
Accounts receivable	7,064	(6,320)
Prepaid expenses and inventories of supplies	(4,593)	-
Accounts payable and accrued liabilities	(3,189)	(300)
Deferred revenue	(3,000)	5,475
	97,835	109,803
Capital transactions		
Acquisition of tangible capital assets	(93,539)	(96,120)
Financing transactions		
Repayment of obligations under capital lease	(9,304)	(8,503)
Net change in cash and cash equivalents	(5,008)	5,180
Cash and cash equivalents, beginning of year	135,740	130,560
Cash and cash equivalents, end of year	\$ 130,732	\$ 135,740

Cranbrook Public Library Summary of Significant Accounting Policies

December 31, 2011

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 60% 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 Tangible capital assets are 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, 2011

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>
Deferred Revenue	<p>Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general library purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purpose.</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>
Cash and Cash Equivalents	<p>Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.</p>

Cranbrook Public Library Notes to Financial Statements

December 31, 2011

1. Cash and Cash Equivalents

Included in cash and cash equivalents is an amount of \$65,786 (2010 - \$60,374) 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 1.3%. There was no balance outstanding at December 31, 2011 (2010 - nil).

2. Deferred Revenue

	2011	2010
Literacy programs	\$ 16,641	\$ 19,641

3. Capital Lease Obligation

	2011	2010
Computer equipment lease, minimum monthly payments of \$899, interest rate 11.53%, expires August 2012	\$ 7,713	\$ 17,017

Interest paid relating to the above obligations on capital leases and included in interest and bank charges was \$1,480 (2010 - \$2,488). Future minimum payments under capital lease are:

Year	Amount
2012	\$ 8,088
	8,088
Imputed interest	(375)
	\$ 7,713

Cranbrook Public Library Notes to Financial Statements

December 31, 2011

4. 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 plan, including investment of the assets and administration of benefits. The plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 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, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The Library paid \$34,659 for employer contributions to the plan in fiscal 2011 (2010 - \$30,869).

5. 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 \$484,502 (2010 - \$473,020) from the City of Cranbrook.
- (b) Included in building maintenance and occupancy costs of which it reimbursed the City of Cranbrook are \$47,728.63 (2010 - \$49,723) 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 \$28,787 (2010 - \$29,454) payable to the City of Cranbrook for insurance and utilities.
- (e) Included in accounts receivable is \$1,006 (2010 - \$5,215) receivable from the City of Cranbrook for reimbursement of building maintenance costs.

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, 2011

6. Tangible Capital Assets

	Print Collection	Audio-Visual Collection	Furniture & Equipment	Equipment Under Capital Lease	Landscape & Sculptures	2011 Total
Cost, beginning of year	\$ 664,614	\$ 36,750	\$ 248,614	\$ 27,670	\$ 69,913	\$ 1,047,561
Purchases	66,578	11,541	15,420	-	-	93,539
Disposals	(52,593)	(10,729)	(67,971)	-	-	(131,293)
Cost, end of year	678,599	37,562	196,063	27,670	69,913	1,009,807
Accumulated Amortization, beginning of year	344,387	24,428	145,857	11,068	12,325	538,065
Amortization	67,304	12,512	20,630	5,534	4,661	110,641
Disposals	(52,593)	(10,729)	(67,971)	-	-	(131,293)
Accumulated Amortization, end of year	359,098	26,211	98,516	16,602	16,986	517,413
Net carrying amount, end of year	\$ 319,501	\$ 11,351	\$ 97,547	\$ 11,068	\$ 52,927	\$ 492,394

\$12,867 (2010 - \$12,153) in contributed print collection capital assets were recognized in the financial statements during the year. The net book value of print collection assets not in service and not being amortized in 2011 and 2010 amounts to \$5,580.

**Cranbrook Public Library
Notes to Financial Statements**

December 31, 2011

6. Tangible Capital Assets (continued)

	Print Collection	Audio-Visual Collection	Furniture & Equipment	Equipment Under Capital Lease	Landscape & Sculptures	2010 Total
Cost, beginning of year	\$ 670,957	\$ 37,781	\$ 247,392	\$ 28,768	\$ 65,324	\$ 1,050,222
Purchases	71,246	10,974	9,311	-	4,589	96,120
Disposals	(77,589)	(12,005)	(8,089)	(1,098)	-	(98,781)
Cost, end of year	664,614	36,750	248,614	27,670	69,913	1,047,561
Accumulated Amortization, beginning of year	356,073	24,183	121,310	5,754	7,664	514,984
Amortization	65,903	12,250	32,636	5,534	4,661	120,984
Disposals	(77,589)	(12,005)	(8,089)	(220)	-	(97,903)
Accumulated Amortization, end of year	344,387	24,428	145,857	11,068	12,325	538,065
Net carrying amount, end of year	\$ 320,227	\$ 12,322	\$ 102,757	\$ 16,602	\$ 57,588	\$ 509,496

Cranbrook Public Library Notes to Financial Statements

December 31, 2011

7. Lease Commitments

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

Year	Amount
2012	\$ 3,999
2013	1,976
2014	1,641
2015	653
2016	653
2017	41
	\$ 8,963

8. Comparative Figures

Certain prior year comparative figures have been restated to conform with the presentation adopted for the current year.

