

Cranbrook Public Library
Financial Statements
December 31, 2018

Contents

Managements' Responsibility for Financial Reporting	2
Independent Auditor's Report	3 - 4
Financial Statements	
Statement of Financial Position	5
Statement of Operations	6
Statement of Changes in Net Financial Assets	7
Statement of Cash Flows	8
Significant Accounting Policies	9 - 10
Notes to the Financial Statements	11 - 15
Notice to Reader on Supplementary Financial Information	16
Supplementary Schedule 1 - Statement of Operating Activities	17
Supplementary Schedule 2 - Statement of Changes in Reserves	18

Managements' Responsibility for Financial Reporting

To Directors of the Board:

In accordance with Sections 11 and 26 of the Library Act, I am pleased to submit the 2018 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 judgments. 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.



Ursula Brigl
Chief Librarian

March 20, 2019

Independent Auditor's Report

To the Members of the Board of the Cranbrook Public Library

We have audited the accompanying financial statements of the Cranbrook Public Library, which comprise the statement of financial position as at December 31, 2018, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Cranbrook Public Library as at December 31, 2018, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Municipality in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Library's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Library or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report (Continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Library's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Library's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Library to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Yours truly,



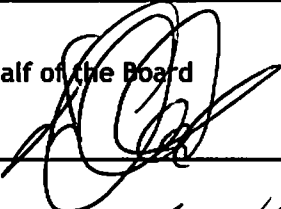
Chartered Professional Accountants

Cranbrook, BC
March 20, 2019

**Cranbrook Public Library
Statement of Financial Position**

December 31	2018	2017
Financial Assets		
Cash and cash equivalents (Note 1)	\$ 273,944	\$ 303,138
Accounts receivable	14,804	9,347
	288,748	312,485
Liabilities		
Accounts payable and accrued liabilities	91,697	125,754
Deferred revenue (Note 2)	6,270	8,463
	97,967	134,217
Net Financial Assets	190,781	178,268
Non-Financial Assets		
Tangible capital assets (Note 6)	292,590	309,920
Prepaid expenses	28,154	2,987
	320,744	312,907
Accumulated Surplus	\$ 511,525	\$ 491,175

On behalf of the Board



Member



Chief Librarian

Cranbrook Public Library Statement of Operations

For the year ended December 31	2018	2018	2017
	(Note 8)		
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
Revenue			
Grants			
- Province of British Columbia	\$ 100,838	\$ 100,320	\$ 100,112
- City of Cranbrook	607,784	607,785	595,867
- Regional District of East Kootenay	151,946	151,946	148,967
- Other	34,306	23,848	19,332
Donations	41,970	43,339	34,512
Meeting room rental	5,800	7,686	5,884
Internal and other revenue	31,500	40,084	38,997
	974,144	975,008	943,671
Expenses			
Amortization	-	79,346	82,023
Accounting and administration	28,394	27,500	28,837
Building maintenance and occupancy costs	85,475	79,999	91,084
Meeting room	5,800	2,349	8,600
Programs and services	48,010	44,836	40,252
Salaries, wages and benefits	677,955	669,580	632,805
Technology	54,490	49,448	78,454
	900,124	953,058	962,055
Annual surplus (deficit), before endowment contributions	74,020	21,950	(18,384)
Endowment contributions (Note 5)	-	1,600	4,297
Annual surplus (deficit)	74,020	20,350	(22,681)
Accumulated surplus, beginning of year	491,175	491,175	513,856
Accumulated surplus, end of year	\$ 565,195	\$ 511,525	\$ 491,175

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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

For the year ended December 31	2018	2018	2017
	(Note 8)		
	<i>Budget</i>	Actual	Actual
Annual surplus (deficit)	\$ 74,020	\$ 20,350	\$ (22,681)
Acquisition of tangible capital assets	(70,320)	(62,016)	(66,483)
Amortization of tangible capital assets	-	79,346	82,023
Increase in prepaid expenses	-	(25,167)	(2,987)
	<u>(70,320)</u>	<u>(7,837)</u>	<u>12,553</u>
Change in net financial assets for the year	3,700	12,513	(10,128)
Net financial assets, beginning of year	<u>178,268</u>	<u>178,268</u>	<u>188,396</u>
Net financial assets, end of year	<u>\$ 181,968</u>	<u>\$ 190,781</u>	<u>\$ 178,268</u>

