

**Cranbrook Public Library**  
**Financial Statements**  
December 31, 2012

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**Contents**

<b>Independent Auditor's Report</b>	<b>2</b>
<b>Financial Statements</b>	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Financial Assets	5
Statement of Cash Flows	6
Significant Accounting Policies	7 - 8
Notes to the Financial Statements	9 - 13
<b>Auditor's Comment on Supplementary Financial Information</b>	<b>14</b>
Supplementary Schedule 1 - Statement of Operating Activities	15
Supplementary Schedule 2 - Statement of Changes in Reserves	16



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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, 2012, 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 present fairly, in all material respects, the financial position of Cranbrook Public Library as at December 31, 2012, 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

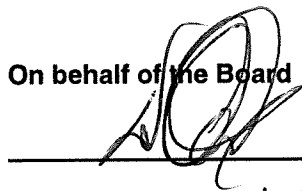
April 17, 2013

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## Cranbrook Public Library Statement of Financial Position

December 31	2012	2011
<b>Financial Assets</b>		
Cash and cash equivalents (Note 1)	\$ 153,557	\$ 130,732
Accounts receivable	24,135	12,770
	<u>177,692</u>	<u>143,502</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	68,862	59,231
Deferred revenue (Note 2)	16,641	16,641
Capital lease obligation (Note 3)	19,877	7,713
	<u>105,380</u>	<u>83,585</u>
<b>Net Financial Assets</b>	<u>72,312</u>	<u>59,917</u>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 6)	477,276	492,394
Prepaid expenses	3,548	4,593
	<u>480,824</u>	<u>496,987</u>
<b>Accumulated Surplus</b>	<u>\$ 553,136</u>	<u>\$ 556,904</u>

On behalf of the Board



Member



Chief Librarian

## Cranbrook Public Library Statement of Operations

<b>For the year ended December 31</b>	<i>2012</i> (Note 8)	<b>2012</b>	<b>2011</b>
	<i>Budget</i>	<b>Actual</b>	<b>Actual</b>
<b>Revenue</b>			
Grants			
- Province of British Columbia	\$ 102,248	\$ 101,728	\$ 102,246
- Government of Canada	657	1,103	1,226
- City of Cranbrook	507,608	507,608	484,502
- Regional District of East Kootenay	126,902	126,902	121,125
- Community Access Program	4,705	9,301	4,582
- Other	12,410	12,847	14,481
Donations	31,015	40,517	40,200
Other revenue	38,255	43,701	44,524
	<u>823,800</u>	<u>843,707</u>	<u>812,886</u>
<b>Expenses</b>			
Accounting	13,000	12,339	12,208
Advertising	3,000	2,275	2,314
Amortization	-	113,972	110,641
Building maintenance and occupancy costs	81,325	68,181	71,729
Equipment leasing	14,540	3,880	4,068
Equipment repairs	28,000	28,366	21,977
Interest and bank charges	3,350	2,929	4,549
Miscellaneous	11,850	14,077	17,321
Periodical collections	17,900	18,575	15,456
Salaries, wages and benefits	570,695	568,302	547,306
Supplies and postage	13,690	11,412	11,322
Telephone and data lines	3,500	3,167	3,083
	<u>760,850</u>	<u>847,475</u>	<u>821,974</u>
<b>Annual surplus (deficit)</b>	62,950	(3,768)	(9,088)
<b>Accumulated surplus, beginning of year</b>	556,904	556,904	565,992
<b>Accumulated surplus, end of year</b>	\$ 619,854	\$ 553,136	\$ 556,904

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

<b>For the year ended December 31</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>
	(Note 8)		
	<i>Budget</i>	<b>Actual</b>	<b>Actual</b>
<b>Annual surplus (deficit)</b>	<b>\$ 62,950</b>	<b>\$ (3,768)</b>	<b>\$ (9,088)</b>
Acquisition of tangible capital assets	(76,250)	(98,854)	(93,539)
Amortization of tangible capital assets	-	113,972	110,641
Increase in prepaid expenses	-	1,045	(4,593)
	<u>(76,250)</u>	<u>16,163</u>	<u>12,509</u>
 <b>Change in net financial assets for the year</b>	 (13,300)	 12,395	 3,421
<b>Net financial assets, beginning of year</b>	<u>59,917</u>	<u>59,917</u>	<u>56,496</u>
<b>Net financial assets, end of year</b>	<b>\$ 46,617</b>	<b>\$ 72,312</b>	<b>\$ 59,917</b>

