

FINANCIAL REPORT 2017



FOCUS ON SERVICES THAT MAKE A DIFFERENCE

Photo Credit: Dean Mullin



STRENGTHEN NEIGHBOURHOODS IN A GROWING CITY



Independent Auditor's Report

To the Members of The Calgary Public Library Board

We have audited the accompanying financial statements of The Calgary Public Library Board, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, and accumulated surplus, cash flows and changes in net financial liabilities 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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Calgary Public Library Board as at December 31, 2017, and the results of its operations, cash flows and changes in net financial liabilities for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants
March 28, 2018


THE CALGARY PUBLIC LIBRARY BOARD
Statement of Financial Position
As at December 31, 2017

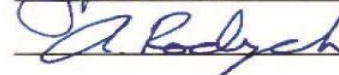
	2017 \$	2016 \$
FINANCIAL ASSETS		
Cash	3,373,198	1,600,190
Accounts receivable (Note 3)	1,813,133	1,959,743
	<u>5,186,331</u>	<u>3,559,933</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 4)	4,893,644	4,004,579
Deferred revenues (Note 5)	349,771	62,988
	<u>5,243,415</u>	<u>4,067,567</u>
NET FINANCIAL LIABILITIES	<u>(57,084)</u>	<u>(507,634)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6, Schedule 1)	53,343,492	53,372,931
Inventory	36,095	43,224
Prepaid assets (Note 7)	2,020,845	2,372,451
Deposits (Note 11)	17,000	17,000
	<u>55,417,432</u>	<u>55,805,606</u>
ACCUMULATED SURPLUS (Note 8)	<u>55,360,348</u>	<u>55,297,972</u>

Commitments (Note 9)

The notes to the Financial Statements are an integral part of the Financial Statements.

On behalf of the Board

 Member

 Member

THE CALGARY PUBLIC LIBRARY BOARD

Statement of Operations and Accumulated Surplus
As at December 31, 2017

	Budget \$	2017 \$	2016 \$
REVENUES			
City of Calgary (Schedule 2)	47,233,447	47,233,447	44,388,883
City of Calgary insurance proceeds (Schedule 2)	-	29,573	71,719
Province of Alberta (Schedule 2)	6,840,405	6,867,587	6,891,263
Federal Government (Schedule 2)	56,129	204,638	246,093
Fines	1,137,500	1,105,944	1,162,207
Investment and other revenue	502,121	663,035	513,957
Grants and sponsorships (Note 13)			
	1,816,025	3,000,952	1,987,295
	57,585,627	59,105,176	55,261,417
EXPENSES			
Salaries and employee benefits	37,880,281	38,020,325	36,742,207
Collections	7,894,646	4,080,890	4,168,610
Building and equipment	3,657,598	7,073,631	7,475,309
General operating	6,878,173	7,042,800	6,884,872
Amortization	-	6,905,471	6,923,018
Occupancy costs			
	1,046,394	1,094,562	990,390
	57,357,092	64,217,679	63,184,406
DEFICIENCY OF REVENUES OVER EXPENSES - BEFORE OTHER	228,535	(5,112,503)	(7,922,989)
OTHER			
Write off of tangible capital assets	-	-	(16,722)
Government transfers for capital (Schedule 2)			
		5,174,879	5,781,767
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	228,535	62,376	(2,157,944)
<u>ACCUMULATED SURPLUS, beginning of year</u>		<u>55,297,972</u>	<u>57,455,916</u>
<u>ACCUMULATED SURPLUS, end of year</u>		<u>55,360,348</u>	<u>55,297,972</u>

The notes to the Financial Statements are an integral part of the Financial Statements.

