

Cranbrook Public Library
Financial Statements
December 31, 2007

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Auditors' Report

**To the Members of the Board of
the Cranbrook Public Library**

We have audited the statement of financial position of the Cranbrook Public Library as at December 31, 2007 and the statement of financial activities and changes in financial equity for the year then ended. These financial statements are the responsibility of the management of the Cranbrook Public Library. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Cranbrook Public Library as at December 31, 2007 and the results of its financial activities and changes in financial equity for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Cranbrook, BC
February 25, 2008

Cranbrook Public Library Statement of Financial Position

December 31	2007	2006
Financial Assets		
Cash and short-term deposits (Note 1)	\$ 89,876	\$ 69,797
Accounts receivable	8,146	12,467
	<u>98,022</u>	<u>82,264</u>
Financial Liabilities		
Accounts payable and accrued liabilities	70,548	48,544
Long-term debt (Note 2)	6,277	21,096
	<u>76,825</u>	<u>69,640</u>
Net Financial Assets	<u>21,197</u>	<u>12,624</u>
Physical Assets		
Collection inventory (Note 3)	1,062,409	1,166,555
Tangible capital assets (Note 4)	382,676	354,143
	<u>1,445,085</u>	<u>1,520,698</u>
Net Position	<u>\$ 1,466,282</u>	<u>\$ 1,533,322</u>
Library Position		
Financial Equity		
Reserves (Note 5)	\$ 8,472	\$ 35,844
Operating fund	19,003	(2,124)
	<u>27,475</u>	<u>33,720</u>
Equity in Physical Assets (Note 6)	<u>1,438,807</u>	<u>1,499,602</u>
	<u>\$ 1,466,282</u>	<u>\$ 1,533,322</u>

On behalf of the Board:

Original signed by Keith Powell Member

_____ Member

Cranbrook Public Library Statement of Financial Activities

For the year ended December 31	(Unaudited) 2007 Budget	2007	2006
Revenue			
Grants			
- Province of British Columbia	\$ 87,500	\$ 105,329	\$ 98,823
- City of Cranbrook	411,640	411,640	358,000
- Regional District of East Kootenay	102,910	102,910	89,500
Community Access Program	-	3,007	13,388
Donations	13,000	58,114	183,270
Other revenue	28,000	46,137	31,950
	<u>643,050</u>	<u>727,137</u>	<u>774,931</u>
Expenditures			
Collections and staffing	497,910	524,874	490,079
General and administrative	59,600	57,733	67,880
Repairs and maintenance	69,700	81,275	44,538
Interest on long-term debt	1,020	1,022	1,914
Capital expenditures	-	53,658	135,550
	<u>628,230</u>	<u>718,562</u>	<u>739,961</u>
Excess of revenue over expenditures	14,820	8,575	34,970
Debt repayment	<u>(14,820)</u>	<u>(14,820)</u>	<u>(13,927)</u>
Change in fund balance	-	(6,245)	21,043
Financial equity, beginning of year	<u>33,720</u>	<u>33,720</u>	<u>12,677</u>
Financial equity, end of year	<u>\$ 33,720</u>	<u>\$ 27,475</u>	<u>\$ 33,720</u>

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

Cranbrook Public Library Summary of Significant Accounting Policies

December 31, 2007

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 for local government entities using guidelines issued by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.
Fund Accounting	<p>Revenues and expenses related to the administration and delivery of library services and programs are reported in the Operating Fund.</p> <p>The Capital Fund reports the assets, liabilities, revenues and expenses related to the inventory of books, furniture and equipment.</p> <p>Reserves represent amounts set aside for future collection inventory and capital expenditures.</p>
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.
Revenue Recognition	<p>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.</p> <p>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.</p>
Collection Inventory	Purchases of books are recorded as expenses of the Operating Fund and are capitalized in the Capital Fund at historical average cost. Donated collections are recorded at estimated fair value at the date of contribution.

Cranbrook Public Library
Summary of Significant Accounting Policies (continued)

December 31, 2007

Tangible Capital Assets	Tangible capital assets are recorded at cost. Amortization has not been recorded in the financial statements. Contributed capital assets have been recorded at estimated fair value at the date of 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.
Financial Instruments	The Library carries a number of financial instruments. Unless otherwise noted, it is management's opinion that the Company 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.

Cranbrook Public Library Notes to Financial Statements

December 31, 2007

1. Cash and Short-term Deposits

Included in cash and short-term deposits is an amount of \$8,472 (2006 - \$35,844) which has been internally restricted for future 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%. There was no balance outstanding at December 31, 2007 (2006 - nil).

