

**STRATHCONA COUNTY LIBRARY**

**FINANCIAL STATEMENTS**

*Year ended December 31, 2005*



**STRATHCONA COUNTY LIBRARY**  
**Financial Statements**  
Year ended December 31, 2005

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**AUDITORS' REPORT TO HER WORSHIP THE MAYOR AND MEMBERS OF  
COUNCIL OF STRATHCONA COUNTY**

**STRATHCONA COUNTY LIBRARY****Statement of Financial Position**

As at December 31, 2005

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
<b>Financial Assets</b>		
Due From Strathcona County (Note 2)	\$ 924,078	\$ 582,748
Accounts Receivable	20,465	8,492
Prepaid Expenses	1,499	-
	<u>946,042</u>	<u>591,240</u>
<b>Physical Assets</b>		
Leasehold Improvements	1,401,161	1,401,161
Furniture and Equipment	356,203	356,203
Bookmobile	50,108	50,108
Computer	491,599	445,228
	<u>2,299,071</u>	<u>2,252,700</u>
<b>Total Assets</b>	<u>\$ 3,245,113</u>	<u>\$ 2,843,940</u>
<b>LIABILITIES AND LIBRARY EQUITY</b>		
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 151,081	\$ 132,173
Deferred Revenue (Note 3)	100,169	31,684
Long-Term Debt (Note 4)	187,434	244,888
	<u>438,684</u>	<u>408,745</u>
<b>Library Equity</b>		
Fund Balances		
Operating Fund (Schedule 1)	-	-
Capital Fund (Schedule 2)	-	-
Reserves (Schedule 3)	694,792	427,383
	<u>694,792</u>	<u>427,383</u>
Equity in Physical Assets (Schedule 4)	<u>2,111,637</u>	<u>2,007,812</u>
	<u>2,806,429</u>	<u>2,435,195</u>
<b>Total Liabilities and Library Equity</b>	<u>\$ 3,245,113</u>	<u>\$ 2,843,940</u>

Commitments and contingencies (Note 5).

See accompanying notes to financial statements.

**STRATHCONA COUNTY LIBRARY**  
**Statement of Financial Activities and Change in Fund Balances**  
Year ended December 31, 2005

	<b>2005</b>	<b>2004</b>
<b>Revenues</b>		
Property Tax Levies	\$ 2,940,475	\$ 2,614,593
Provincial Operating Grant	308,820	308,820
Other Government Grants	53,787	75,494
Sale of Goods and Services	131,574	133,526
Rental Revenues	2,370	2,479
Licenses, Permits and Fines	120,305	125,050
Investment Income	17,551	9,347
Other	115,573	120,349
	<b>3,690,455</b>	<b>3,389,658</b>
<b>Expenditures</b>		
Salaries and Wages	1,833,619	1,649,216
Employee Benefits	315,966	249,523
Business Expenses	43,637	33,135
Advertising, Printing and Distribution	34,468	33,812
Professional Services	4,999	4,000
Rentals and Leases	364,872	357,352
Contracted Services	62,490	47,720
Library Materials	321,956	279,140
Supplies and Materials	31,900	36,758
Repairs and Maintenance	89,331	110,595
Equipment Purchases	86,596	48,528
Utilities	47,190	36,586
Telecommunications	12,196	15,194
Interest on Long-Term Debt	8,038	10,533
Administrative Charges (Note 6)	59,028	58,571
Other	2,935	2,685
Capital Expenditures (Schedule 2)	46,371	98,704
	<b>3,365,592</b>	<b>3,072,052</b>
<b>Excess of Revenues over Expenditures</b>	<b>324,863</b>	<b>317,606</b>
Long-Term Debt Repaid	<b>(57,454)</b>	<b>(55,112)</b>
<b>Change in Fund Balances</b>	<b>267,409</b>	<b>262,494</b>
<b>Opening Balance</b>	<b>427,383</b>	<b>164,889</b>
<b>Closing Balance</b>	<b>\$ 694,792</b>	<b>\$ 427,383</b>

See accompanying notes to financial statements.