THE CALGARY PUBLIC LIBRARY BOARD

Statement of Cash Flows

As at December 31, 2017

	2017 \$	2016 \$
OPERATING		
Excess (deficiency) of revenues over expenses	62,376	(2,157,944)
Non-cash charges to operations		
Amortization	6,905,471	6,923,018
Write off of tangible capital assets	-	16,722
Adjustments of tangible capital assets (Schedule 1)	6,534	(247)
Change in non-cash working capital (Note 10)		
	1,681,193	(400,541)
Cash provided by operating transactions	8,655,574	4,381,008
CAPITAL		
Acquisition of tangible capital assets (Schedule 1)		
	(6,882,566)	(8,050,273)
Cash used in capital transactions	(6,882,566)	(8,050,273)
INCREASE (DECREASE) IN CASH	1,773,008	(3,669,265)
CASH, beginning of year		
	1,600,190	5,269,455
CASH, end of year	3,373,198	1,600,190

THE CALGARY PUBLIC LIBRARY BOARD

Statement of Change in Net Financial Liabilities
As at December 31, 2017

	2017 \$	2016 \$
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	62,376	(2,157,944)
Amortization of tangible capital assets	6,905,471	6,923,018
Change in inventory, prepaid assets and deposits	358,735	295,521
Acquisition of tangible capital assets (Schedule 1)	(6,882,566)	(8,050,273)
Write off of tangible capital assets	-	16,722
Adjustments of tangible capital assets (Schedule 1)	6,534	(247)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS (LIABILITIES)	450,550	(2,973,203)
<u>NET FINANCIAL (LIABILITIES) ASSETS, beginning of year</u>	<u>(507,634)</u>	<u>2,465,569</u>
<u>NET FINANCIAL LIABILITIES, end of year</u>	<u>(57,084)</u>	<u>(507,634)</u>

THE CALGARY PUBLIC LIBRARY BOARD

Schedule of Tangible Capital Assets

Schedule 1

As at December 31, 2017

	Materials	Buildings	IT Equipment	Furniture & Equipment	Work In Progress	Vehicles	2017 \$	2016 \$
COST:								
BALANCE, BEGINNING OF YEAR	36,147,092	49,021,015	6,824,842	3,855,841	1,912,183	1,192,339	98,953,312	97,484,663
Acquisition of tangible capital assets	3,895,857	861,632	173,597	-	1,772,305	179,175	6,882,566	8,050,273
Asset transfers	-	1,737,347	-	-	(1,737,347)	-	-	-
Disposal of tangible capital assets	(4,370,799)	(199,298)	(1,067,100)	(38,519)	-	-	(5,675,716)	(6,581,871)
Adjustments of tangible capital assets	-	-	(6,534)	-	-	-	(6,534)	247
BALANCE, END OF YEAR	35,672,150	51,420,696	5,924,805	3,817,322	1,947,141	1,371,514	100,153,628	98,953,312
ACCUMULATED AMORTIZATION:								
BALANCE, BEGINNING OF YEAR	19,046,266	21,355,396	3,352,106	1,371,637	-	454,976	45,580,381	45,222,512
Annual amortization	3,590,962	2,044,019	943,139	172,505	-	154,846	6,905,471	6,923,018
Asset transfers	-	-	-	-	-	-	-	-
Accumulated amortization on disposals	(4,370,799)	(199,298)	(1,067,100)	(38,519)	-	-	(5,675,716)*	(6,565,149)
BALANCE, END OF YEAR	18,266,429	23,200,117	3,228,145	1,505,623	-	609,822	46,810,136	45,580,381
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	17,405,721	28,220,579	2,696,660	2,311,699	1,947,141	761,692	53,343,492	53,372,931
2016 NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS	17,100,826	27,665,619	3,472,736	2,484,204	1,912,183	737,363	53,372,931	

* At the end of the life assumed
all assets were disposed.

Schedule of Government Transfers
Schedule 2
As at December 31, 2017

	Budget \$	2017 \$	2016 \$
TRANSFERS FOR OPERATING:			
City of Calgary	47,233,447	47,233,447	44,388,883
City of Calgary insurance proceeds	-	29,573	71,719
Provincial Government	6,840,405	6,867,587	6,891,263
Federal Government	56,129	204,638	246,093
	54,129,981	54,335,245	51,597,958
TRANSFERS FOR CAPITAL:			
City of Calgary	-	5,174,879	5,760,017
City of Calgary insurance proceeds for capital	-	-	21,750
	-	<u>5,174,879</u>	<u>5,781,767</u>
<u>TOTAL GOVERNMENT TRANSFERS</u>	<u>54,129,981</u>	<u>59,510,124</u>	<u>57,379,725</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 1017