9. Budget

The Budget adopted by the Board of Trustees on April 1, 2011 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 of surpluses accumulated from previous years to reduce current year expenditures in excess of current year revenues to \$ nil. In addition, the budget included 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 April 1, 2011 with adjustments as follows:

	2011
Budgeted deficit for the year	\$ -
Add:Capital expenditures	76,250
Less:Budgeted transfers from reserves	(1,202)
Adjusted budget surplus per statement of operations	\$ 75,048

Auditor's 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, 2011 and reported thereon dated TBD. 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.

Chartered Accountants

Cranbrook, BC
TBD

Cranbrook Public Library Supplementary Schedule 1 - Statement of Operating Activities

For the year ended December 31	<i>2011</i>	2011	2010
	<i>Budget</i>	Actual	Actual
Revenue			
Grants			
Province of British Columbia			
- Per capita grant	\$ 85,345	\$ 70,265	\$ 70,265
- Other grants	24,741	16,641	14,466
City of Cranbrook	484,502	484,502	473,020
Regional District of East Kootenay	121,125	121,125	118,256
Government of Canada	1,120	1,226	840
Community Access Program	3,600	4,582	-
Other	-	5,981	10,658
	<u>720,433</u>	<u>704,322</u>	<u>687,505</u>
Other revenue			
Donations	33,600	35,865	33,996
Fines, photocopier and book sales	26,900	28,081	29,154
Miscellaneous	11,615	11,349	12,828
	<u>792,548</u>	<u>779,617</u>	<u>763,483</u>
Expenditures			
Accounting	13,460	12,208	11,217
Advertising	3,000	2,314	2,815
Building maintenance and occupancy costs	78,600	71,729	72,770
Collection items	19,300	15,456	9,069
Equipment leasing	14,600	4,068	3,889
Equipment repairs	21,500	21,977	23,044
Interest and bank charges	3,100	4,549	5,139
Miscellaneous	7,500	13,345	14,573
Software	500	-	-
Salaries, wages and benefits	538,690	547,306	523,502
Supplies and postage	12,750	11,322	11,737
Telephone and data lines	4,500	3,083	2,850
	<u>717,500</u>	<u>707,357</u>	<u>680,605</u>
Interfund transfers			
Collections	76,000	78,119	82,220
Furnishings and equipment	250	446	4,303
	<u>76,250</u>	<u>78,565</u>	<u>86,523</u>
Deficiency of revenue over expenditures	(1,202)	(6,305)	(3,645)
Debt repayment	-	(9,304)	(8,503)
Net transfers from reserves	1,202	8,899	22,445
Change in fund balance	-	(6,710)	10,297
Operating fund, beginning of year	13,148	13,148	2,851
Operating fund, end of year	\$ 13,148	\$ 6,438	\$ 13,148

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

For the year ended December 31

2011

2010

	Community Access Program Reserves	Operating Reserves	Capital Expenditure Reserves	MTS Reserves	Total	Total
Revenue						
Donations	\$ -	\$ -	\$ 4,335	\$ -	\$ 4,335	\$ 5,394
Fundraising, net of expenses	-	-	929	-	929	2,897
Grants	-	-	23,840	-	23,840	15,080
Other	4,165	-	-	-	4,165	5,216
	4,165	-	29,104	-	33,269	28,587
Expenditures						
Other	-	-	3,986	-	3,986	565
Capital expenditures	-	-	14,973	-	14,973	9,597
	-	-	18,959	-	18,959	10,162
Excess of revenue over expenditures	4,165	-	10,145	-	14,310	18,425
Interfund transfers	(7,718)	6,962	(8,400)	257	(8,899)	(22,445)
Change in fund balance	(3,553)	6,962	1,745	257	5,411	(4,020)
Reserve balance, beginning of year	16,794	17,220	26,360	-	60,374	64,394
Reserve balance, end of year	\$ 13,241	\$ 24,182	\$ 28,105	\$ 257	\$ 65,785	\$ 60,374