Cranbrook Public Library Statement of Cash Flows

For the year ended December 31	2018	2017
Operating transactions		
Annual surplus (deficit)	\$ 20,350	\$ (22,681)
Items not involving cash		
Income from receipt of contributed tangible assets	(4,473)	(5,596)
Amortization	79,346	82,023
Changes in non-cash operating balances		
Accounts receivable	(5,457)	522
Prepaid expenses and inventories of supplies	(25,167)	(2,987)
Accounts payable and accrued liabilities	(34,057)	21,347
Deferred revenue	(2,193)	(2,689)
	<u>28,349</u>	<u>69,939</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(57,543)</u>	<u>(60,887)</u>
Net change in cash and cash equivalents	(29,194)	9,052
Cash and cash equivalents, beginning of year	<u>303,138</u>	<u>294,086</u>
Cash and cash equivalents, end of year	<u>\$ 273,944</u>	<u>\$ 303,138</u>

Cranbrook Public Library Summary of Significant Accounting Policies

December 31, 2018

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 Professional 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 Tangible capital assets are recorded at cost less accumulated amortization and are classified according to their functional use. Cost includes all costs directly attributable to the acquisition or construction of the tangible capital assets. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is put into use. Donated tangible capital assets are recorded at fair value at the time of the donation unless fair value can not be reasonably measured. Leases entered into that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation.

Estimated useful lives of tangible capital assets are as follows:

Print collection	10 years
Audio-visual collection	3 years
Furnishings and equipment	5 to 10 years
Landscaping and sculptures	15 years
Equipment under capital lease	5 years

Cranbrook Public Library

Summary of Significant Accounting Policies (continued)

December 31, 2018

Revenue Recognition	<p>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.</p> <p>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.</p> <p>Contributions received in-kind are recognized as revenue in the period received at the fair market value at the time of the contribution.</p>
Contributed Services	<p>Volunteers contribute services to assist the Library in carrying out its operations. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.</p>
Government Transfers	<p>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.</p>
Pension Expenditures	<p>The Library participates in a multi-employer deferred benefit pension plan. The plan is accounted for as a defined contribution plan.</p>
Use of Estimates	<p>The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.</p>

Cranbrook Public Library Notes to Financial Statements

December 31, 2018

1. Cash and Cash Equivalents

Included in cash and cash equivalents are amounts of \$218,935 (2017 - \$181,255) 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, 2018 (2017 - nil).

2. Deferred Revenue

	<u>2018</u>	<u>2017</u>
Literacy programs	\$ 6,270	\$ 8,463

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 \$759,731 (2017 - \$744,834) from the City of Cranbrook. This grant includes \$151,946 (2017 - \$148,967) 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) Included in project grants is a \$5,000 (2017 - nil) collection grant from the City of Cranbrook.
- (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 building maintenance and occupancy costs is \$45,379 (2017 - \$54,394) comprised of maintenance, insurance, and utilities, of which the Library has or will reimburse the City of Cranbrook.
- (e) The amount payable to the City of Cranbrook at the year end and included in accounts payable and accrued liabilities is \$43,560 (2017 - \$62,089).
- (f) Included in accounts receivable is \$2,296 (2017 - \$3,334) 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, 2018

4. Retirement Benefits and Pension Liability

The Library and its employees contribute to the Municipal Pension Plan (a jointly-trusted pension plan). The board of trustees, representing plan members and employers, is responsible for administering 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. As at December 31, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The Cranbrook Public Library paid \$39,379 (2017 - \$34,214) for employer contributions to the plan in fiscal 2018.

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, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

5. Endowment Funds

The Cranbrook Public Library has accumulated \$26,960 (2017 - \$26,074) 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 is donated annually to the Cranbrook Public Library and is included in donation revenue.

**Cranbrook Public Library
Notes to Financial Statements**

December 31, 2018

6. Tangible Capital Assets

	Print Collection	Audio-Visual Collection	Furniture & Equipment	Landscape & Sculptures	2018 Total
Cost, beginning of year	\$ 580,688	\$ 29,356	\$ 100,662	\$ 69,913	\$ 780,619
Purchases	44,788	12,555	4,673	-	62,016
Disposals	(78,925)	(9,460)	(7,621)	-	(96,006)
Cost, end of year	<u>546,551</u>	<u>32,451</u>	<u>97,714</u>	<u>69,913</u>	<u>746,629</u>
Accumulated amortization, beginning of year	349,193	19,262	57,292	44,952	470,699
Amortization	54,097	10,817	9,771	4,661	79,346
Disposals	(78,925)	(9,460)	(7,621)	-	(96,006)
Accumulated amortization, end of year	<u>324,365</u>	<u>20,619</u>	<u>59,442</u>	<u>49,613</u>	<u>454,039</u>
Net carrying amount, end of year	<u>\$ 222,186</u>	<u>\$ 11,832</u>	<u>\$ 38,272</u>	<u>\$ 20,300</u>	<u>\$ 292,590</u>

