STRATHCONA COUNTY LIBRARY

FINANCIAL STATEMENTS

Year ended December 31, 2006

Index

Auditors' Report 1

Statement of Financial Position 2

Statement of Financial Activities and Change in Fund Balances 3

Statement of Changes in Financial Position 4

Schedule of Operating Fund Activities 5

Schedule of Capital Fund Activities 6

Schedule of Reserves 7

Schedule of Equity in Physical Assets 8

Notes to Financial Statements ..... 9 -12

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AUDITORS' REPORT

To the Members of the Board of Strathcona County Library

We have audited the statement of financial position of Strathcona County Library as at December 31, 2006 and the statements of financial activities and changes in fund balances and changes in financial position for the year then ended. These financial statements are the responsibility of the Library's management. 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by the Library's management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Strathcona County Library as at December 31, 2006 and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Edmonton, Canada
March 1, 2007

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

STRATHCONA COUNTY LIBRARY
Statement of Financial Position
As at December 31, 2006

	2006	2005
ASSETS		
Financial Assets		
Due From Strathcona County (Note 2)	**$ 1,310,606**	$ 924,078
Accounts Receivable	**13,906**	20,465
Prepaid Expenses	**15,370**	1,499
	1,339,882	946,042
Physical Assets		
Leasehold Improvements	**1,401,161**	1,401,161
Furniture and Equipment	**356,203**	356,203
Bookmobile	**50,108**	50,108
Computer	**491,599**	491,599
	2,299,071	2,299,071
Total Assets	**$ 3,638,953**	$ 3,245,113
LIABILITIES AND LIBRARY EQUITY		
Liabilities		
Accounts Payable and Accrued Liabilities	**$ 159,538**	$ 151,081
Deferred Revenue (Note 3)	**191,453**	100,169
Long-Term Debt (Note 4)	**127,538**	187,434
	478,529	438,684
Library Equity		
Fund Balances		
Reserves (Schedule 3)	**988,891**	694,792
Equity in Physical Assets (Schedule 4)	**2,171,533**	2,111,637
	3,160,424	2,806,429
Total Liabilities and Library Equity	**$ 3,638,953**	$ 3,245,113

Commitments and contingencies (Note 6).

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY
Statement of Financial Activities and Change in Fund Balances
Year ended December 31, 2006

	2006	Budget (Unaudited)	2005
Revenues			
Property Taxes	**$ 3,237,106**	$ 3,218,830	$ 2,829,008
Provincial Operating Grant	**344,195**	328,398	332,321
Other Government Grants (Note 5)	**116,300**	13,120	30,286
User Fees and Charges	**135,516**	143,497	133,944
Penalties and Fines	**124,068**	126,416	120,305
Investment Income	**36,640**	9,500	17,551
Other	**173,917**	170,085	304,690
Total Revenues	**4,167,742**	4,009,846	3,768,105
Expenditures			
Salaries and Wages	**2,061,962**	2,085,857	1,833,619
Employee Benefits	**359,508**	362,876	315,966
Business Expenses	**2,777**	21,789	21,397
Training and Development	**37,757**	27,107	22,239
Advertising, Printing and Distribution	**35,552**	36,706	34,468
Professional Services	**4,500**	4,500	4,999
Rentals and Leases	**378,254**	377,313	364,872
Contracted Services	**64,482**	68,958	62,490
Supplies and Materials	**467,891**	397,025	353,857
Repairs and Maintenance	**97,813**	103,681	89,331
Equipment Purchases	**65,200**	63,350	86,596
Utilities	**55,849**	51,203	47,190
Telecommunications	**17,393**	16,599	12,196
Interest on Debt	**5,525**	7,966	8,038
Administrative Charges (Note 7)	**60,762**	59,900	59,028
Other	**98,522**	3,050	80,585
Capital Expenditures (Schedule 2)	**-**	270,000	46,371
Total Expenditures	**3,813,747**	3,957,980	3,443,242
Excess of Revenues over Expenditures	**353,995**	51,866	324,863
Long-Term Debt Repaid	**(59,896)**	(59,896)	(57,454)
Change in Fund Balances	**294,099**	(8,030)	267,409
Opening Balance	**694,792**	694,792	427,383
Closing Balance	**$ 988,891**	$ 686,762	$ 694,792

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY
Statement of Changes in Financial Position
Year ended December 31, 2006

	2006	2005
Cash provided by (used in):		
Operating Activities		
Excess of Revenues over Expenditures	**$ 353,995**	$ 324,863
Change in non-cash items:		
Decrease (Increase) in Non-Cash Financial Assets		
Accounts Receivable	**6,559**	(11,973)
Prepaid Expenses	**(13,871)**	(1,499)
Increase in Non-Cash Liabilities		
Accounts Payable and Accrued Liabilities	**8,457**	18,908
Deferred Revenue	**91,284**	68,485
Cash from Operations	**446,424**	398,784
Financing Activities		
Long-Term Debt Repaid	**(59,896)**	(57,454)
Increase in Due From Strathcona County	**386,528**	341,330
Due From Strathcona County – beginning of year	**924,078**	582,748
Due From Strathcona County – end of year	**$1,310,606**	$ 924,078

