

**Cranbrook Public Library**  
**Financial Statements**  
December 31, 2016

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## Managements' Responsibility for Financial Reporting

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### To Directors of the Board:

In accordance with Sections 11 and 26 of the Library Act, I am pleased to submit the 2016 financial statements for the Cranbrook Public Library, together with the report of our auditors, BDO Canada LLP.

The preparation of the financial statements is the responsibility of the Library's management. The statements have been prepared in accordance with Canadian public sector accounting standards.

Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly in all material respects.

The Library maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Library's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The financial statements have been audited by BDO Canada LLP Chartered Professional Accountants in accordance with Canadian generally accepted auditing standards on behalf of the members. The auditor's report expresses their opinion on these financial statements. The auditors have full and free access to the accounting records.



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Ursula Brigl  
Chief Librarian

March 15, 2017



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## Independent Auditor's Report

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### 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, 2016, 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, 2016, 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 Professional Accountants

Cranbrook, BC  
March 15, 2017

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## Cranbrook Public Library Statement of Financial Position

<u>December 31</u>	<u>2016</u>	<u>2015</u>
<b>Financial Assets</b>		
Cash and cash equivalents (Note 1)	\$ 294,086	\$ 280,362
Accounts receivable	<u>9,872</u>	<u>13,410</u>
	<u>303,958</u>	<u>293,772</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	104,407	111,919
Deferred revenue (Note 2)	<u>11,152</u>	<u>7,295</u>
	<u>115,559</u>	<u>119,214</u>
<b>Net Financial Assets</b>	<u>188,399</u>	<u>174,558</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 6)	<u>325,457</u>	<u>349,474</u>
<b>Accumulated Surplus</b>	<u>\$ 513,856</u>	<u>\$ 524,032</u>

On behalf of the Board

\_\_\_\_\_ Member

\_\_\_\_\_ Chief Librarian

## Cranbrook Public Library Statement of Operations

For the year ended December 31	2016 (Note 8)	2016	2015
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
<b>Revenue</b>			
Grants			
- Province of British Columbia	\$ 100,746	\$ 101,025	\$ 117,389
- City of Cranbrook	584,183	584,183	562,524
- Regional District of East Kootenay	146,046	146,046	140,631
- Other	22,150	17,222	18,000
Donations	46,775	41,831	43,326
Meeting room rental	5,500	5,818	6,546
Internal and other revenue	30,660	37,605	52,002
	<u>936,060</u>	<u>933,730</u>	<u>940,418</u>
<b>Expenses</b>			
Amortization	-	93,476	105,378
Accounting and administration	27,010	26,341	25,963
Building maintenance and occupancy costs	87,840	84,765	90,636
Meeting room	5,500	5,500	5,280
Programs and services	45,803	41,525	57,557
Salaries, wages and benefits	655,655	637,361	619,347
Technology	58,875	48,190	34,696
	<u>880,683</u>	<u>937,158</u>	<u>938,857</u>
<b>Annual surplus (deficit), before   endowment contributions</b>	55,377	(3,428)	1,561
<b>Endowment contributions (Note 5)</b>	-	6,748	13,610
<b>Annual surplus (deficit)</b>	55,377	(10,176)	(12,049)
<b>Accumulated surplus, beginning of year</b>	524,032	524,032	536,081
<b>Accumulated surplus, end of year</b>	<u>\$ 579,409</u>	<u>\$ 513,856</u>	<u>\$ 524,032</u>

## Cranbrook Public Library Statement of Changes in Net Financial Assets

<u>For the year ended December 31</u>	<u>2016</u> (Note 8)	<u>2016</u>	<u>2015</u>
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
Annual surplus (deficit)	\$ 55,377	\$ (10,176)	\$ (12,049)
Acquisition of tangible capital assets	(75,290)	(69,459)	(55,083)
Amortization of tangible capital assets	-	93,476	105,378
Increase in prepaid expenses	-	-	15,282
	<u>(75,290)</u>	<u>24,017</u>	<u>65,577</u>
Change in net financial assets for the year	(19,913)	13,841	53,528
Net financial assets, beginning of year	<u>174,558</u>	<u>174,558</u>	<u>121,030</u>
Net financial assets, end of year	<u>\$ 154,645</u>	<u>\$ 188,399</u>	<u>\$ 174,558</u>