**STRATHCONA COUNTY LIBRARY**  
**Statement of Changes in Financial Position**  
Year ended December 31, 2005

	<b>2005</b>	<b>2004</b>
Cash provided by (used in):		
<b>Operating Activities</b>		
Excess of Revenues over Expenditures	<b>\$ 324,863</b>	\$ 317,606
(Increase) Decrease in Non-Cash Financial Assets		
Accounts Receivable	<b>(11,973)</b>	58,887
Prepaid Expenses	<b>(1,499)</b>	-
Increase (Decrease) in Non-Cash Liabilities		
Accounts Payable and Accrued Liabilities	<b>18,908</b>	22,729
Deferred Revenue	<b>68,485</b>	(12,902)
	<b>398,784</b>	386,320
<b>Financing Activities</b>		
Debt Repaid	<b>(57,454)</b>	(55,112)
<b>Increase in Due From Strathcona County</b>	<b>341,330</b>	331,208
<b>Due From Strathcona County – beginning of year</b>	<b>582,748</b>	251,540
<b>Due From Strathcona County – end of year</b>	<b>\$ 924,078</b>	<b>\$ 582,748</b>

See accompanying notes to financial statements.

**STRATHCONA COUNTY LIBRARY**  
**Schedule of Operating Fund Activities**  
Year ended December 31, 2005

	<u>2005</u>	<u>Budget</u> (Unaudited)	<u>2004</u>
<b>Revenues</b>			
Property Tax Levies	\$ 2,940,475	\$ 2,940,475	\$ 2,614,593
Provincial Operating Grant	308,820	308,820	308,820
Other Government Grants	53,787	21,095	31,384
Sale of Goods and Services	131,574	136,677	133,526
Rental Revenues	2,370	2,900	2,479
Permits and Fines	120,305	118,416	125,050
Investment Income	14,185	6,000	9,347
Other	104,411	174,800	107,422
	<u>3,675,927</u>	<u>3,709,183</u>	<u>3,332,621</u>
<b>Expenditures</b>			
Salaries and Wages	1,833,619	1,848,315	1,649,216
Employee Benefits	315,966	345,343	249,523
Business Expenses	43,637	51,974	33,135
Advertising, Printing and Distribution	34,468	38,764	33,812
Professional Services	4,999	3,600	4,000
Rentals and Leases	364,872	366,395	357,352
Contracted Services	62,490	66,213	47,720
Library Materials	321,956	336,288	279,140
Supplies and Materials	31,900	40,486	36,758
Repairs and Maintenance	89,331	97,396	110,595
Equipment Purchases	86,596	55,980	48,528
Utilities	47,190	58,964	36,586
Telecommunications	12,196	17,700	15,194
Interest on Long-Term Debt	8,038	10,408	10,533
Interprogram Charges (Note 6)	59,028	59,830	58,571
Other	2,935	3,625	2,685
	<u>3,319,221</u>	<u>3,401,281</u>	<u>2,973,348</u>
<b>Excess of Revenues over Expenditures</b>	<b>356,706</b>	<b>307,902</b>	<b>359,273</b>
Interfund Transfers:			
From Reserve Fund	39,588	-	23,479
To Reserve Fund	(338,840)	(250,448)	(327,640)
Debt Repaid	(57,454)	(57,454)	(55,112)
<b>Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Opening Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to financial statements.

**STRATHCONA COUNTY LIBRARY**  
**Schedule of Capital Fund Activities**  
Year ended December 31, 2005

	<u>2005</u>	<u>Budget</u> (Unaudited)	<u>2004</u>
<b>Revenues</b>			
Other Government Grants – Community Sponsorship	\$ -	\$ 75,000	\$ 44,110
Investment Income	3,366	-	-
Other Revenues	11,162	22,000	12,927
	<u>14,528</u>	<u>97,000</u>	<u>57,037</u>
<b>Expenditures</b>			
Software Upgrades	46,371	-	59,334
Leasehold Improvements	-	-	39,370
Bookmobile Replacement	-	270,000	-
	<u>46,371</u>	<u>270,000</u>	<u>98,704</u>
<b>Deficiency of Revenues over Expenditures</b>	<b>(31,843)</b>	(173,000)	(41,667)
Interfund Transfers:			
From Reserve Fund	67,946	173,000	44,285
To Reserve Fund	<b>(36,103)</b>	-	(5,602)
<b>Change in Fund Balance</b>	-	-	(2,984)
<b>Opening Balance</b>	-	-	2,984
<b>Closing Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**STRATHCONA COUNTY LIBRARY**  
**Schedule of Reserves**  
Year ended December 31, 2005

