

STRATHCONA COUNTY LIBRARY

FINANCIAL STATEMENTS

Year ended December 31, 2007

STRATHCONA COUNTY LIBRARY
Financial Statements
Year ended December 31, 2007

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



KPMG LLP
Chartered Accountants
10125 – 102 Street
Edmonton AB T5J 3V8
Canada

Telephone (780) 429-7300
Fax (780) 429-7379
Internet www.kpmg.ca

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, 2007 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, 2007 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.

Chartered Accountants

Edmonton, Canada
March 7, 2008

STRATHCONA COUNTY LIBRARY
Statement of Financial Position
As at December 31, 2007

	2007	2006
ASSETS		
Financial Assets		
Due From Strathcona County (Note 2)	\$ 1,658,186	\$ 1,310,606
Accounts Receivable	8,056	13,906
Prepaid Expenses	1,215	15,370
	1,667,457	1,339,882
Physical Assets		
Leasehold Improvements	1,401,161	1,401,161
Furniture and Equipment	629,654	356,203
Bookmobile	50,108	50,108
Computer	491,599	491,599
	2,572,522	2,299,071
Total Assets	\$ 4,239,979	\$ 3,638,953
LIABILITIES AND LIBRARY EQUITY		
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 287,029	159,538
Deferred Revenue (Note 3)	251,057	191,453
Long-Term Debt (Note 4)	65,096	127,538
	603,182	478,529
Library Equity		
Fund Balances		
Operating Fund (Schedule 1)	-	-
Capital Fund (Schedule 2)	(91,850)	-
Reserves (Schedule 3)	1,221,221	988,891
	1,129,371	988,891
Equity in Physical Assets (Schedule 4)	2,507,426	2,171,533
	3,636,797	3,160,424
Total Liabilities and Library Equity	\$ 4,239,979	\$ 3,638,953

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, 2007

	2007	Budget (Unaudited)	2006
Revenues			
Property Taxes	\$ 3,669,829	\$ 3,669,829	\$ 3,218,830
Provincial Operating Grant	344,195	344,195	344,195
Other Government Grants (Note 5)	181,552	154,148	106,426
User Fees and Charges	140,661	142,220	135,516
Penalties and Fines	131,140	130,216	124,068
Investment Income	61,628	8,521	36,640
Other	171,188	179,532	106,142
Total Revenues	4,700,193	4,628,661	4,071,817
Expenditures			
Salaries and Wages	2,501,832	2,503,310	2,061,962
Employee Benefits	410,113	435,311	359,508
Training and Development	37,763	49,458	37,757
Business Expenses	2,142	3,582	2,777
Advertising, Printing and Distribution	68,323	80,206	35,551
Professional Services	17,040	5,035	4,500
Rentals and Leases	378,185	387,233	378,256
Contracted Services	13,941	11,640	64,482
Supplies and Materials	440,717	431,857	467,891
Repairs and Maintenance	135,440	96,714	97,813
Equipment Purchases	77,211	62,155	65,200
Utilities	55,307	64,881	55,849
Telecommunications	16,191	16,792	17,393
Interest on Debt	2,876	5,420	5,525
Administrative Charges (Note 7)	63,853	61,892	60,762
Other	2,886	3,230	2,596
Capital Expenditures (Schedule 2)	273,451	284,650	-
Total Expenditures	4,497,271	4,503,366	3,717,822
Excess of Revenues over Expenditures	202,922	125,295	353,995
Long-Term Debt Repaid	(62,442)	(62,442)	(59,896)
Change in Fund Balances	140,480	62,853	294,099
Opening Balance	988,891	988,891	694,792
Closing Balance	\$ 1,129,371	\$ 1,051,744	\$ 988,891

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY
Statement of Changes in Financial Position
Year ended December 31, 2007

	2007	2006
Cash provided by (used in):		
Operating Activities		
Excess of Revenues over Expenditures	\$ 202,922	\$ 353,995
Decrease (Increase) in Non-Cash Financial Assets		
Accounts Receivable	5,850	6,559
Prepaid Expenses	14,155	(13,871)
Increase in Non-Cash Liabilities		
Accounts Payable and Accrued Liabilities	127,491	8,457
Deferred Revenue	59,604	91,284
Cash from Operations	410,022	446,424
Financing Activities		
Long-Term Debt Repaid	(62,442)	(59,896)
Increase in Due From Strathcona County	347,580	386,528
Due From Strathcona County – beginning of year	1,310,606	924,078
Due From Strathcona County – end of year	\$1,658,186	\$1,310,606