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY
Schedule of Operating Fund Activities
Year ended December 31, 2006

	2006	Budget (Unaudited)	2005
Revenues			
Property Taxes	**$ 3,237,106**	$ 3,218,830	$ 2,829,008
Provincial Operating Grant	**344,195**	328,398	332,321
Other Government Grants (Note 5)	**116,300**	13,120	30,286
User Fees and Charges	**135,516**	143,497	133,944
Penalties and Fines	**124,068**	126,416	120,305
Investment Income	**13,518**	9,500	14,185
Other	**173,917**	170,085	293,528
Total Revenues	**4,144,620**	4,009,846	3,753,577
Expenditures			
Salaries and Wages	**2,061,962**	2,085,857	1,833,619
Employee Benefits	**359,508**	362,876	315,966
Business Expenses	**2,777**	21,789	21,397
Training and Development	**37,757**	27,107	22,239
Advertising, Printing and Distribution	**35,551**	36,706	34,468
Professional Services	**4,500**	4,500	4,999
Rentals and Leases	**378,256**	377,313	364,872
Contracted Services	**64,482**	68,958	62,490
Supplies and Materials	**467,891**	397,025	353,857
Repairs and Maintenance	**97,813**	103,781	89,331
Equipment Purchases	**65,200**	63,350	86,596
Utilities	**55,849**	51,203	47,190
Telecommunications	**17,393**	16,599	12,196
Interest on Debt	**5,525**	7,966	8,038
Administrative Charges (Note 7)	**60,762**	59,900	59,028
Other	**98,521**	3,050	80,585
Total Expenditures	**3,813,747**	3,687,980	3,396,871
Excess of Revenues over Expenditures	**330,873**	321,866	356,706
Interfund Transfers:			
From Reserve Fund	**5,622**	-	39,588
To Reserve Fund	**(276,599)**	(261,970)	(338,840)
Debt Repaid	**(59,896)**	(59,896)	(57,454)
Change in Fund Balance	**-**	-	-
Opening Balance	**-**	-	-
Closing Balance	**$ -**	$ -	$ -

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY
Schedule of Capital Fund Activities
Year ended December 31, 2006

	2006	Budget (Unaudited)	2005
Revenues			
Investment Income	**$ 23,122**	$ -	$ 3,366
Other	**-**	-	11,162
Total Revenues	**23,122**	-	14,528
Expenditures			
Software Upgrades	**-**	-	46,371
Bookmobile Replacement	**-**	270,000	-
Total Expenditures	**-**	270,000	46,371
Excess (Deficiency) of Revenues over Expenditures	**23,122**	(270,000)	(31,843)
Interfund Transfers:			
From Reserve Fund	**-**	270,000	67,946
To Reserve Fund	**(23,122)**	-	(36,103)
Change in Fund Balance	**-**	**-**	-
Opening Balance	**-**	**-**	-
Closing Balance	**$ -**	**$ -**	$ -

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY
Schedule of Reserves
Year ended December 31, 2006

	Operating	Capital	2006	2005
Opening Balance	$ 136,050	$ 558,742	**$ 694,792**	$ 427,383
Add (Deduct):				
Transfer From Operating Fund	2,441	274,158	**276,599**	338,840
Transfer To Operating Fund	(5,622)	-	**(5,622)**	(39,588)
Net Transfer From Operating Fund	(3,181)	274,158	**270,977**	299,252
Transfer From Capital Fund	-	23,122	**23,122**	36,103
Transfer To Capital Fund	-	-	**-**	(67,946)
Net Transfer To Capital Fund	-	23,122	**23,122**	(31,843)
Change in Fund Balance	(3,181)	297,280	**294,099**	267,409
Closing Balance	$ 132,869	$ 856,022	**$ 988,891**	$ 694,792

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY
Schedule of Equity in Physical Assets
Year ended December 31, 2006

	2006	2005
Acquisition of Physical Assets		
Software Upgrades	**$ -**	$ 46,371
Capital Financing		
Long-Term Debt Repaid	**59,896**	57,454
Change in Equity Balance	**59,896**	103,825
Opening Balance	**2,111,637**	2,007,812
Closing Balance	**$ 2,171,533**	$ 2,111,637

See accompanying notes to financial statements.

The Strathcona County Library operates under the provisions of the Alberta Libraries Act, R.S.A. 2000, c. L-11.