2. Long-term Debt

Bank term loan, repayable \$1,320 monthly including interest at prime plus 1%, maturing 2008

	2007		2006
	\$ 6,277	\$	21,096

3. Collection Inventory

Collection inventory consists of the following:

Soft cover

14,419 @ \$7.62 per book
(2006 - 12,589 @ \$7.18 per book)

	2007		2006
	\$ 109,873	\$	90,389

Other collections

47,498 @ \$20.06 per item
(2006 - 42,972 @ 25.05 per item)

	952,536		1,076,166
	\$ 1,062,409	\$	1,166,555

Cranbrook Public Library

Notes to Financial Statements

December 31, 2007

4. Tangible Capital Assets

	2007	2006
Furniture and equipment		
Balance, beginning of year	\$ 354,143	\$ 355,140
Purchases (net of adjustments)	53,658	135,550
Dispositions	(25,125)	(136,547)
Balance, end of year	<u>\$ 382,676</u>	<u>\$ 354,143</u>

For the year ended December 31, 2009, the Library will be required to comply with Section 3150, Tangible Capital Assets of the Public Sector Accounting Board Handbook. Section 3150 requires the capitalization and amortization of tangible capital assets in the financial statements. Public Sector Guideline-7, Tangible Capital Assets of Local Governments, requires disclosure of information for each major class of tangible capital asset for which all the relevant information can be provided for the complete stock of tangible capital assets of that category. As at December 31, 2007, the Library has not yet categorized its capital assets by major category, nor determined amortization policies based on estimated useful life.

5. Reserves

Amounts set aside for future collection and capital expenditures are as follows:

	2007	2006
Balance, beginning of year	\$ 35,844	\$ 27,576
Contributions	18,481	136,537
Expenditures	(45,853)	(128,269)
Balance, end of year (Schedule 2)	<u>\$ 8,472</u>	<u>\$ 35,844</u>

6. Equity in Physical Assets

	2007	2006
Balance, beginning of year	\$ 1,499,602	\$ 1,536,494
Debt repayment	14,820	13,927
Capital expenditures	53,658	135,550
Collection purchases	93,131	85,278
Disposal and / or change in estimate of collection value	(197,279)	(135,100)
Disposal of furniture and equipment	(25,125)	(136,547)
Balance, end of year	<u>\$ 1,438,807</u>	<u>\$ 1,499,602</u>

Cranbrook Public Library Notes to Financial Statements

December 31, 2007

7. Statement of Cash Flows

A statement of cash flows is not presented since the sources and uses of cash is readily apparent from the information provided in the financial statements.

8. 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 \$411,640 (2006 - \$358,000) from the City of Cranbrook.
- (b) Included in building maintenance and occupancy costs of which it reimbursed the City of Cranbrook are \$32,208 (2006 - \$30,359) 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.

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.

9. Retirement Benefits and Pension Liability

The Library and its eligible 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 pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 144,000 active members and approximately 51,000 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, 2006 indicated an unfunded liability of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the unfunded liability to individual employers. The Library paid \$24,077 for employer contributions to the plan in fiscal 2007.

Cranbrook Public Library Notes to Financial Statements

December 31, 2007

10. Lease Commitments

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

Year	Amount
2008	\$ 16,225
2009	9,237
2010	1,244
2011	653
2012	<u>48</u>
	<u>\$ 27,407</u>

11. Comparative Figures

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

Cranbrook Public Library

Schedule 1 - Statement of Operating Activities

For the year ended December 31	(Unaudited) 2007 Budget	2007	2006
Revenue			
Grants			
Province of British Columbia			
- Per capita grant	\$ 73,500	\$ 90,185	\$ 79,939
- Other grants	14,000	15,144	18,884
City of Cranbrook	411,640	411,640	358,000
Regional District of East Kootenay	102,910	102,910	89,500
Community Access Program	-	3,007	13,388
	602,050	622,886	559,711
Other revenue			
Bank interest	1,500	5,113	4,770
Donations	13,000	42,460	46,733
Fines, photocopier and book sales	22,300	27,003	20,834
Miscellaneous	4,200	11,194	6,346
	643,050	708,656	638,394
Expenditures			
Accounting	5,000	6,500	6,000
Advertising	3,000	4,648	3,385
Building maintenance and occupancy costs	56,200	65,162	37,238
Collections	70,000	93,131	85,278
Equipment leasing	18,000	17,745	18,944
Equipment repairs	18,500	17,930	9,601
Interest and bank charges	1,820	2,308	2,674
Miscellaneous	8,000	7,295	5,737
Software	2,000	1,307	15,616
Salaries, wages and benefits	424,510	426,558	385,200
Supplies and postage	18,200	18,728	14,908
Telephone and data lines	3,000	3,230	2,880
	628,230	664,542	587,461
Capital expenditures	-	8,167	24,231
	628,230	672,709	611,692
Excess of revenue over expenditures	14,820	35,947	26,702
Debt repayment	(14,820)	(14,820)	(13,927)
Change in fund balance	-	21,127	12,775
Operating fund, beginning of year	(2,124)	(2,124)	(14,899)
Operating fund, end of year	\$ (2,124)	\$ 19,003	\$ (2,124)

Cranbrook Public Library
Schedule 2 - Statement of Changes in Reserves

For the year ended December 31	2007		2006	
	Capital Expenditure Reserves	Collection Reserves	Total	Total
Reserve balance, beginning of year	\$ 35,439	\$ 405	\$ 35,844	\$ 27,576
Contributions				
Donations	15,654	-	15,654	136,537
Fundraising, net of expenses	2,827	-	2,827	-
	53,920	405	54,325	164,113
Expenditures				
Collections	-	362	362	16,950
Furnishings and equipment	45,491	-	45,491	111,319
	45,491	362	45,853	128,269
Reserve balance, end of year	\$ 8,429	\$ 43	\$ 8,472	\$ 35,844