The Calgary Public Library Board (the "Library") is constituted under the Libraries Act of the Province of Alberta. It operated a system of eighteen community libraries and the Central Library in The City of Calgary.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards ("PSAS"). The Library's significant accounting policies are:

Basis of Accounting

- i) The financial statements are prepared using the accrual basis of accounting.
- ii) Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues are reliably measured and reasonably estimated.
- iii) Donated materials and services are recognized at fair value when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the organization's operations and would otherwise have been purchased.
- iv) A substantial number of volunteers have made significant contributions of their time to the Library's program and supporting services. The value of this contributed time is not reflected in these financial statements.
- v) Insurance proceeds are recognized when received.
- vi) Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. These funds are accounted for as deferred revenue until used for the purpose specified. Revenue is recognized in the period when the related expenses are incurred and any eligibility criteria have been met and reasonable estimate of the amounts can be made.
- vii) Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

Reconciliation of Financial Plan (Budget) to Financial Statements

The legislative requirements under the Municipal Government Act for the Financial Plan (Budget) specify that if the total revenues and transfers over a 3-year period are less than the total expenditures for the same period, the operating budget for the year following the 3-year period must include funding to make up for a shortfall in accumulated surplus (excluding surplus in tangible capital assets). Cash inflows and outflows include such items as: debt proceeds, transfers to and from reserves and surplus, debt principal repayment, and sale proceeds. These items are not recognized as revenues and expenses in the Statement of Operations and accumulated surplus as they do not meet the PSAS requirements. The legislation does not require (but does not preclude) the funding of non-cash items such as amortization or liability accruals to provide for future cash requirements, thus, there is no legislative requirement to include these items in the Financial Plan. However, these items are recognized as expenses in the Statement of Operations and accumulated surplus. Thus, the financial items included in the legislative Financial Plan and the Public Sector Accounting Statement of Operations is different. The purpose of this note is to explain the difference between these two requirements and demonstrate how the legislative requirements for a balanced budget, or Financial Plan net balance of \$nil has been met.

THE CALGARY PUBLIC LIBRARY BOARD
Financial Plan Balance Compliance Schedule
For the Year ended December 31, 2017

	2017 Budget \$	2017 Actual \$	2016 Actual \$
STATEMENT OF OPERATIONS			
REVENUES			
City of Calgary	47,233,447	47,233,447	44,388,883
City of Calgary insurance proceeds (Schedule 2)	-	29,573	71,719
Province of Alberta	6,840,405	6,867,587	6,891,263
Federal Government	56,129	204,638	246,093
Fines and fees	1,137,500	1,105,944	1,162,207
Investment and other revenue	502,121	663,035	513,957
Grants and sponsorships	1,816,025	3,000,952	1,987,595
	57,585,627	59,105,176	55,261,417
EXPENSES			
Salaries and employee benefits	37,880,281	38,020,325	36,742,207
Collections	7,894,646	4,080,890	4,168,610
Building and equipment	3,657,598	7,073,631	7,475,309
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Amortization	-	6,905,471	6,923,018
Occupancy costs	1,046,394	1,094,562	990,390
	57,357,092	64,217,679	63,184,406
DEFICIENCY OF REVENUES OVER EXPENSES - BEFORE OTHER	228,535	(5,112,503)	(7,922,989)
OTHER			
Write off of tangible capital assets	-	-	(16,722)
Government transfers for capital	-	5,174,879	5,781,767
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	228,535	62,376	(2,157,944)
Contribution for new libraries	(197,500)	-	-
Opening fund balance	193,965	-	-
ADJUSTMENTS FOR NON-CASH ITEMS:			
Amortization expense	-	6,905,471	6,923,018
ADJUSTMENTS FOR CASH ITEMS:			
Acquisition of tangible capital assets (Schedule 1)	-	(6,882,566)	(8,050,273)
Changes in fund balances and capital reserves	-	(91,815)	3,268,724
Contribution from/to reserves	(225,000)	-	-
Adjustments of tangible capital assets	-	6,534	(247)
Write off of tangible capital assets	-	-	16,722
FINANCIAL PLAN BALANCE	-	-	-

Financial Instruments

The Library's financial instruments, which include cash, accounts receivable, accounts payable and accrued liabilities, approximate their fair values due to their short-term nature. At December 31, 2017 and 2016 the Library had no outstanding loans.

