

Cranbrook Public Library
Financial Statements
December 31, 2013

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Independent Auditor's Report

To the Members of the Board of the Cranbrook Public Library

We have audited the accompanying financial statements of Cranbrook Public Library, which comprise the statement of financial position as at December 31, 2013, and the statements of operations, changes 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 presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cranbrook Public Library as at December 31, 2013, and its results of operations, its change in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Cranbrook, BC

April 16, 2014

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Cranbrook Public Library Statement of Financial Position

December 31	2013	2012
Financial Assets		
Cash and cash equivalents (Note 1)	\$ 231,717	\$ 153,557
Accounts receivable	17,966	24,135
	<u>249,683</u>	<u>177,692</u>
Liabilities		
Accounts payable and accrued liabilities	75,576	68,862
Deferred revenue (Note 2)	19,541	16,641
Capital lease obligation (Note 3)	14,518	19,877
	<u>109,635</u>	<u>105,380</u>
Net Financial Assets	<u>140,048</u>	<u>72,312</u>
Non-Financial Assets		
Tangible capital assets (Note 6)	435,923	477,276
Prepaid expenses	2,567	3,548
	<u>438,490</u>	<u>480,824</u>
Accumulated Surplus	<u>\$ 578,538</u>	<u>\$ 553,136</u>

On behalf of the Board



Member



Chief Librarian

Cranbrook Public Library Statement of Operations

For the year ended December 31	2013 (Note 8)	2013	2012
	<i>Budget</i>	Actual	Actual
Revenue			
Grants			
- Province of British Columbia	\$ 102,248	\$ 101,986	\$ 101,728
- Government of Canada	656	1,437	1,103
- City of Cranbrook	537,204	537,204	507,608
- Regional District of East Kootenay	134,301	134,301	126,902
- Community Access Program	4,822	3,628	9,301
- Other	8,425	18,278	12,847
Donations	31,115	37,766	40,517
Other revenue	36,300	43,824	43,701
	<u>855,071</u>	<u>878,424</u>	<u>843,707</u>
Expenses			
Accounting	13,200	12,063	12,339
Advertising	2,000	2,627	2,275
Amortization	-	115,685	113,972
Building maintenance and occupancy costs	85,816	69,480	68,181
Equipment leasing	13,800	4,328	3,880
Equipment repairs	22,900	23,232	28,366
Interest and bank charges	3,200	3,568	2,929
Programs and miscellaneous	9,300	13,809	14,077
Periodical collections	21,150	19,902	18,575
Salaries, wages and benefits	599,865	572,949	568,302
Supplies and postage	14,275	11,618	11,412
Telephone and data lines	3,585	3,761	3,167
	<u>789,091</u>	<u>853,022</u>	<u>847,475</u>
Annual surplus (deficit)	65,980	25,402	(3,768)
Accumulated surplus, beginning of year	553,136	553,136	556,904
Accumulated surplus, end of year	\$ 619,116	\$ 578,538	\$ 553,136

Cranbrook Public Library Statement of Changes in Net Financial Assets

For the year ended December 31	<i>2013</i> (Note 8)	2013	2012
	<i>Budget</i>	Actual	<i>Actual</i>
Annual surplus (deficit)	\$ 65,980	\$ 25,402	\$ (3,768)
Acquisition of tangible capital assets	(69,500)	(74,332)	(98,854)
Amortization of tangible capital assets	-	115,685	113,972
Increase in prepaid expenses	-	981	1,045
	(69,500)	42,334	16,163
 Change in net financial assets for the year	 (3,520)	 67,736	 12,395
Net financial assets, beginning of year	72,312	72,312	59,917
Net financial assets, end of year	\$ 68,792	\$ 140,048	\$ 72,312

Cranbrook Public Library Statement of Cash Flows

For the year ended December 31	2013	2012
Operating transactions		
Annual surplus (deficit)	\$ 25,402	\$ (3,768)
Items not involving cash		
Income from receipt of contributed tangible assets	(11,518)	(11,810)
Amortization	115,685	113,972
Changes in non-cash operating balances		
Accounts receivable	6,169	(11,365)
Prepaid expenses and inventories of supplies	981	1,045
Accounts payable and accrued liabilities	6,714	9,631
Deferred revenue	2,900	-
	<u>146,333</u>	<u>97,705</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(61,530)</u>	<u>(66,644)</u>
Financing transactions		
Repayment of obligations under capital lease	<u>(6,643)</u>	<u>(8,236)</u>
Net change in cash and cash equivalents	78,160	22,825
Cash and cash equivalents, beginning of year	<u>153,557</u>	<u>130,732</u>
Cash and cash equivalents, end of year	<u>\$ 231,717</u>	<u>\$ 153,557</u>

Cranbrook Public Library Summary of Significant Accounting Policies

December 31, 2013

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.										
Cash and Cash Equivalents	Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.										
Tangible Capital Assets	<p>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.</p> <p>Estimated useful lives of tangible capital assets are as follows:</p> <table><tr><td>Print collection</td><td>10 years</td></tr><tr><td>Audio-visual collection</td><td>3 years</td></tr><tr><td>Furnishings and equipment</td><td>5 to 10 years</td></tr><tr><td>Landscaping and sculptures</td><td>15 years</td></tr><tr><td>Equipment under capital lease</td><td>5 years</td></tr></table>	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
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, 2013

Revenue Recognition

Unrestricted grants, contributions and charges 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.

