

Cranbrook Public Library
Financial Statements
December 31, 2010

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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, 2010, and the statement 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 of Cranbrook Public Library for the year ended December 31, 2010 are prepared, in all material respects, in accordance with Canadian public sector accounting standards.

BDO Canada LLP
Chartered Accountants

Cranbrook, BC

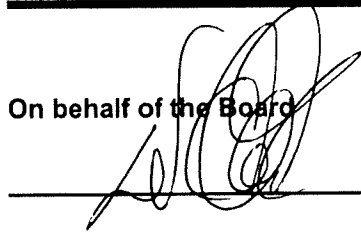
April 20, 2011

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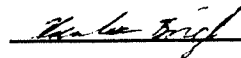
Cranbrook Public Library Statement of Financial Position

<u>December 31</u>	<u>2010</u>	<u>2009</u>
Financial Assets		
Cash and cash equivalents (Note 1)	\$ 135,740	\$ 130,560
Accounts receivable	19,834	13,514
	<u>155,574</u>	<u>144,074</u>
Liabilities		
Accounts payable and accrued liabilities	62,420	62,720
Deferred revenue (Note 2)	19,641	14,166
Capital lease obligation (Note 3)	17,017	26,618
	<u>99,078</u>	<u>103,504</u>
Net Financial Assets	<u>56,496</u>	<u>40,570</u>
Non-Financial Assets		
Tangible capital assets (Note 6)	509,496	535,238
Accumulated Surplus	<u>\$ 565,992</u>	<u>\$ 575,808</u>

On behalf of the Board



Member



Chief Librarian

Cranbrook Public Library Statement of Operations

For the year ended December 31	2010 (Note 8)	2010	2009
	<i>Budget</i>	Actual	Actual
Revenue			
Grants			
- Province of British Columbia	\$ 107,538	\$ 99,811	\$ 123,616
- Government of Canada	-	840	852
- City of Cranbrook	473,015	473,020	459,580
- Regional District of East Kootenay	118,256	125,256	125,901
- Community Access Program	3,600	-	6,674
- Other	-	3,658	3,000
Donations	33,600	39,390	58,682
Other revenue	38,401	50,363	47,333
	774,410	792,338	825,638
Expenses			
Accounting	12,200	11,217	12,444
Advertising	4,250	2,815	4,244
Amortization	-	120,984	122,367
Building maintenance and occupancy costs	76,150	72,770	71,357
Periodical collections	8,500	9,069	12,832
Equipment leasing	16,000	3,889	13,016
Equipment repairs	28,500	23,044	17,957
Interest and bank charges	2,550	5,139	3,189
Miscellaneous	14,450	15,138	10,233
Software	500	-	160
Salaries, wages and benefits	512,000	523,502	517,962
Supplies and postage	14,760	11,737	14,645
Telephone and data lines	4,950	2,850	3,052
	694,810	802,154	803,458
Annual surplus (deficit)	79,600	(9,816)	22,180
Accumulated surplus, beginning of year	575,808	575,808	553,628
Accumulated surplus, end of year	\$ 655,408	\$ 565,992	\$ 575,808

Cranbrook Public Library Statement of Changes in Net Financial Assets

For the year ended December 31	2010 (Note 8)	2010	2009
	<i>Budget</i>	Actual	<i>Actual</i>
Annual surplus	\$ 79,600	\$ (9,816)	\$ 22,180
Acquisition of tangible capital assets	(84,200)	(96,120)	(147,623)
Amortization of tangible capital assets	-	120,984	122,367
Loss (gain) on disposal of tangible capital assets	-	(220)	135
Adjustment to capital lease	-	1,098	-
	(84,200)	25,742	(25,121)
Change in net financial assets for the year	(4,600)	15,926	(2,941)
Net financial assets, beginning of year	40,570	40,570	43,511
Net financial assets, end of year	\$ 35,970	\$ 56,496	\$ 40,570

Cranbrook Public Library Statement of Cash Flows

For the year ended December 31

2010

2009

Operating transactions

Annual surplus (deficit)	\$ (9,816)	\$ 22,180
Items not involving cash		
Amortization	120,984	122,367
Loss (gain) on disposal of tangible capital assets	(220)	135
Changes in non-cash operating balances		
Accounts receivable	(6,320)	3,036
Accounts payable and accrued liabilities	(300)	(5,404)
Deferred revenue	5,475	(434)
	<u>109,803</u>	<u>141,880</u>

Capital transactions

Acquisition of tangible capital assets	<u>(96,120)</u>	<u>(118,855)</u>
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Financing transactions

Repayment of obligations under capital lease	<u>(8,503)</u>	<u>(2,150)</u>
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Net change in cash and cash equivalents

5,180 20,875

Cash and cash equivalents, beginning of year

130,560 109,685

Cash and cash equivalents, end of year

\$ 135,740 \$ 130,560

Cranbrook Public Library Summary of Significant Accounting Policies

December 31, 2010

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	<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, 2010

Revenue Recognition

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.

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.

Deferred Revenue

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.

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.

Financial Instruments

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.

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.

**Cash and Cash
Equivalents**

Management considers all highly liquid investments with maturity of three months or less at acquisition to be cash equivalents.

Cranbrook Public Library Notes to Financial Statements

December 31, 2010

1. Cash and Cash Equivalents

Included in cash and cash equivalents is an amount of \$80,015 (2009 - \$76,058) 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, 2010 (2009 - nil).

