

THE CITY OF AIRDRIE LIBRARY BOARD

Financial Statements

December 31, 2016

The City of Airdrie Library Board
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For the Year Ended December 31, 2016

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April 25, 2017

Independent Auditor's Report

To the Directors of The City of Airdrie Library Board

We have audited the accompanying financial statements of The City of Airdrie Library Board, which comprise the statement of financial position as at December 31, 2016 and the statement of operations and changes in fund balances and statement of cash flows for the year then ended, 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 is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 December 31, 2016 and the results of its operations, its cash flow and its changes in fund balances for the year then ended in accordance with Canadian public sector accounting standards.

Other matters

Without modifying our opinion, we draw attention to the budget information displayed in the financial statements and the related disclosures. We were not engaged to report on the budget information, and as such, it is marked as unaudited.

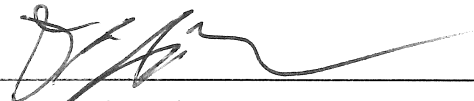
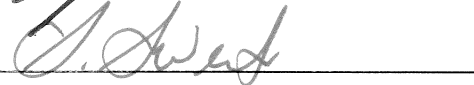
PricewaterhouseCoopers LLP
Chartered Professional Accountants

The City of Airdrie Library Board
Statement of Financial Position
As at December 31, 2016

	Operating Fund	Capital Fund	2016	2015
ASSETS				
Current				
Cash	\$ 687,111	\$ 484,522	\$ 1,171,633	\$ 911,058
Accounts receivable	1,648	-	1,648	2,954
	<u>688,759</u>	<u>484,522</u>	<u>1,173,281</u>	<u>914,012</u>
Capital Assets (Note 3)	-	537,089	537,089	514,679
	<u>\$ 688,759</u>	<u>\$ 1,021,611</u>	<u>\$ 1,710,370</u>	<u>\$ 1,428,691</u>
LIABILITIES AND FUND BALANCES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 117,389	-	\$ 117,389	\$ 109,360
Due to the City of Airdrie (Note 4)	181,593	-	181,593	83,165
Deferred revenue	44,187	-	44,187	45,443
	<u>343,169</u>	<u>-</u>	<u>343,169</u>	<u>237,968</u>
Fund balances				
Internally restricted (Note 5)	325,859	234,522	560,381	402,114
Externally restricted	-	250,000	250,000	254,200
Invested in capital assets	-	537,089	537,089	514,679
Unrestricted	19,731	-	19,731	19,730
	<u>345,590</u>	<u>1,021,611</u>	<u>1,367,201</u>	<u>1,190,723</u>
	<u>\$ 688,759</u>	<u>\$ 1,021,611</u>	<u>\$ 1,710,370</u>	<u>\$ 1,428,691</u>

Commitments (Note 4)

Approved on behalf of the Board:

Trustee: 
Trustee: 

The City of Airdrie Library Board
Statement of Operations and Changes in Fund Balances
For the Year Ended December 31, 2016

	Operating Budget (unaudited)	Operating Fund	Capital Fund	2016	2015
Revenue					
Grants					
City of Airdrie: operating (Note 4)	\$ 1,694,475	\$ 1,694,475	\$ -	\$ 1,694,475	\$ 1,553,492
Alberta Library	304,645	325,730	-	325,730	304,645
Marigold Service	141,344	146,725	-	146,725	137,228
City of Airdrie: in-kind (Note 4)	35,000	35,000	-	35,000	35,000
County	16,912	16,912	-	16,912	16,912
Other	7,738	13,609	-	13,609	13,199
	2,200,114	2,232,451	-	2,232,451	2,060,476
Fund development	92,000	99,047	-	99,047	65,743
Memberships	77,950	77,900	-	77,900	75,411
Fines	31,500	35,974	-	35,974	30,417
Contributed assets	-	-	25,050	25,050	-
Interest and miscellaneous	28,000	23,850	-	23,850	24,131
Donations	10,600	16,166	-	16,166	13,352
Photocopy	13,750	13,928	-	13,928	11,353
Book sales	11,400	10,871	-	10,871	11,518
Other revenue	10,737	7,356	-	7,356	12,819
Contributions	-	1,202	-	1,202	254,200
Gifts-in-kind	-	1,000	-	1,000	-
	2,476,051	2,519,745	25,050	2,544,795	2,559,420
Expenses					
Salaries and employee benefits	1,658,182	1,550,814	-	1,550,814	1,512,629
Marigold service fees	264,105	264,105	-	264,105	247,010
Building maintenance and rent (Note 4)	249,154	257,044	-	257,044	236,316
Amortization	-	-	87,566	87,566	69,893
Management fees	35,000	35,000	-	35,000	35,000
Office	31,201	33,067	-	33,067	30,663
Materials	25,380	30,433	-	30,433	22,380
Advertising and promotion	19,300	26,974	-	26,974	11,834
Program	32,120	23,129	-	23,129	14,511
Utilities	14,300	13,744	-	13,744	13,607
Training and travel	17,902	12,332	-	12,332	12,240
IT and system support	15,597	12,596	-	12,596	6,188
Professional fees	7,850	7,700	-	7,700	22,700
Vehicle	-	3,578	-	3,578	-
Fund development	4,230	3,298	-	3,298	4,953
Loss on sale of assets	-	-	3,031	3,031	382
Bank charges	2,600	2,156	-	2,156	1,954
Insurance	3,700	1,490	-	1,490	1,659
Facility Expansion	1,250	260	-	260	112
	2,381,871	2,277,720	90,597	2,368,317	2,244,031
Excess (deficiency) of revenue over expenses	94,180	242,025	(65,547)	176,478	315,389
Fund balances - beginning of year	1,190,723	246,873	943,850	1,190,723	875,334
Interfund transfer		(143,308)	143,308	-	-
Fund balances - end of year	\$ 1,284,903	\$ 345,590	\$ 1,021,611	\$ 1,367,201	\$ 1,190,723