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 liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the reporting period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates. Significant estimates include the estimates of useful lives and potential impairment of tangible capital assets, and accrued liabilities.

Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the deficiency of revenues over expenses, provides the change in net financial assets for the year.

Future Accounting Pronouncements

The following new accounting standards were issued by the Public Sector Accounting Board (PSAB). The Library continues to assess the impacts of the standards. While the timing of standards adoption may vary, certain standards must be adopted concurrently. Related Party Disclosures ("PS 2200") and Inter-Entity Transactions ("PS 3420") also require concurrent adoption.

Standards effective for fiscal years beginning on or after April 1, 2017

PS 2200 – Related Party Disclosures define a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

PS 3210 – Assets provides guidance for applying the definition of assets and establishes general disclosure standards for assets. Disclosure information about the major categories of assets that are not recognized is required. When an asset is not recognized because a reasonable estimate cannot be made, the reason(s) for this should be disclosed.

PS 3320 – Contingent Assets defines and establishes disclosure on contingent assets. Disclosure of information about contingent assets is required when the occurrence of the confirming future event is likely.

PS 3380 – Contractual Rights defines and establishes disclosure standards on contractual rights. Disclosure of the nature, extent, and timing of any contractual rights is required.

PS 3390 – Information about contractual obligations should be disclosed and should include descriptions of the nature and extent and the timing of the related expenditures.

PS 3420 – Inter-entity Transactions specifically addresses the reporting of transactions between entities controlled by the government's reporting entity from both a provider and recipient perspective. Disclosure of this information is required whether the transaction is given accounting recognition or not.

Standards effective for fiscal years beginning on or after April 1, 2018

PS 3430 – Restructuring Transactions establishes how to record assets, liabilities, revenues, and expenses related to restructuring transactions as well as disclosure requirements for the recipient and transferor.

Accumulated Surplus/Deficit

Accumulated surplus/deficit represents the Library's net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that the Library has net resources (financial and physical) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

The accumulated surplus includes restricted funds which have been designated for the replacement and upgrade of the Library's automated systems, facility refurbishment and major renovations, and the construction of new facilities, as well as obligations under sponsorships. Note 8 provides a listing of all restricted and unrestricted amounts that form the accumulated surplus.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

Major Category	Years
Materials	10
Buildings	
Buildings	10 - 75
Leasehold Improvements	5 - 25
Furniture and Equipment	5 - 25
IT Equipment	8
Vehicles	7 - 10

The Library does not hold title to any of the buildings that are included in the schedule of capital assets. Legal title of these buildings is held with The City. The Library is the steward of the assets and has control over these assets. As such the value of these assets is recorded in these financial statements in the Library's role as steward, but not as title owner.

Work in progress represents assets which are not available for use and therefore are not subject to amortization.

Tangible capital assets are written down when there is permanent and measurable impairment in its tangible capital asset value and the tangible capital asset still exists.

Cultural and Historical Tangible Capital Assets

The local history collection is not recorded as a tangible capital asset but is disclosed (Note 6).

Inventory

Supplies held for consumption are recorded at the lower of cost and net replacement value.

Prepaid assets

Subscriptions, software annual maintenance contracts, occupancy, and insurance are recorded as prepaid assets and are recognized as an expense over the corresponding period of the service provided (Note 7).

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred. The Library did not have capital leases during the reporting period.

2. CREDIT FACILITY

The Library has an unsecured revolving credit facility to a maximum of \$2,000,000. The interest rate on the facility fluctuates with the Royal Bank's prime rate per annum. The purpose of the credit facility is to ensure cash flow timing does not affect normal Library operations. It is not intended to be used as debt to fund additional Library operations. At December 31, 2017, the balance of the facility was \$nil (2016 – \$nil).

3. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	2017 \$	2016 \$
City of Calgary (Note 11)		
Life Cycle Recovery	1,435,509	1,615,260
Other	775	802
GST recovery	255,258	171,585
Other	121,591	172,096
TOTAL	1,813,133	1,959,743

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	2017 \$	2016 \$
	1,475,679	501,549
Accounts payable - Items invoiced not paid/goods received not invoiced		
Salary and non-salary accruals	1,598,655	1,715,796
Employee vacation pay accrual	1,112,264	1,122,640
Benefit & salary deduction payables, net	707,046	664,594
TOTAL	4,893,644	4,004,579

5. DEFERRED REVENUES

Deferred revenues are comprised of the funds noted below, the use of which are externally restricted. These funds are recognized as revenue in the period they are used for the purpose specified.

	December 31, 2016 \$	Inflows \$	Revenue Earned \$	December 31, 2017 \$
	62,988	1,101,009	(814,226)	349,771
Photocopier, tenant, marketing and program deposits				

6. TANGIBLE CAPITAL ASSETS (Schedule 1)

Category (Net Book Value)	2017 \$	2016 \$
Materials	17,405,721	17,100,826
Buildings	28,220,579	27,665,619
IT Equipment	2,696,660	3,472,736
Furniture and Equipment	2,311,699	2,484,204
Work in Progress	1,947,141	1,912,183
Vehicles	761,692	737,363
TOTAL	53,343,492	53,372,931

The Calgary Public Library maintains a local history collection that is on permanent display on the fourth floor of the Central Library. It is available for public viewing by request. The collection is not recorded as a tangible capital asset in the financial statements and is not amortized.

7. PREPAID ASSETS

Prepaid assets are comprised of the following:

	2017 \$	2016 \$
Occupancy	51,052	41,309
Software annual maintenance contracts	1,115,846	1,565,863
Subscriptions	605,525	743,059
New Central Library Play Space	200,000	22,220
General	48,422	-
TOTAL	2,020,845	2,372,451

8. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	2017 \$	2016 \$
Unrestricted surplus	386,230	193,964
Restricted surplus	1,630,626	1,731,077
Equity in tangible capital assets	53,343,492	53,372,931
TOTAL	55,360,348	55,297,972

Equity in tangible capital assets consists of the following items:

	2017 \$	2016 \$
Tangible capital assets (Schedule 1)	100,153,628	98,953,312
Accumulated amortization (Schedule 1)	(46,810,136)	(45,580,381)
TOTAL	53,343,492	53,372,931

9. COMMITMENTS

Minimum lease payments for Library locations and equipment under operating leases in future years are as follows:

Year	\$
2018	668,000
2019	548,000
2020	504,000
2021	483,000
2022	439,000
Thereafter through to 2027	953,000

The Library is committed to an electricity fixed price contract to June 30, 2021 and a natural gas fixed price contract to August 31, 2021.

Capital commitments for major capital projects amount to \$1,174,191 at December 31, 2017 (2016 - \$1,216,692). Operating commitments amount to \$345,686 at December 31, 2017 (2016 - \$227,716).

10. CHANGE IN NON-CASH WORKING CAPITAL

The change in non-cash working capital consists of the following items:

	2017 \$	2016 \$	Change \$
Accounts receivable	1,813,133	1,959,743	146,610
Accounts payable and accrued liabilities	4,893,644	4,004,579	889,065
Deferred revenues	349,771	62,988	286,783
Inventory	36,095	43,224	7,129
Prepaid assets	2,020,845	2,372,451	351,606
Deposits	17,000	17,000	-
<u>Change in non-cash working capital</u>			<u>1,681,193</u>

11. RELATED PARTY TRANSACTIONS

The Library conducts transactions with The City of Calgary in the normal course of business. Included in accounts receivable at December 31, 2017 is \$1,444,246 (2016 - \$1,615,260) due from The City of Calgary. Included in accounts payable and accrued liabilities is \$272,937 (2016 - \$62,530) due to The City of Calgary business units.