2. Deferred Revenue

	<u>2010</u>	<u>2009</u>
Literacy programs	<u>\$ 19,641</u>	<u>\$ 14,166</u>

3. Capital Lease Obligation

	<u>2010</u>	<u>2009</u>
Computer equipment lease, minimum monthly payments of \$899, interest rate 11.53%, expires August 2012	<u>\$ 17,017</u>	<u>\$ 26,618</u>

Interest paid relating to the above obligations on capital leases and included in interest and bank charges was \$2,488 (2009 - \$685). Future minimum payments under capital lease are:

Year	Amount
2011	\$ 10,784
2012	<u>8,088</u>
	18,872
Imputed interest	<u>(1,855)</u>
	<u>\$ 17,017</u>

Cranbrook Public Library Notes to Financial Statements

December 31, 2010

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 \$30,869 for employer contributions to the plan in fiscal 2010 (2009 - \$29,322).

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 \$473,020 (2009 - \$459,580) from the City of Cranbrook.
- (b) Included in building maintenance and occupancy costs of which it reimbursed the City of Cranbrook are \$49,723 (2009 - \$45,796) 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 \$29,454 (2009 - \$29,652) payable to the City of Cranbrook for insurance and utilities.
- (e) Included in accounts receivable is \$5,215 (2009 - \$nil) 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, 2010

6. Tangible Capital Assets

	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

\$12,153 (2009 - \$13,673) 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 2010 and 2009 amounts to \$5,580.

Cranbrook Public Library

Notes to Financial Statements

December 31, 2010

6. Tangible Capital Assets (continued)

	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, 2010

7. Lease Commitments

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

Year	Amount
2011	\$ 4,605
2012	3,999
2013	<u>1,976</u>
	<u>\$ 10,580</u>

8. Budget

The Budget adopted by the Board of Trustees on October 21, 2009 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 October 21, 2009 with adjustments as follows:

	<u>2010</u>
Budgeted deficit for the year	\$ -
Add:Capital expenditures	84,200
Less:Budgeted transfers from reserves	<u>(4,600)</u>
Adjusted budget surplus per statement of operations	<u>\$ 79,600</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, 2010 and reported thereon dated April 20, 2011. 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 20, 2011

Cranbrook Public Library Supplementary Schedule 1 - Statement of Operating Activities

For the year ended December 31	2010	2010	2009
	Budget	Actual	Actual
Revenue			
Grants			
Province of British Columbia			
- Per capita grant	\$ 86,564	\$ 84,731	\$ 90,179
- Other grants	20,974	10,658	15,883
City of Cranbrook	473,015	473,020	459,580
Regional District of East Kootenay	118,256	118,256	114,901
Government of Canada	-	840	852
Community Access Program	3,600	-	6,674
	702,409	687,505	688,069
Other revenue			
Bank interest	-	-	144
Donations	33,600	33,996	47,204
Fines, photocopier and book sales	26,900	29,154	29,986
Miscellaneous	11,501	12,828	13,615
	774,410	763,483	779,018
Expenditures			
Accounting	12,200	11,217 ^o	12,444
Advertising	4,250	2,815 ^o	4,244
Building maintenance and occupancy costs	76,150	72,770 ^B	71,357
Collection items	8,500	9,069 ^C	12,832
Equipment leasing	16,000	3,889 ^T	13,016
Equipment repairs	28,500	23,044 ^T	17,957
Interest and bank charges	2,550	5,139 ^o	3,189
Miscellaneous	14,450	14,573 ^o	8,602
Software	500	- ^T	160
Salaries, wages and benefits	512,000	523,502 ^S	517,962
Supplies and postage	14,760	11,737 ^o	14,645
Telephone and data lines	4,950	2,850 ^T	3,052
	694,810	680,605	679,460
Interfund transfers			
Collections	79,500	82,220 ^C	84,157
Furnishings and equipment	4,700	4,303 ^B	12,358
Assets under capital lease	-	-	28,768
	84,200	86,523	125,283
Deficiency of revenue over expenditures	(4,600)	(3,645)	(25,725)
Proceeds from capital lease	-	-	28,768
Debt repayment	-	(8,503)	(2,150)
Net transfers from (to) reserves	4,600	22,445	(5,319)
Change in fund balance	-	10,297	(4,426)
Operating fund, beginning of year	2,794	2,794	7,220
Operating fund, end of year	\$ 2,794	\$ 13,091	\$ 2,794

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

For the year ended December 31		2010				2009	
		Community Access Program Reserves	Operating Reserves	Capital Expenditure Reserves	Collection Reserves	Total	Total
Revenue							
Donations	\$	-	\$	\$	-	\$	\$
Fundraising, net of expenses		-	-	2,897	-	2,897	(862)
Grants		-	-	15,080	-	15,080	31,554
Other		5,216	-	-	-	5,216	4,450
		5,216	-	23,371	-	28,587	46,620
Expenditures							
Other		118	-	447	-	565	1,496
Capital expenditures		1,398	-	8,199	-	9,597	22,340
		1,516	-	8,646	-	10,162	23,836
Excess of revenue over expenditures		3,700	-	14,725	-	18,425	22,784
Interfund transfers		-	(4,600)	(17,845)	-	(22,445)	5,319
Change in fund balance		3,700	(4,600)	(3,120)	-	(4,020)	28,103
Reserve balance, beginning of year		13,094	21,820	29,480	-	64,394	36,291
Reserve balance, end of year	\$	16,794	\$	17,220	\$	26,360	\$
					-	60,374	\$
							64,394