



May 28, 2013

## **Independent Auditor's Report**

### **To the Members of The City of Airdrie Library Board**

We have audited the accompanying financial statements of The City of Airdrie Library Board, which comprise the statements of financial position as at December 31, 2012 and December 31, 2011 and opening balances as at January 1, 2011 and the statements of operations and fund balances and the cash flows for the years ended December 31, 2012 and December 31, 2011 and the related notes, which comprise 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 overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits 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 The City of Airdrie Library Board as at as at December 31, 2012 and December 31, 2011 and opening balances as at January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian public sector accounting standards for not-for-profit organizations.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

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**The City of Airdrie Library Board**  
**Statements of Financial Position**  
**As at December 31, 2012, December 31, 2011 and January 1, 2011**

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	Operating Fund	Capital Fund	December 31, 2012	December 31, 2011	January 1, 2011
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$307,679	\$83,866	\$391,545	\$275,131	\$318,719
Funds held in trust	-	-	-	-	3,124
Accounts receivable	10,344	-	10,344	8,620	9,562
	<u>\$318,023</u>	<u>\$83,866</u>	<u>\$401,889</u>	<u>283,751</u>	<u>331,405</u>
<b>Capital Assets (note 5)</b>	-	634,996	634,996	702,864	758,626
	<u>\$318,023</u>	<u>\$718,862</u>	<u>\$1,036,885</u>	<u>\$986,615</u>	<u>\$1,090,031</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities	\$61,346	-	\$61,346	\$78,906	\$113,546
Due to City of Airdrie (note 6b)	85,731	-	85,731	31,908	44,598
Deferred revenue	45,220	-	45,220	30,959	43,384
Funds held in trust	-	-	-	-	3,124
Current portion of long-term debt	-	-	-	2,000	2,000
	<u>192,297</u>	<u>-</u>	<u>192,297</u>	<u>143,773</u>	<u>206,652</u>
<b>Long-term Debt</b>	-	-	-	-	2,000
	<u>192,297</u>	<u>-</u>	<u>192,297</u>	<u>143,773</u>	<u>208,652</u>
<b>Fund Balances</b>					
Internally Restricted	\$112,366	\$83,866	\$196,232	\$122,092	\$101,437
Internally Restricted -for investment in capital assets	-	634,996	634,996	702,864	758,626
Externally Restricted	-	-	-	2,400	-
Unrestricted	13,360	-	13,360	15,486	21,316
	<u>\$125,726</u>	<u>\$718,862</u>	<u>\$844,588</u>	<u>\$842,842</u>	<u>\$881,379</u>
	<u>\$318,023</u>	<u>\$718,862</u>	<u>\$1,036,885</u>	<u>\$986,615</u>	<u>\$1,090,031</u>

Commitments (note 6d)

**The City of Airdrie Library Board**  
**Statements of Operations and Fund Balances**  
**For the years ended December 31, 2012 and December 31, 2011**

	2012 Operating Budget unaudited	Operating Fund	Capital Fund	2012 Total	2011 Total
<b>Revenue</b>					
Grants					
City of Airdrie - operating (note 6a)	\$1,177,860	\$1,177,860	-	\$1,177,860	\$1,035,686
Alberta Community Development	215,039	217,030	-	217,030	215,039
Marigold Service Grants	97,797	108,087	-	108,087	97,797
Other Grants	57,160	46,349	-	46,349	65,145
City of Airdrie - grant-in-kind (note 6a)	35,000	35,000	-	35,000	35,000
	1,582,856	1,584,326	-	1,584,326	1,448,667
Memberships	74,500	66,883	-	66,883	59,606
Interest and miscellaneous	15,300	15,943	-	15,943	13,440
Donations	16,300	13,028	-	13,028	16,037
Fines	22,500	23,133	-	23,133	21,680
Other revenue	11,900	18,124	-	18,124	15,793
Photocopy	6,000	6,695	-	6,695	6,637
Book sales	6,900	4,862	-	4,862	6,002
	<b>1,736,256</b>	<b>1,732,994</b>	-	<b>\$1,732,994</b>	<b>\$1,587,862</b>
<b>Expenses</b>					
Salaries, wages and employee benefits	\$1,100,364	\$1,064,425	-	\$1,064,425	\$983,284
Building maintenance, rent and utilities (note 6c)	256,654	234,455	-	234,455	229,348
Marigold service fees	194,198	194,198	-	194,198	179,199
Amortization	-	-	91,667	91,667	93,163
Books, periodicals, cataloging & audio visual	46,320	46,838	-	46,838	35,717
General office fees	31,435	25,690	-	25,690	24,549
Management fees	35,000	35,000	-	35,000	35,000
Advertising and promotion	10,545	10,635	-	10,635	8,008
Professional fees	8,930	7,600	-	7,600	7,400
Training and travel	15,820	13,709	-	13,709	13,376
Consulting fees	30,000	-	-	-	-
Information technology and system support	3,800	2,935	-	2,935	13,172
Insurance	1,950	1,879	-	1,879	1,816
Bank charges	2,400	2,217	-	2,217	2,367
	<b>\$1,737,416</b>	<b>\$1,639,581</b>	<b>\$91,667</b>	<b>\$1,731,248</b>	<b>\$1,626,399</b>
<b>(Deficiency)Excess of revenue over expenses</b>	<b>(1,160)</b>	<b>\$93,413</b>	<b>(\$91,667)</b>	<b>\$1,746</b>	<b>(\$38,537)</b>
<b>Fund Balances - Beginning of year</b>	<b>73,597</b>	<b>83,282</b>	<b>759,560</b>	<b>842,842</b>	<b>881,379</b>
<b>Interfund Transfer - capital expenditures</b>	<b>(2,775)</b>	<b>(50,969)</b>	<b>50,969</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$69,662</b>	<b>\$125,726</b>	<b>\$718,862</b>	<b>\$844,588</b>	<b>\$842,842</b>