	<u>Operating</u>	<u>Capital</u>	<u>2005</u>	<u>2004</u>
<b>Opening Balance</b>	\$ 137,710	\$ 289,673	<b>\$ 427,383</b>	\$ 161,905
<b>Add (Deduct):</b>				
Transfer From Operating Fund	63,716	275,124	<b>338,840</b>	327,640
Transfer To Operating Fund	<u>(39,588)</u>	-	<b>(39,588)</b>	<u>(23,479)</u>
Net Transfer From Operating Fund	<u>24,128</u>	<u>275,124</u>	<b>299,252</b>	<u>304,161</u>
Transfer From Capital Fund	-	36,103	<b>36,103</b>	5,602
Transfer To Capital Fund	<u>(25,788)</u>	<u>(42,158)</u>	<b>(67,946)</b>	<u>(44,285)</u>
Net Transfer To Capital Fund	<u>(25,788)</u>	<u>(6,055)</u>	<b>(31,843)</b>	<u>(38,683)</u>
<b>Change in Fund Balance</b>	<u>(1,660)</u>	<u>269,069</u>	<b>267,409</b>	265,478
<b>Closing Balance</b>	<u>\$ 136,050</u>	<u>\$ 558,742</u>	<b>\$ 694,792</b>	<u>\$ 427,383</u>

See accompanying notes to financial statements.

**STRATHCONA COUNTY LIBRARY**  
**Schedule of Equity in Physical Assets**  
Year ended December 31, 2005

	<u>2005</u>	<u>2004</u>
<b>Acquisition of Physical Assets</b>		
Software Upgrades	\$ 46,371	\$ 59,334
Leasehold Improvements	-	39,370
	<u>46,371</u>	<u>98,704</u>
<b>Capital Financing</b>		
Long-Term Debt Repaid	<u>57,454</u>	<u>55,112</u>
<b>Change in Equity Balance</b>	<b>103,825</b>	153,816
<b>Opening Balance</b>	<u>2,007,812</u>	<u>1,853,996</u>
<b>Closing Balance</b>	<u><b>\$ 2,111,637</b></u>	<u><b>\$ 2,007,812</b></u>

See accompanying notes to financial statements.

**STRATHCONA COUNTY LIBRARY**  
**Notes to Financial Statements**  
Year ended December 31, 2005

**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Strathcona County Library are the representations of management and have been prepared in accordance with local government accounting standards established by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Library are as follows:

**a) Fund Accounting**

Funds consist of the operating, capital and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account.

Interest payments on long-term capital debt are recorded as operating fund expenditures. Capital fund debt principal repayments represent an increase in equity in physical assets and are therefore identified separately on the Statement of Financial Activities and Change in Fund Balances.

**b) Basis of Accounting**

The accrual basis of accounting is followed in the financial statement presentation. Revenues are recognized in the period in which the transactions or events occur. Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

**c) Financial Statement Presentation**

The 2005 budget figures have been included for the Schedule of Operating Fund Activities and the Schedule of Capital Fund Activities. The 2005 budget figures have not been included for the Statement of Financial Activities and Change in Fund Balances or the Schedule of Reserves. Capital Fund expenditures are generally applicable to physical asset projects identified and approved in capital budgets that may span more than one year. Therefore, current year capital expenditures may not relate specifically to the current year capital budget.

**d) Capital Assets**

Capital assets are recorded at cost, reported as expenditures in the period acquired, and capitalized as assets on the Statement of Financial Position. No depreciation of physical assets is recorded in these financial statements.

**e) Government Grants**

Government grants are recognized in the financial statements as revenues in the period that the events giving rise to the transfer occurred, provided the transfers are authorized, reasonable estimates of the amounts can be made, and for conditional grants that any eligibility criteria have been met.

**f) Deferred Revenue**

Deferred revenue consists of monies received from grants, donations and fundraising. It is treated as restricted assets and revenues. As such, revenues are recognized as earned in the year that the related expenditures are incurred. These revenues and expenditures are recorded in the Operating and Capital Fund.

**g) Equity in Capital Assets**

Equity in capital assets represents the Library's net investment in total capital assets, after deducting the portion financed through debentures, bond and mortgage debts, long-term capital borrowings, capitalized leases and other capital liabilities.

**h) Reserves**

Reserves are established at the discretion of the Library Board to set aside certain amounts for future operating and capital purposes. Operating reserves are those which are generally established to fund one-time expenditures of an operating nature. Capital reserves are those which are generally established to fund one-time expenditures of a capital nature, the majority of which are committed to a specific purpose.