## Cranbrook Public Library Statement of Cash Flows

<u>For the year ended December 31</u>	<u>2016</u>	<u>2015</u>
<b>Operating transactions</b>		
Annual deficit	\$ (10,176)	\$ (12,049)
Items not involving cash		
Income from receipt of contributed tangible assets	-	-
Amortization	93,476	105,378
Changes in non-cash operating balances		
Accounts receivable	3,538	14,244
Prepaid expenses and inventories of supplies	-	15,282
Accounts payable and accrued liabilities	(7,512)	14,383
Deferred revenue	3,857	(13,126)
	<u>83,183</u>	<u>124,112</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	<u>(69,459)</u>	<u>(55,083)</u>
<b>Financing transactions</b>		
Repayment of obligations under capital lease	<u>-</u>	<u>(6,622)</u>
<b>Net change in cash and cash equivalents</b>	<b>13,724</b>	<b>62,407</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>280,362</b></u>	<u><b>217,955</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 294,086</b></u>	<u><b>\$ 280,362</b></u>

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## Cranbrook Public Library Summary of Significant Accounting Policies

December 31, 2016

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<b>Basis of Presentation</b>	The Cranbrook Public Library is incorporated under the Library Act of British Columbia and provides library services for Cranbrook and District.										
<b>Basis of Accounting</b>	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 Professional Accountants.										
<b>Economic Dependence</b>	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.										
<b>Cash and Cash Equivalents</b>	Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.										
<b>Tangible Capital Assets</b>	<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										

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## Cranbrook Public Library

### Summary of Significant Accounting Policies (continued)

December 31, 2016

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#### 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.

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## Cranbrook Public Library Notes to Financial Statements

December 31, 2016

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### 1. Cash and Cash Equivalents

Included in cash and cash equivalents are amounts of \$188,399 (2015 - \$174,558) 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, 2016 (2015 - nil).

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### 2. Deferred Revenue

	<u>2016</u>	<u>2015</u>
Literacy programs	\$ 7,383	\$ 7,295
Material acquisition	<u>3,769</u>	<u>-</u>
	<u>\$ 11,152</u>	<u>\$ 7,295</u>

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### 3. 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 nine 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 operating grant revenue of \$730,229 (2015 - \$703,155) from the City of Cranbrook. This grant includes \$146,046 (2015 - \$140,631) from the Regional District of East Kootenay, representing 20% of the City's operating grant to the Library, and is shown separately on the Statement of Operations.
- (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 the Library has or will reimburse the City of Cranbrook is \$51,825 (2015 - \$58,482) 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 \$41,691 (2015 - \$43,630).
- (e) Included in accounts receivable is \$3,413 (2015 - \$3,019) 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.

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## Cranbrook Public Library Notes to Financial Statements

December 31, 2016

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#### 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 defined benefit pension plan. Basic pension benefits provided are based on a formula. The Plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local government.

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 is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation as at December 31, 2015 indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2018 with results available in 2019. 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 Cranbrook Public Library paid \$41,377 (2015 - \$40,930) for employer contributions to the plan in fiscal 2016.

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#### 5. Endowment Funds

The Cranbrook Public Library has accumulated \$20,155 (2015 - \$13,610) in an endowment fund held by the Cranbrook and District Community Foundation. This fund is not included in the assets or net assets of the Library. The income earned on this fund held by the Foundation will be donated annually to the Cranbrook Public Library and reported as donation revenue.

**Cranbrook Public Library**  
**Notes to Financial Statements**

December 31, 2016

**6. Tangible Capital Assets**

	Print Collection	Audio-Visual Collection	Furniture & Equipment	Equipment Under Capital Lease	Landscape & Sculptures	2016 Total
Cost, beginning of year	\$ 624,994	\$ 39,552	\$ 215,578	\$ 21,684	\$ 69,913	\$ 971,721
Purchases	46,127	9,422	13,910	-	-	69,459
Disposals	(67,758)	(16,212)	(91,231)	(21,684)	-	(196,885)
Cost, end of year	603,363	32,762	138,257	-	69,913	844,295
Accumulated amortization, beginning of year	367,668	28,630	173,228	17,091	35,630	622,247
Amortization	59,780	10,912	13,530	4,593	4,661	93,476
Disposals	(67,758)	(16,212)	(91,231)	(21,684)	-	(196,885)
Accumulated amortization, end of year	359,690	23,330	95,527	-	40,291	518,838
Net carrying amount, end of year	\$ 243,673	\$ 9,432	\$ 42,730	\$ -	\$ 29,622	\$ 325,457

During the year the Library received \$3,088 (2015 - \$4,799) of contributed print collection and \$1,660 (2015 - \$3,071) of contributed audio-visual collection which have been capitalized and of which the offset is reported as donation revenue in the statement of operations.