**The City of Airdrie Library Board**  
**Statements of Cash Flows**  
**For the years ended December 31, 2012 and December 31, 2011**

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	<b>2012</b>	<b>2011</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
(Deficiency) Excess of revenue over expenses	\$1,746	(\$38,537)
Item not affecting cash		
Amortization	91,667	93,163
	<u>93,413</u>	<u>54,626</u>
<b>Net change in non-cash working capital</b>		
Accounts receivable	(1,724)	942
Accounts payable & accrued liabilities	(17,560)	(34,640)
Due to City of Airdrie	53,823	(12,690)
Deferred revenue	14,261	(12,425)
	<u>142,213</u>	<u>(4,187)</u>
<b>Total Operating Activities</b>		
<b>Investing activities</b>		
Furniture and fixtures	(9,949)	(13,518)
Machinery and equipment	(13,850)	(23,703)
Building	-	(180)
	<u>(23,799)</u>	<u>(37,401)</u>
<b>Total Investing Activities</b>		
<b>Financing activities</b>		
Repayment of long-term debt (current and long term portions)	(2,000)	(2,000)
	<u>116,414</u>	<u>(43,588)</u>
<b>(Decrease) Increase in cash and cash equivalents</b>		
<b>Cash and cash equivalents - Beginning of year</b>	<u>\$275,131</u>	<u>318,719</u>
<b>Cash and cash equivalents- End of year</b>	<u>\$391,545</u>	<u>\$275,131</u>

# THE CITY OF AIRDRIE LIBRARY BOARD

## Notes to the Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

### 1. NATURE OF ORGANIZATION

The City of Airdrie Library Board (the "Library") was established through a bylaw of the City of Airdrie and is constituted under The Libraries Act (2000) of The Province of Alberta (the "Province"). The Library, as a registered charity, is exempt from income tax and may issue receipts to donors for tax-deductible donations.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The financial statements of the Library are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), including accounting standards that apply to government Not-for-Profit organizations.

#### Fund balances

The Operating Fund reports the Library's operating and membership activities. The Capital Fund reports the assets, liabilities, revenues and expenses related to the Library's capital assets and development of the new library building.

#### Interfund transfers

Interfund transfers between the operating and capital funds for the year ended December 31, 2012, were \$50,969 representing a transfer from operating to capital fund to support capital expenses.

#### Revenue recognition

The Library follows the restricted fund method of accounting for contributions.

Restricted contributions related to capital are reported as revenue of the Capital Fund when received. Other restricted contributions related to general operations are reported as revenue of the Operating Fund in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue in the Operating Fund when the amount received or receivable can be reasonably estimated and a collection is reasonably assured.

Membership revenue is recorded over the period of membership. Fines, donations, interest, other revenue and miscellaneous, photocopy and book sales revenue is recognized as revenue when received.

#### Use of estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates are used primarily in the determination of the collectability of accounts receivable. The provisions against those balances are primarily assessed on historical collectability of the accounts with specific provisions for large outstanding balances deemed potentially uncollectible.

#### Donated material and services

Donated material and services are not given accounting recognition in these financial statements when fair market value is not easily determined.

# THE CITY OF AIRDRIE LIBRARY BOARD

## Notes to the Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

### Cash and cash equivalents

Cash and cash equivalents represent cash on hand and highly liquid investments that are readily convertible into cash and are subject to insignificant risk of changes in value.

Interest and dividends attributable to financial instruments are reported in the statements of operations.

### Capital assets

These assets are stated at cost, less accumulated amortization, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Amortization is provided for by the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	20 years
Furniture & fixtures	10 years
Computer equipment	3 years

Amortization is charged monthly in the period of acquisition as well as in the year of disposal. Amortization expense is reported in the Capital Fund.

The Library reviews long-lived assets for impairment whenever events or changes in circumstances indicate the asset no longer has any long-term service potential to the Library. The impairment loss, if any, is the excess of the carrying value over any residual value. Writedowns are not reversed.

### Employee benefit plan

Employees of the Company are eligible for the Local Authorities Pension Plan (LAPP or the Plan), which is covered by the Public Sector Pensions Plan Act. The Plan serves about 206,000 people and 421 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The City of Airdrie is required to make current service contributions to the Plan of 9.91% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 13.74% on pensionable salary above this amount.