Effective October 1, 2016, the Library signed a lease agreement with the Calgary Municipal Land Corporation (CMLC) for the use of the Hillier Block Building. CMLC donated the value of the lease as an in-kind donation to the Library. The fair market value of the in-kind donation is \$102,000 (2016 - \$25,500) included in grants and sponsorships and the expense of the same amount is included in occupancy costs. CMLC incurred the Hillier Block Building fit-up cost of \$12,364 (2016 - \$29,804) which is included in grants and sponsorships and the expense of the same amount is included in building and equipment. The Library also incurred \$5,040 (2016 - \$nil) professional fees and \$200,000 (2016 - \$nil) prepaid expense to CMLC. Included in deposits at December 31, 2017 is the damage deposit of \$17,000 (carried over from 2016).

The City of Calgary provides space to the Library under many occupancy models. During 2016 a new arrangement for managing multi use facilities constructed by the City of Calgary came into existence. The Library will be included in many of these new complexes. Prior to occupancy, The City of Calgary (The Landlord) enters into a leasing agreement with a third party (Leasee) to manage and operate the entire facility. The Leasee then enters into a separate sublease, as the Sublandlord, with each of the occupants. The sublease contains many of the obligations of the original lease. One of these conditions is the establishment of an asset management reserve fund to be held and used by the Sublandlord to meet common area systems life cycle maintenance needs as they arise. As the reserve is depleted each tenant will be required to replenish the fund, using the formula of the original contribution. The Library (Subleasee) expenses the amount (as building and equipment expense) in the year of payment because the sublease stipulates that any remaining funds at the expiry date or the earlier termination of the sublease will be the property of The City of Calgary.

However, the funds will remain intact for many years until life cycle needs start and the actual building expense is incurred.

The following table describes the amounts that were contributed by the Library (as Subleasee) to the asset management reserve fund and the balance being held in the fund at the end of the year.

Sublandlord		Sublease Commencing Year	Sublease Term (Years)	Opening Balance January 1, 2017	Amount Contributed \$	Amount Withdrawn \$	Balance Remaining December 31, 2017 \$
Location							
Quarry Park Recreation Facility	YMCA	2016	25	96,200	-	-	96,200

These transactions are recorded at the exchange amount, which represents the amount agreed to by both parties.

12. LOCAL AUTHORITIES PENSION PLAN

The Library participates in the Local Authorities Pension Plan (LAPP). This pension plan is a multi-employer defined benefit pension plan that provides pensions for the Library's participating employees, based on years of service and earnings.

The pension expense recorded in these financial statements as salaries and employee benefits expense represents the Library's annual contributions of \$2,332,052 in 2017 (2016 - \$2,235,466). All full-time staff employed by the Library are members of the LAPP after a qualification period.

The LAPP is currently in a deficit position of \$(637,357,000) in 2016 a decrease from \$(923,416,000) in 2015. The deficit applies to the entire plan and the Library's portion of the deficit cannot be determined. The 2016 information is provided as most recent information was not available at the time of preparing the financial statements.

LAPP consists of over 253,862 active members. The City of Calgary's active plan membership represents approximately 5.3% of which the Library portion is approximately 0.1% as at December 31, 2016.

13. CALGARY PUBLIC LIBRARY FOUNDATION

The Calgary Public Library Foundation (the "Foundation") financial statements are not consolidated with the Library as the Foundation is an unrelated independent organization. The Foundation was established in 1999, and operationalized in 2000. It is a stand-alone charity registered with the federal and provincial governments. The purpose of the Foundation is:

- To raise funds for the Library, a registered charity; and
- To assist the Library in providing the highest possible level and quality of service to the customers of the Library.

During fiscal 2017, the Foundation donated \$3,212,588 (2016 - \$1,882,110) to the Library, of which \$326,000 is included in deferred revenues, and \$2,886,588 is included in grants and sponsorships revenue. The amount also includes an in-kind donation of \$253,023 (2016 - \$226,762), relating to arts and culture passes and materials. The related expense is recorded in collections and general operating expenses. At December 31, 2017, the Library contributed \$500,000 (2016- \$500,000) to the Foundation. This is included in the Library's financial statements in general operating expenses. The Library will commit \$500,000 to the Foundation in 2018. The Library also contributed an in-kind donation of \$195,076 (2016 - \$73,959) to the Foundation relating to occupancy costs, building and equipment, and general operating expenses for the Hillier Block Building.

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