The City of Airdrie Library Board
Statement of Cash Flows
For the Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenue over expenses from operations	\$ 242,025	\$ 131,464
Changes in non-cash working capital		
Accounts receivable	1,306	5,220
Accounts payable and accrued liabilities	8,029	17,377
Due to the City of Airdrie	98,428	12,675
Deferred revenue	(1,256)	(10,300)
	<u>348,532</u>	<u>156,436</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(87,982)	(43,094)
Proceeds from sale of capital assets	25	130
	<u>(87,957)</u>	<u>(42,964)</u>
FINANCING ACTIVITIES		
Revenue in the capital fund restricted for capital assets	-	254,200
Increase in cash	260,575	367,672
Cash, beginning of the year	911,058	543,386
Cash, end of the year	\$ 1,171,633	\$ 911,058

The City of Airdrie Library Board
Schedule 1 - Changes in Fund Balances
For the Year Ended December 31, 2016

	Operating Internally Restricted	Capital Internally Restricted	Capital Externally Restricted	Invested in Capital Assets	Operating Unrestricted	2016	2015
Fund balances - beginning of year	\$ 227,143	\$ 174,971	\$ 254,200	\$ 514,679	\$ 19,730	\$ 1,190,723	\$ 875,334
Net income				(65,547)	242,025	176,478	315,389
Interfund transfers (Note 5)	39,165		(4,200)	87,957	(122,922)	-	-
Board motion to split remaining 50/50 (Note 5)	59,551	59,551			(119,102)	-	-
Fund balances - end of year	\$ 325,859	\$ 234,522	\$ 250,000	\$ 537,089	\$ 19,731	\$ 1,367,201	\$ 1,190,723

The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2016

1. NATURE OF THE 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

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS), including accounting standards that apply to government not-for-profit organizations, and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Financial statement presentation

The Library follows the PSA Handbook Section PS 1201 "Financial Statement Presentation", which includes a statement of re-measurement gains and losses. This statement reports 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. There were no amounts to report on the statement of re-measurement gains and losses, and as a result this statement has not been included.

Fund balances

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

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 collection is reasonably assured.

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

Donated materials and services

Donated materials and services are not given accounting recognition in these financial statements when fair market value is not easily determined. The Library has numerous volunteers who contribute many hours each year. Contributed volunteer services are not recognized in the financial statements because of the difficulty in determining their value.

(Continued on next page...)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (.../Continued)

Use of estimates

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

Cash

Cash represents cash in bank and on hand.

Capital assets

Capital assets are stated at cost less accumulated amortization, which includes all amounts that are directly attributable to the acquisition, construction, development and betterment of the asset. Amortization is provided for on a straight-line basis at the following rates:

Leasehold improvements	20 years
Furniture and fixtures	10 years
Vehicles	10 years
Computer equipment	3 years

Amortization is charged monthly in the year of acquisition as well as the year of disposal.

Capital assets received as contributions are recorded at their fair value at the date of receipt and are recorded as revenue of the Capital Fund.

The Library reviews long-lived assets for impairment whenever events or changes in circumstance indicate that the asset no longer has long-term service potential to the Library. When the carrying amount exceeds the fair value of the capital asset, an impairment loss is recognized in an amount equal to the excess. Such impairments are not reversed.