In November 2006, Council decided to proceed with the construction of a new 60,000 sq. ft. library that will be part of Strathcona County's Centre in the Park Community Centre complex, scheduled to open in 2010.

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

Management 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 2006 budget figures have been included for the Schedule of Operating Fund Activities, the Schedule of Capital Fund Activities, and the Statement of Financial Activities and Change in Fund Balances. The 2006 budget figures have not been included for the Schedule of Reserves.

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) 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.

f) Equity in Capital Assets

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

g) 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.

h) Gifts in Kind

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

i) 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.

j) 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.

k) Overlevies and Underlevies

Overlevies and underlevies arise from the difference between the actual levy made to provide for each requisition and the actual amount requisitioned.

If the actual levy exceeds the requisition, the overlevy is accrued as a liability and property tax revenue is reduced. Where the actual levy is less than the requisition amount, the under levy is accrued as a receivable and property tax revenue is increased.

Requisition tax rates in the subsequent year are adjusted for any overlevies or underlevies of the prior year.

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

	2006	2005
Operating	$ 112,812	$ 24,223
Capital: Community Initiatives Program - Bookmobile	78,641	75,946
	$ 191,453	$ 100,169

Deferred revenue is comprised of the funds noted above, the use of which, together with any earnings thereon, is externally restricted. These funds are recognized as revenue in the period they are used for the purpose specified. Certain deferred revenues related to government grants as further detailed in Note 5.

4. LONG-TERM DEBT

	2006	2005
Tax-supported Debenture	$ 127,538	$ 187,434

The Library, issued on the credit and security of 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 2006 was $7,966 (2005 - $10,408). The debenture matures in 2008. Principal and interest payments are due as follows:

	Principal	Interest	Total
2007	$ 62,442	$ 5,420	$ 67,862
2008	65,096	2,767	67,863
	$ 127,538	$ 8,187	$ 135,725

5. OTHER GOVERNMENT GRANTS

	2006	2005
Operating Grants		
Federal:		
Canadian Library Association	$ 3,346	$ 3,968
Community Access Program	3,154	2,862
Summer Career Placement	1,715	1,446
	8,215	8,276
Provincial:		
Public Library Service Special Grant	71,584	-
Alberta Public Library Electronic Network	10,602	8,613
Community Sponsorships	9,874	8,593
Community Initiatives Program	9,400	-
Student Temporary Employment Program	5,294	4,158
Alberta Foundation for the Arts	1,008	646
Human Rights Access and Equity Grant	323	-
	108,085	22,010
	$ 116,300	$ 30,286

The Public Library Service Special Grant is provided to purchase special needs materials, and computers and equipment that make online resources and services more accessible. The grant will also be used to offer adult education and children literacy programs and services. The Library received $137,197 for 2006, of which $71,584 was used in the current year and the remaining $65,613 was deferred until 2007 to be used for the Library's Radio Frequency Identification (RFID) Project.

The Provincial Community Sponsorship Grants include Community Adult Learning Council Grant funds from Strathcona County for $3,120 to be used for Rural, Family, Internet and Computer Literacy.

6. 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:

2007	$ 374,489
2008	316,114
	$ 690,603

The Library also has ongoing operating leases for office equipment and other miscellaneous equipment. The future minimum lease payments are as follows:

2007	$ 5,496
2008	5,496
2009	3,664
	$ 14,656

Metro-Area Group Library Network (MAGNET)

The Strathcona County Library is committed to an annual payment of $17,090 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 31st of the year immediately following.

7. ADMINISTRATION CHARGES

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

	2006	2005
Personnel Services	$ 25,000	$ 25,000
Financial Services	24,000	25,430
General Services	11,762	8,598
	$ 60,762	$ 59,028

8. PENSION PLAN

Strathcona County 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.

The Strathcona County Library is required to make current service contributions to the Plan of 7.75 (2005 – 7.40) per cent of pensionable payroll up to the yearly maximum pensionable earning (YMPE) and 10.64 (2005 – 10.14) per cent thereafter. Employees of the Library are required to make current service contributions of 6.75 (2005 – 6.40) per cent of pensionable salary up to YMPE, and 9.64 (2005 – 9.14) per cent thereafter.

Total current service contributions by Strathcona County Library to LAPP in 2006 were $136,958 (2005 - $114,873). Total current service contributions by the employees of Strathcona County Library to LAPP in 2006 were $120,197 (2005 - $100,236).

As stated in their 2005 Annual Report, LAPP serves 159,936 (2004 – 153,036) members and 407 (2004 – 404) employers. It is financed by employer and employee contributions and investments earnings of the LAPP Fund. At December 31, 2005, the Plan reported an actuarial deficiency of $0.86 (2004 - $1.3) billion. The LAPP Board of Trustees determined no increase to contribution rates for both LAPP members and employers for 2007.

9. 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.

10. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.