During the year the Library received \$3,740 (2017 - \$4,108) of contributed print collection and \$733 (2017 - \$1,488) 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, 2018

6. Tangible Capital Assets (continued)

	Print Collection	Audio-Visual Collection	Furniture & Equipment	Landscape & Sculptures	2017 Total
Cost, beginning of year	\$ 603,382	\$ 32,736	\$ 135,299	\$ 69,913	\$ 841,330
Purchases	45,314	10,473	10,696	-	66,483
Disposals	(68,008)	(13,853)	(45,333)	-	(127,194)
Cost, end of year	580,688	29,356	100,662	69,913	780,619
Accumulated amortization, beginning of year	359,690	23,330	92,559	40,291	515,870
Amortization	57,511	9,785	10,066	4,661	82,023
Disposals	(68,008)	(13,853)	(45,333)	-	(127,194)
Accumulated amortization, end of year	349,193	19,262	57,292	44,952	470,699
Net carrying amount, end of year	\$ 231,495	\$ 10,094	\$ 43,370	\$ 24,961	\$ 309,920

Cranbrook Public Library Notes to Financial Statements

December 31, 2018

7. Lease Commitments

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

Year	Amount
2019	\$ 39,434
2020	33,296
2021	33,876
2022	34,247
2023	<u>31,770</u>
	<u>\$ 172,623</u>

8. Budget

The Budget adopted by the Board of Trustees on September 19, 2018 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 September 19, 2018 with adjustments as follows:

	2018
Budgeted deficit for the year	\$ -
Add: Capital expenditures	70,320
Less: Budgeted transfers from reserves	<u>3,700</u>
Adjusted budget surplus per statement of operations	<u>\$ 74,020</u>



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Notice to Reader on Supplementary Financial Information

On the basis of information provided by management, we have compiled the attached supplementary schedules of the Cranbrook Public Library, as at December 31, 2018, and for the year ended December 31, 2018

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 20, 2019

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

For the year ended December 31	2018	2018	2017
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
Revenue			
Grants			
Province of British Columbia			
- Per capita grant	\$ 84,197	\$ 83,679	\$ 83,471
- Other grants	16,641	16,641	16,641
City of Cranbrook	607,784	607,785	595,867
Regional District of East Kootenay	151,946	151,946	148,967
Other	34,306	23,848	19,332
	894,874	883,899	864,278
Other revenue			
Donations	41,970	43,339	34,512
Internal services	31,500	38,011	34,045
Meeting room rental	5,800	7,686	5,884
	974,144	972,935	938,719
Expenditures			
Accounting and administration	28,394	27,500	28,837
Building maintenance and occupancy costs	85,475	79,999	91,084
Meeting room	5,800	2,349	8,600
Programs and services	48,010	44,836	40,252
Salaries, wages and benefits	677,955	669,580	632,805
Technology	54,490	49,448	78,454
	900,124	873,712	880,032
Interfund transfers			
Collections	65,070	57,343	55,788
Furnishings and equipment	5,250	4,673	10,696
	70,320	62,016	66,484
Excess (deficiency) of revenue over expenditures	3,700	37,207	(7,797)
Net transfers from reserves	(3,700)	(37,207)	7,797
Operating fund, beginning and end of year	\$ -	\$ -	\$ -

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

For the year ended December 31

2018

2017

	Technology Reserve	General Reserve	Projects Reserve	Manual Training School Reserve	Total	Total
Revenue						
Fundraising, net of expenses	\$ -	\$ -	\$ 1,600	\$ -	\$ 1,600	\$ 4,297
Other	-	-	473	-	473	655
	-	-	2,073	-	2,073	4,952
Expenditures						
Endowment contributions	-	-	1,600	-	1,600	4,297
Excess of revenue over expenditures	-	-	473	-	473	655
Transfers						
Transfers for expenditures	(2,270)	-	-	-	(2,270)	(28,800)
Operating surplus (deficit)	6,258	24,067	3,815	5,337	39,477	21,003
	3,988	24,067	3,815	5,337	37,207	(7,797)
Change in fund balance	3,988	24,067	4,288	5,337	37,680	(7,142)
Reserve balance, beginning of year, restated	9,493	136,129	33,739	1,894	181,255	188,397
Reserve balance, end of year	\$ 13,481	\$ 160,196	\$ 38,027	\$ 7,231	\$ 218,935	\$ 181,255