**STRATHCONA COUNTY LIBRARY**

**Notes to Financial Statements**

Year ended December 31, 2005

**i) Gifts in Kind**

Contributed materials and supplies are recorded in the financial statements at fair value when their values can be reasonably determined.

**j) Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, 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 the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

**2. DUE FROM STRATHCONA COUNTY**

The Library does not maintain its own operating bank account and has funds on deposit with Strathcona County which are available for operations when needed. The funds earn interest at a rate equivalent to that which the County earns on its short-term investments.

**3. DEFERRED REVENUE**

	<u>2005</u>	<u>2004</u>
Unearned Revenues	\$ 24,223	\$ 23,072
Deferred Grants	75,946	8,612
	<u>\$ 100,169</u>	<u>\$ 31,684</u>

**4. LONG-TERM DEBT**

The Library, through Strathcona County, has a debenture repayable in annual payments of \$67,862 to the Alberta Capital Finance Authority including interest at 4.25%. Interest paid during 2005 was \$10,408 (2004 - \$12,750). The debenture matures in 2008. Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 59,896	\$ 7,966	\$ 67,862
2007	62,442	5,420	67,862
2008	65,096	2,767	67,863
	<u>\$ 187,434</u>	<u>\$ 16,153</u>	<u>\$ 203,587</u>

**5. COMMITMENTS AND CONTINGENCIES**

**Leases**

The Library is located in the Sherwood Park Mall. The premises have been leased to November 1, 2008. Minimum lease payments for the remaining term of the lease are:

2006	\$ 371,236
2007	373,513
2008	312,987
	<u>\$ 1,057,736</u>

## STRATHCONA COUNTY LIBRARY

### Notes to Financial Statements

Year ended December 31, 2005

The Library also has an operating lease for office equipment, to September 2009. Minimum lease payments for the remaining term of the lease are:

2006	\$ 7,452
2007	5,496
2008	5,496
2009	3,664
	<u>\$ 22,108</u>

The Strathcona County Library is committed to an annual payment of \$17,659 for central site computer and support services under the Metro-Area Group Library Network (MAGNET) co-owners agreement. The Strathcona County Library may terminate its participation by delivering written notice to the MAGNET Committee on or before December 31 of any year to become effective on December 31<sup>st</sup> of the year immediately following.

#### 6. ADMINISTRATIVE CHARGES

Operating fund expenditures include administrative charges from Strathcona County as follows:

	<u>2005</u>	<u>2004</u>
Personnel Services	\$ 25,000	\$ 25,000
Financial Services	25,430	24,944
General Services	8,598	8,627
	<u>\$ 59,028</u>	<u>\$ 58,571</u>

#### 7. PENSION PLAN

Strathcona County Library employees participate in the Local Authorities Pension Plan (LAPP, or the "Plan"), which is one of the plans covered by the Alberta Public Sector Pension Plans Act.

Strathcona County Library is required to make current service contributions to the Plan of 7.40 per cent of pensionable payroll up to the yearly maximum pensionable earning (YMPE) and 10.14 per cent thereafter. Employees of the Library are required to make current service contributions of 6.40 per cent of pensionable salary up to YMPE, and 9.14 per cent thereafter.

Total current service contributions by Strathcona County Library to LAPP in 2005 were \$114,873 (2004 - \$54,265). Total current service contributions by the employees of Strathcona County Library to LAPP in 2005 were \$100,236 (2004 - \$63,170).

LAPP serves 153,036 members and 404 employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund. At December 31, 2004, the Plan reported an actuarial deficiency of \$1.3 billion. To address the actuarial deficiency, the LAPP Board of Trustees has determined that contribution rates for both LAPP members and employers will increase as follows effective January 1, 2006: the employer contribution rate will increase to 7.75 per cent from 7.40 per cent for earnings up to YMPE, and to 10.64 per cent from 10.14 per cent thereafter; the employee contribution rate will increase to 6.75 per cent from 6.40 per cent for earnings up to YMPE, and to 9.64 per cent from 9.14 per cent thereafter.

#### 8. FINANCIAL INSTRUMENTS

The Library's financial instruments consist of due from Strathcona County, accounts receivable, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Library is not exposed to significant interest, currency or credit risk arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying value.