Grants, contributions or other funding which has externally imposed restrictions is recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Funding received before this criterion has been met is reported as deferred revenue on the statement of financial position until the period in which the specified purpose or related expense is incurred.

Contributions received in-kind are recognized as revenue in the period received at the fair market value at the time of the contribution.

Contributed Services

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.

Government Transfers

Government transfers, which include legislative grants, are recognized as revenue in the period in which events giving rise to the transfers occur providing the transfers are authorized, any eligibility criteria and stipulations have been met, and reasonable estimates of the amounts can be determined.

Pension Expenditures

The Library participates in a multi-employer deferred benefit pension plan. The plan is accounted for as a defined contribution plan.

Use of Estimates

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.

Cranbrook Public Library Notes to Financial Statements

December 31, 2013

1. Cash and Cash Equivalents

Included in cash and cash equivalents are amounts of \$160,034 (2012 - \$95,737) which have been internally restricted for future technology, capital and collection expenditures.

The Library has available a bank overdraft facility of up to \$100,000 which it uses to finance its operations. This facility bears interest at prime plus 1.3%. There was no balance outstanding at December 31, 2013 (2012 - nil).

2. Deferred Revenue

	<u>2013</u>	<u>2012</u>
Literacy programs	<u>\$ 19,541</u>	<u>\$ 16,641</u>

3. Capital Lease Obligation

	<u>2013</u>	<u>2012</u>
Computer equipment lease, minimum monthly payments of \$638, interest rate 7.89%, expires November 2015	<u>\$ 14,518</u>	<u>\$ 19,877</u>

Interest paid relating to the above obligations on capital leases and included in interest and bank charges was \$1,340 (2012 - \$490). Future minimum payments under capital lease are:

Year	Amount
2014	\$ 8,128
2015	<u>7,485</u>
	15,613
Imputed interest	<u>(1,095)</u>
	<u>\$ 14,518</u>

Cranbrook Public Library Notes to Financial Statements

December 31, 2013

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 based on a formula. The Plan has about 179,000 active members and approximately 71,000 retired members. Active members include approximately 20 contributors from the Cranbrook Public Library.

The most recent 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 results that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The Library paid \$39,602 for employer contributions to the plan in fiscal 2013 (2012 - \$35,855).

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 \$537,204 (2012 - \$507,608) from the City of Cranbrook.
- (b) The building occupied by the Library is owned by the Corporation of the City of Cranbrook and is currently being leased for nil consideration.
- (c) Included in building maintenance and occupancy costs of which it reimbursed the City of Cranbrook has or will be reimbursed is \$38,037 (2012 - \$42,681) comprised of maintenance, insurance, and utilities.
- (d) The amount payable to the City of Cranbrook at the year end and included in accounts payable and accrued liabilities is \$15,272 (2012 - \$25,542).
- (e) Included in accounts receivable is \$3,759 (2012 - \$4,064) receivable from the City of Cranbrook for reimbursement of building maintenance and improvement 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, 2013

6. Tangible Capital Assets

	Print Collection	Audio-Visual Collection	Furniture & Equipment	Equipment Under Capital Lease	Landscape & Sculptures	2013 Total
Cost, beginning of year	\$ 676,402	\$ 35,860	\$ 229,096	\$ 20,400	\$ 69,913	\$ 1,031,671
Purchases	50,377	16,212	6,459	1,284	-	74,332
Disposals	(57,975)	(10,974)	(883)	-	-	(69,832)
Cost, end of year	668,804	41,098	234,672	21,684	69,913	1,036,171
Accumulated Amortization, beginning of year	369,555	23,136	135,977	4,080	21,647	554,395
Amortization	66,324	13,691	26,672	4,337	4,661	115,685
Disposals	(57,975)	(10,974)	(883)	-	-	(69,832)
Accumulated Amortization, end of year	377,904	25,853	161,766	8,417	26,308	600,248
Net carrying amount, end of year	\$ 290,900	\$ 15,245	\$ 72,906	\$ 13,267	\$ 43,605	\$ 435,923

\$6,211 (2012 - \$10,960) of contributed print collection, \$5,307 (2012 - \$Nil) of contributed audio-visual collection and \$0 (2012 - \$850) of contributed furniture and equipment of which the offset is reported as donation revenue in the financial statements during the year.