## Cranbrook Public Library Statement of Cash Flows

<b>For the year ended December 31</b>	<b>2012</b>	<b>2011</b>
		(Note 9)
<b>Operating transactions</b>		
Annual deficit	\$ (3,768)	\$ (9,088)
Items not involving cash		
Income from receipt of contributed tangible assets	(11,810)	(12,867)
Amortization	113,972	110,641
Changes in non-cash operating balances		
Accounts receivable	(11,365)	7,064
Prepaid expenses and inventories of supplies	1,045	(4,593)
Accounts payable and accrued liabilities	9,631	(3,189)
Deferred revenue	-	(3,000)
	<u>97,705</u>	<u>84,968</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	<u>(66,644)</u>	<u>(80,672)</u>
<b>Financing transactions</b>		
Repayment of obligations under capital lease	<u>(8,236)</u>	<u>(9,304)</u>
<b>Net change in cash and cash equivalents</b>	<b>22,825</b>	<b>(5,008)</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>130,732</b></u>	<u><b>135,740</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 153,557</b></u>	<u><b>\$ 130,732</b></u>

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## Cranbrook Public Library Summary of Significant Accounting Policies

December 31, 2012

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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 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, 2012**

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**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.

**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.

**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.

**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, 2012**

### 1. Cash and Cash Equivalents

Included in cash and cash equivalents are amounts of \$95,737 (2011 - \$72,223) 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, 2012 (2011 - nil).

### 2. Deferred Revenue

	<u>2012</u>	<u>2011</u>
Literacy programs	<u>\$ 16,641</u>	<u>\$ 16,641</u>

### 3. Capital Lease Obligation

	<u>2012</u>	<u>2011</u>
Computer equipment lease, minimum monthly payments of \$638, interest rate 7.89%, expires November 2015	<u>\$ 19,877</u>	<u>\$ -</u>
Lease obligation repaid	<u>-</u>	<u>7,713</u>
	<u>\$ 19,877</u>	<u>\$ 7,713</u>

Interest paid relating to the above obligations on capital leases and included in interest and bank charges was \$490 (2011 - \$1,480). Future minimum payments under capital lease are:

Year	Amount
2013	\$ 7,650
2014	7,650
2015	<u>7,013</u>
	22,313
Imputed interest	<u>(2,436)</u>
	<u>\$ 19,877</u>

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

**December 31, 2012**

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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 contributory pension plan. Basic pension benefits provided are defined. The plan has about 176,000 active members and approximately 67,000 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 \$35,855 for employer contributions to the plan in fiscal 2012 (2011 - \$34,659).

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### **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 \$507,608 (2011 - \$484,502) 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 \$42,681 (2011 - \$47,728) 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 \$25,542 (2011 - \$28,787).
- (e) Included in accounts receivable is \$4,064 (2011 - \$1,006) 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, 2012**

### 6. Tangible Capital Assets

	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

\$10,960 (2011 - \$12,867) of contributed print collection and \$850 (2011 - \$650) of contributed furniture and equipment of which the offset is as donation revenue in the financial statements during the year. The net book value of print collection assets not in service and not being amortized in 2012 and 2011 amounts to \$5,580.

# Cranbrook Public Library

## Notes to Financial Statements

**December 31, 2012**

### 6. Tangible Capital Assets (continued)

	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

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## Cranbrook Public Library Notes to Financial Statements

**December 31, 2012**

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### 7. Lease Commitments

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

Year	Amount
2013	\$ 13,413
2014	11,437
2015	11,765
2016	12,104
2017	11,961
2018	12,320
2019	<u>12,689</u>
	<u>\$ 85,689</u>

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### 8. Budget

The Budget adopted by the Board of Trustees on May 23, 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>2012</u>
Budgeted surplus for the year	\$ -
Add: Capital expenditures	76,250
Less: Budgeted transfers from reserves	<u>(13,300)</u>
Adjusted budget surplus per statement of operations	<u>\$ 62,950</u>

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### 9. Comparative Figures

Certain prior year comparative figures presented in the financial statements have been restated to conform to the current year's presentation.