Employee benefit plan

Employees of the Library are eligible for the Local Authorities Pension Plan ("LAPP"), which is covered by the Public Sector Pensions Plan Act. LAPP serves about 244,621 people and 426 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 Library is required to make current service contributions to LAPP of 11.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% on pensionable salary above this amount.

Total current and past service contributions by the Library to LAPP in 2016 were \$108,921 (2015: \$92,512). Total current and past service contributions by the employees of the Library to LAPP in 2016 were \$99,739 (2015: \$84,745).

(Continued on next page.../)

The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (.../Continued)

Financial instruments

Financial assets and liabilities are recognized when the Library becomes a party to a financial instrument contract. The change in fair value of the items is recognized in the statement of re-measurement gains and losses until settlement. There were no changes in fair value of the Library's financial instruments, and as a result the statement of re-measurement gains and losses has not been included.

The Library's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and due to the City of Airdrie.

The fair value of all financial instruments approximates their carrying values due to their short-term maturity.

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

3. CAPITAL ASSETS

Capital assets consist of the following:

	2016		
	Cost	Accumulated Amortization	Net Book Value
Leasehold improvements	\$ 817,821	\$ 459,975	\$ 357,846
Furniture and fixtures	207,591	113,919	93,672
Vehicles	24,050	1,871	22,179
Computer equipment	287,646	224,254	63,392
	\$ 1,337,108	\$ 800,019	\$ 537,089

	2015		
	Cost	Accumulated Amortization	Net Book Value
Leasehold improvements	\$ 811,106	\$ 419,351	\$ 391,755
Furniture and fixtures	198,070	98,728	99,342
Computer equipment	221,618	198,036	23,582
	\$ 1,230,794	\$ 716,115	\$ 514,679

Vehicles and computer equipment contributed to the Library in 2016 totaled \$25,050 (2015: \$0). These assets were capitalized at their fair market value.

4. RELATED PARTY TRANSACTIONS AND BALANCES

Grants

During 2016, the City of Airdrie provided \$1,694,475 (2015: \$1,553,492) in funding to partially cover operating costs of the Library. In addition, grants in-kind of \$35,000 (2015: \$35,000) were also provided. Sixty-nine percent of the Library's operating revenue is received from the City of Airdrie (2015: sixty-two percent).

(Continued on next page...)

The City of Airdrie Library Board
Notes to the Financial Statements
For the Year Ended December 31, 2016

4. RELATED PARTY TRANSACTIONS AND BALANCES (.../Continued)

Due to the City of Airdrie

The balance due to the City of Airdrie of \$181,593 (2015: \$83,165) is non-interest bearing, repayable on demand and unsecured.

Airdrie Mainstreet Square Real Estate Inc.

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

Transactions between the Library and Mainstreet Square are at fair market value and accordingly have been measured and recorded at the exchange amount.

The following summarizes the Library's related party transactions with Mainstreet Square:

	<u>2016</u>	<u>2015</u>
Payment to Mainstreet Square for the Library's share of common costs	\$ 66,029	\$ 56,069
Rent paid to Mainstreet Square	138,624	135,624
Amounts receivable from Mainstreet Square	-	5,274
Amounts payable to Mainstreet Square	10,626	-

Commitments

The Library signed a ten year lease in 2006 with Mainstreet Square with a five year option to renew. This lease has been extended to June 2018. Rent is payable on a rate per square foot plus a proportionate share of common costs of the complex. Known rent commitments for the remainder of the lease are as follows:

2017	\$ 139,224
2018	\$ 69,612

5. INTERNALLY RESTRICTED FUND BALANCES

Operating fund

During the year, the Board of Directors internally restricted \$48,000 (2015: \$13,835) to cover future expenses relating to the smart lockers and the program enhancement reserve.

A minimum reserve of 50% (2015: 50%) of the current year's unrestricted earnings of \$119,102 (2015: \$74,666) is internally restricted in the operating fund by the Board of Directors as a future operational reserve. In 2016, this amounted to \$59,551 (2015: \$37,333).

Capital fund

During the year, \$75,581 (2015: \$42,964) was transferred from the operating fund to the capital fund to support capital expenditures. This amount is held in the invested in capital assets fund balance.

A minimum reserve of 50% (2015: 50%) of the current year's unrestricted earnings of \$119,102 (2015: \$74,666) is internally restricted in the capital fund by the Board of Directors as a future capital reserve. In 2016, this amounted to \$59,551 (2015: \$37,333).