Cranbrook Public Library

Notes to Financial Statements

December 31, 2013

6. Tangible Capital Assets (continued)

	Print Collection	Audio-Visual Collection	Furniture & Equipment	Equipment Under Capital Lease	Landscape & Sculptures	2012 Total
Cost, beginning of year	\$ 678,599	\$ 37,562	\$ 196,063	\$ 27,670	\$ 69,913	\$ 1,009,807
Purchases	54,430	13,318	10,706	20,400	-	98,854
Transfers	-	-	27,670	(27,670)	-	-
Disposals	(56,627)	(15,020)	(5,343)	-	-	(76,990)
Cost, end of year	676,402	35,860	229,096	20,400	69,913	1,031,671
Accumulated Amortization, beginning of year	359,098	26,211	98,516	16,602	16,986	517,413
Amortization	67,084	11,945	26,202	4,080	4,661	113,972
Transfers	-	-	16,602	(16,602)	-	-
Disposals	(56,627)	(15,020)	(5,343)	-	-	(76,990)
Accumulated Amortization, end of year	369,555	23,136	135,977	4,080	21,647	554,395
Net carrying amount, end of year	\$ 306,847	\$ 12,724	\$ 93,119	\$ 16,320	\$ 48,266	\$ 477,276

Cranbrook Public Library Notes to Financial Statements

December 31, 2013

7. Lease Commitments

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

Year	Amount
2014	\$ 14,358
2015	14,686
2016	15,025
2017	14,881
2018	14,267
2019	<u>12,689</u>
	<u>\$ 85,906</u>

8. Budget

The Budget adopted by the Board of Trustees on October 17, 2012 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 May 23, 2012 with adjustments as follows:

	<u>2013</u>
Budgeted surplus for the year	\$ -
Add: Capital expenditures	69,500
Less: Budgeted transfers from reserves	<u>(3,520)</u>
Adjusted budget surplus per statement of operations	<u>\$ 65,980</u>



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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, 2013 and reported thereon dated April 16, 2014. 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 16, 2014

Cranbrook Public Library Supplementary Schedule 1 - Statement of Operating Activities

For the year ended December 31	2013	2013	2012
	<i>Budget</i>	Actual	Actual
Revenue			
Grants			
Province of British Columbia			
- Per capita grant	\$ 85,607	\$ 70,265	\$ 70,205
- Other grants	16,641	16,641	16,641
City of Cranbrook	537,204	537,204	507,608
Regional District of East Kootenay	134,301	134,301	126,902
Government of Canada	656	1,437	1,103
Community Access Program	4,822	3,628	9,301
Other	8,425	9,393	9,458
	<u>787,656</u>	<u>772,869</u>	<u>741,218</u>
Other revenue			
Donations	31,115	33,392	36,357
Fines, photocopier and book sales	27,200	26,939	27,955
Miscellaneous	9,100	13,289	12,561
	<u>855,071</u>	<u>846,489</u>	<u>818,091</u>
Expenditures			
Accounting	13,200	12,063	12,339
Advertising	2,000	2,627	2,275
Building maintenance and occupancy costs	85,816	69,480	68,181
Equipment leasing	13,800	4,328	3,880
Equipment repairs	22,900	23,232	28,366
Interest and bank charges	3,200	3,568	2,929
Programs and miscellaneous	9,300	13,752	13,502
Periodical collections	21,150	19,902	18,575
Salaries, wages and benefits	599,865	572,949	568,302
Supplies and postage	14,275	11,618	11,412
Telephone and data lines	3,585	3,761	3,167
	<u>789,091</u>	<u>737,280</u>	<u>732,928</u>
Interfund transfers			
Collections	68,900	66,588	67,748
Furnishings and equipment	600	6,459	10,706
	<u>69,500</u>	<u>73,047</u>	<u>78,454</u>
Excess (deficiency) of revenue over expenditures	(3,520)	36,162	6,709
Debt repayment	-	(6,643)	(8,236)
Net transfers from reserves	3,520	(29,519)	1,527
Operating fund, beginning and end of year	\$ -	\$ -	\$ -

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

	For the year ended December 31		2013		2012	
	Community Access Program Reserve	Capital Operating Reserve	Expenditure Reserve	Manual Training School Reserve	Total	Total
Revenue						
Donations	\$ -	\$ -	\$ 4,374	\$ -	\$ 4,374	\$ 4,160
Fundraising, net of expenses	-	-	35	-	35	15
Provincial grants	-	-	15,080	-	15,080	14,882
Other grants	-	-	8,885	-	8,885	3,389
Other	3,561	-	-	-	3,561	3,170
	3,561	-	28,374	-	31,935	25,616
Expenditures						
Other	-	-	57	-	57	575
Capital expenditures	-	-	-	-	-	-
	-	-	57	-	57	575
Excess of revenue over expenditures	3,561	-	28,317	-	31,878	25,041
Interfund transfers	(4,100)	56,365	(21,771)	(975)	29,519	(1,527)
Change in fund balance	(539)	56,365	6,546	(975)	61,397	23,514
Reserve balance, beginning of year	6,611	54,360	31,136	3,630	95,737	72,223
Reserve balance, end of year	\$ 6,072	\$ 110,725	\$ 37,682	\$ 2,655	\$ 157,134	\$ 95,737