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## Auditor's Comments on Supplementary Financial Information

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**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, 2012 and reported thereon dated April 17, 2013. 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 17, 2013

# Cranbrook Public Library

## Supplementary Schedule 1 - Statement of Operating Activities

For the year ended December 31	2012	2012	2011
	Budget	Actual	Actual
<b>Revenue</b>			
Grants			
Province of British Columbia	\$ 85,607	\$ 70,205	\$ 70,265
- Per capita grant	16,641	16,641	16,641
- Other grants	507,608	507,608	484,502
City of Cranbrook	126,902	126,902	121,125
Regional District of East Kootenay	657	1,103	1,226
Government of Canada	4,705	9,301	4,582
Community Access Program	12,410	9,458	5,981
Other	754,530	741,218	704,322
Other revenue	31,015	36,357	35,865
Donations	27,100	27,955	28,081
Fines, photocopier and book sales	11,155	12,561	11,349
Miscellaneous	823,800	818,091	779,617
<b>Expenditures</b>			
Accounting	13,000	12,339	12,208
Advertising	3,000	2,275	2,314
Building maintenance and occupancy costs	81,325	68,181	71,729
Equipment leasing	14,540	3,880	4,068
Equipment repairs	28,000	28,366	21,977
Interest and bank charges	3,350	2,929	4,549
Miscellaneous	11,850	13,502	13,345
Periodical collections	17,900	18,575	15,456
Salaries, wages and benefits	570,695	568,302	547,306
Supplies and postage	13,690	11,412	11,322
Telephone and data lines	3,500	3,167	3,083
	760,850	732,928	707,357
<b>Interfund transfers</b>			
Collections	72,150	67,748	78,119
Furnishings and equipment	4,100	10,706	446
	76,250	78,454	78,565
<b>Excess (deficiency) of revenue over expenditures</b>	(13,300)	6,709	(6,305)
<b>Debt repayment</b>	-	(8,236)	(9,304)
<b>Net transfers from reserves</b>	13,300	1,527	2,461
<b>Change in fund balance</b>	-	-	(13,148)
<b>Operating fund, beginning of year</b>	-	-	13,148
<b>Operating fund, end of year</b>	\$ -	\$ -	\$ -

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

For the year ended December 31

2012      2011

	Community Access Program Reserves	Operating Reserves	Capital Expenditure Reserves	Manual Training Reserves	Total	Total
<b>Revenue</b>						
Donations	\$ -	\$ -	\$ 4,160	\$ -	\$ 4,160	\$ 4,335
Fundraising, net of expenses	-	-	15	-	15	929
Provincial grants	-	-	14,882	-	14,882	23,840
Other grants	-	-	3,389	-	3,389	4,165
Other	3,170	-	-	-	3,170	-
	<b>3,170</b>	<b>-</b>	<b>22,446</b>	<b>-</b>	<b>25,616</b>	<b>33,269</b>
<b>Expenditures</b>						
Other	-	-	575	-	575	3,986
Capital expenditures	-	-	-	-	-	14,973
	<b>-</b>	<b>-</b>	<b>575</b>	<b>-</b>	<b>575</b>	<b>18,959</b>
<b>Excess of revenue over expenditures</b>	<b>3,170</b>	<b>-</b>	<b>21,871</b>	<b>-</b>	<b>25,041</b>	<b>14,310</b>
<b>Interfund transfers</b>	<b>(9,800)</b>	<b>23,740</b>	<b>(18,840)</b>	<b>3,373</b>	<b>(1,527)</b>	<b>(2,461)</b>
<b>Change in fund balance</b>	<b>(6,630)</b>	<b>23,740</b>	<b>3,031</b>	<b>3,373</b>	<b>23,514</b>	<b>11,849</b>
<b>Reserve balance, beginning of year</b>	<b>13,241</b>	<b>30,620</b>	<b>28,105</b>	<b>257</b>	<b>72,223</b>	<b>60,374</b>
<b>Reserve balance, end of year</b>	<b>\$ 6,611</b>	<b>\$ 54,360</b>	<b>\$ 31,136</b>	<b>\$ 3,630</b>	<b>\$ 95,737</b>	<b>\$ 72,223</b>