# Cranbrook Public Library

## Notes to Financial Statements

December 31, 2016

### 6. Tangible Capital Assets (continued)

	Print Collection	Audio-Visual Collection	Furniture & Equipment	Equipment Under Capital Lease	Landscape & Sculptures	2015 Total
Cost, beginning of year	\$ 649,105	\$ 43,410	\$ 214,645	\$ 21,684	\$ 69,913	\$ 998,757
Purchases	44,690	9,460	933	-	-	55,083
Disposals	(68,801)	(13,318)	-	-	-	(82,119)
Cost, end of year	624,994	39,552	215,578	21,684	69,913	971,721
Accumulated amortization, beginning of year	374,526	28,773	151,966	12,754	30,969	598,988
Amortization	61,943	13,175	21,262	4,337	4,661	105,378
Disposals	(68,801)	(13,318)	-	-	-	(82,119)
Accumulated amortization, end of year	367,668	28,630	173,228	17,091	35,630	622,247
Net carrying amount, end of year	\$ 257,326	\$ 10,922	\$ 42,350	\$ 4,593	\$ 34,283	\$ 349,474

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## Cranbrook Public Library Notes to Financial Statements

December 31, 2016

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### 7. Lease Commitments

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

Year	Amount
2017	\$ 23,786
2018	20,945
2019	<u>12,689</u>
	<u>\$ 57,420</u>

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### 8. Budget

The Budget adopted by the Board of Trustees on April 20, 2016 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 20, 2016 with adjustments as follows:

	<u>2016</u>
Budgeted deficit for the year	\$ -
Add: Capital expenditures	75,290
Less: Budgeted transfers from reserves	<u>(19,913)</u>
Adjusted budget surplus per statement of operations	<u>\$ 55,377</u>



Tel: 250 426 4285  
Fax: 250 426 8886  
www.bdo.ca

BDO Canada LLP  
35 10th Avenue South  
Cranbrook BC V1C 2M9 Canada

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## Notice to Reader on Supplementary Financial Information

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On the basis of information provided by management, we have compiled the attached supplementary schedules of the Cranbrook Public Library, as at December 31, 2016, and for the year ended December 31, 2016

We have not performed an audit or a review engagement in respect of these statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

*BDO Canada LLP*  
Chartered Professional Accountants

Cranbrook, BC  
March 15, 2017

**Cranbrook Public Library**  
**Supplementary Schedule 1 - Statement of Operating Activities**  
**(Unaudited - see Notice to Reader)**

<b>For the year ended December 31</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
<b>Revenue</b>			
<b>Grants</b>			
Province of British Columbia			
- Per capita grant	\$ 84,105	\$ 84,384	\$ 84,107
- Other grants	16,641	16,641	16,641
City of Cranbrook	584,183	584,183	562,524
Regional District of East Kootenay	146,046	146,046	140,631
Other	22,150	17,222	18,000
	<u>853,125</u>	<u>848,476</u>	<u>821,903</u>
<b>Other revenue</b>			
Donations	46,775	41,831	43,326
Internal services	30,660	30,473	36,974
Meeting room rental	5,500	5,818	5,280
	<u>936,060</u>	<u>926,598</u>	<u>907,483</u>
<b>Expenditures</b>			
Accounting and administration	27,010	26,341	25,963
Building maintenance and occupancy costs	87,840	84,765	90,636
Meeting room	5,500	5,500	5,280
Programs and services	45,803	41,525	49,340
Salaries, wages and benefits	655,655	637,361	619,347
Technology	58,875	48,190	34,696
	<u>880,683</u>	<u>843,682</u>	<u>825,262</u>
<b>Interfund transfers</b>			
Collections	61,400	55,549	54,150
Furnishings and equipment	13,890	13,910	933
	<u>75,290</u>	<u>69,459</u>	<u>55,083</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>(19,913)</u>	<u>13,457</u>	<u>27,138</u>
<b>Debt repayment</b>	-	-	(6,622)
<b>Net transfers from reserves</b>	<u>19,913</u>	<u>(13,457)</u>	<u>(20,516)</u>
<b>Operating fund, beginning and end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Cranbrook Public Library**  
**Supplementary Schedule 2 - Statement of Changes in Reserves**  
(Unaudited - see Notice to Reader)

For the year ended December 31	2016				2015
	Technology Reserve	General Reserve	Projects Reserve	Manual Training School Reserve	Total
<b>Revenue</b>					
Fundraising, net of expenses	\$ -	\$ -	\$ 6,748	\$ -	\$ 13,610
Provincial grants	-	-	-	-	16,641
Meeting room surplus	-	-	-	-	1,266
Other	-	-	384	-	1,418
	-	-	7,132	-	32,935
<b>Expenditures</b>					
Other	-	-	-	-	8,217
Endowment contributions	-	-	6,748	-	13,610
	-	-	6,748	-	21,827
<b>Excess of revenue over expenditures</b>	-	-	384	-	11,108
<b>Interfund transfers</b>	(900)	13,932	108	317	20,516
<b>Change in fund balance</b>	(900)	13,932	492	317	31,624
<b>Reserve balance, beginning of year</b>	9,551	125,220	35,492	4,293	142,934
<b>Reserve balance, end of year</b>	\$ 8,651	\$ 139,152	\$ 35,984	\$ 4,610	\$ 174,558