### Financial instruments

The Library's financial instruments recognized in the balance sheet consist of cash and cash equivalent, accounts receivable, accounts payable and accrued liabilities, due to City of Airdrie and long term debt.

The fair value of all financial instruments excluding mortgage payable approximates their carrying values due to their short-term maturity. The fair value of the mortgage payable approximates its carrying amount as the terms of the mortgage are similar to those currently available to the Library.

The Library is not exposed to significant credit, liquidity, currency and interest rate risks.

## 3. FUTURE ACCOUNTING POLICIES

### Government transfers

In 2011 PSAB issued PS 3410, Government Transfers. The new standard provides guidance for accounting and reporting government transfers from both transferring and recipient government perspectives. It provides further clarification on the difference between eligibility criteria and stipulations of government transfers. The Library will be required to adopt this standard for the year ended December 31, 2013. The impact on the Library's financial statements at the time of implementation is not expected to be significant.

# THE CITY OF AIRDRIE LIBRARY BOARD

## Notes to the Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

### Financial statement presentation

In March 2011, PSAB approved section 1201, which replaces section PS 1200. Financial Statement Presentation, and will be effective for periods beginning on or after April 1, 2012 for government organizations and April 15, 2015 for governments. The new Section includes a statement of re-measurement gains and losses which will report; amounts reclassified to the statement of operations upon de-recognition or settlement; and other comprehensive income reported when an entity includes the result of its government business enterprises and government business partnerships in the summary of financial statements

### Financial instruments

In March 2011, PSAB approved section PS 3450, Financial Instruments, and will be effective for periods beginning on or after April 1, 2012 for government organizations and April 15, 2015 for governments. The new section provides guidance on the recognition, measurement and presentation and disclosure of financial instruments. Financial assets and/or financial liabilities are to be recognized when the entity becomes a party to a financial instrument contract. The change in fair value of the items is recognized in the statements of re-measurement gains and losses until settlement

## 4. TRANSITION TO CANADIAN PUBLIC SECTOR ACCOUNTING STANDARDS

Commencing with the 2012 fiscal year, the Library has adopted PSAS. These financial statements are the first financial statements for which the Company has applied PSAS. The Library has elected to apply PSAS standards that apply only to government not-for-profit organizations. There have been no changes to the Statements of Financial Position, Statements of Operations and Fund Balances and Statements of Cash Flows that have been implemented to comply with PSAS. In transition to PSAS no exemptions under PSAS have been taken by the Library. Where a change in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations

## 5. CAPITAL ASSETS

Capital assets consist of the following:

	<b>2012 Cost</b>	<b>Accumulated Amortization</b>	<b>2012 NBV</b>	<b>2011 NBV</b>
Computer Equipment	\$183,554	\$153,212	\$30,342	\$53,794
Furniture & Fixtures	149,577	51,080	98,497	102,676
Leasehold improvements	804,725	298,568	506,157	546,394
Total	<u>\$1,137,856</u>	<u>\$502,860</u>	<u>\$634,996</u>	<u>\$702,864</u>

# THE CITY OF AIRDRIE LIBRARY BOARD

## Notes to the Financial Statements

December 31, 2012, December 31, 2011 and January 1, 2011

### 6. RELATED PARTY TRANSACTIONS AND BALANCES

#### a. Grants

The City of Airdrie provides funding to cover the cost of general and administrative expenses of the Library. During the year, the City of Airdrie provided operating funding of \$1,177,860 (2011 - \$1,035,686). In addition, grants in kind of \$35,000 (2011 - \$35,000) were also provided. Sixty-nine percent of the Library's operating revenue is received from the City of Airdrie (2011 – Sixty-six percent).

#### b. Due to City of Airdrie

The balance due to the City of Airdrie of \$85,731 (2011 - \$31,908) is non-interest bearing, repayable on demand and unsecured.

#### c. Airdrie Mainstreet Square Real Estate Inc.

Both the City of Airdrie Library Board and Airdrie Mainstreet Square Real Estate Inc. are controlled by the City of Airdrie and are therefore related parties.

Transactions between The City of Airdrie Library Board and Airdrie Mainstreet Square Real Estate Inc. are at fair market value and accordingly have been measured and recorded at the exchange amount.

The following summarizes The City of Airdrie Library Board's related party transactions with Airdrie Mainstreet

	2012	2011
Payment to Airdrie Mainstreet Square for City of Airdrie Library Board share of common costs	\$52,625	\$47,905
Rent paid to Airdrie Mainstreet Square Accounts receivable from Airdrie Mainstreet Square Square Real Estate Inc.	\$135,624 \$3,271	\$135,624 \$5,462

#### d. Commitments

The Library signed a ten year lease in 2006 with Airdrie Mainstreet Square Real Estate Inc. with a five year option to renew. Rent is payable on a rate per square foot plus a proportionate share of common costs of the complex. Known rent commitments for the next five years are as follows:

2013	\$135,624
2014	\$135,624
2015	\$135,624
2016	\$135,624
2017	\$135,624

### 7. PRESENTATION

Certain comparative figures have been restated to conform to the current year's presentation