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY
Schedule of Operating Fund Activities
Year ended December 31, 2007

	<u>2007</u>	<u>Budget</u> (Unaudited)	<u>2006</u>
Revenues			
Property Taxes	\$ 3,669,829	\$ 3,669,829	\$ 3,218,830
Provincial Operating Grant	344,195	344,195	344,195
Other Government Grants (Note 5)	181,552	154,148	106,426
User Fees and Charges	140,661	142,220	135,516
Penalties and Fines	131,140	130,216	124,068
Investment Income	23,983	8,521	13,518
Other	112,188	179,532	106,142
	<u>4,603,548</u>	<u>4,628,661</u>	<u>4,048,695</u>
Expenditures			
Salaries and Wages	2,501,832	2,503,310	2,061,962
Employee Benefits	410,113	435,311	359,508
Training and Development	37,763	49,458	37,757
Business Expenses	2,142	3,582	2,777
Advertising, Printing and Distribution	68,323	80,206	35,551
Professional Services	17,040	5,035	4,500
Rentals and Leases	378,185	387,233	378,256
Contracted Services	13,941	11,640	64,482
Supplies and Materials	440,717	431,857	467,891
Repairs and Maintenance	135,440	96,714	97,813
Equipment Purchases	77,211	62,155	65,200
Utilities	55,307	64,881	55,849
Telecommunications	16,191	16,792	17,393
Interest on Debt	2,876	5,420	5,525
Administrative Charges (Note 7)	63,853	61,892	60,762
Other	2,886	3,230	2,596
	<u>4,223,820</u>	<u>4,218,716</u>	<u>3,717,822</u>
Excess of Revenues over Expenditures	379,728	409,945	330,873
Interfund Transfers:			
From Reserve Fund	38,217	-	5,622
To Reserve Fund	(355,503)	(347,503)	(276,599)
Debt Repaid	(62,442)	(62,442)	(59,896)
Change in Fund Balance	-	-	-
Opening Balance	-	-	-
Closing Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY
Schedule of Capital Fund Activities
Year ended December 31, 2007

	<u>2007</u>	<u>Budget</u> (Unaudited)	<u>2006</u>
Revenues			
Investment Income	\$ 37,645	\$ -	\$ 23,122
Other	59,000	-	-
Total Revenues	<u>96,645</u>	<u>-</u>	<u>23,122</u>
Expenditures			
Inventory and Security System Replacement	273,451	284,650	-
Total Expenditures	<u>273,451</u>	<u>284,650</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	(176,806)	(284,650)	23,122
Interfund Transfers:			
From Reserve Fund	181,601	284,650	-
To Reserve Fund	<u>(96,645)</u>	<u>-</u>	<u>(23,122)</u>
Change in Fund Balance	(91,850)	-	-
Opening Balance	<u>-</u>	<u>-</u>	<u>-</u>
Closing Balance	\$ (91,850)	\$ -	\$ -

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY
Schedule of Reserves
Year ended December 31, 2007

	<u>Operating</u>	<u>Capital</u>	<u>2007</u>	<u>2006</u>
Opening Balance	\$ 132,869	\$ 856,022	\$ 988,891	\$ 694,792
Add (Deduct):				
Transfer From Operating Fund	13,987	341,516	355,503	276,599
Transfer To Operating Fund	<u>(38,217)</u>	<u>-</u>	<u>(38,217)</u>	<u>(5,622)</u>
Net Transfer From Operating Fund	<u>(24,230)</u>	341,516	<u>317,286</u>	270,977
Transfer From Capital Fund	-	96,645	96,645	23,122
Transfer To Capital Fund	<u>-</u>	<u>(181,601)</u>	<u>(181,601)</u>	<u>-</u>
Net Transfer To Capital Fund	<u>-</u>	<u>(84,956)</u>	<u>(84,956)</u>	23,122
Change in Fund Balance	<u>(24,230)</u>	<u>256,560</u>	<u>232,330</u>	<u>294,099</u>
Closing Balance	<u>\$ 108,639</u>	<u>\$ 1,112,582</u>	<u>\$ 1,221,221</u>	<u>\$ 988,891</u>

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY
Schedule of Equity in Physical Assets
Year ended December 31, 2007

	<u>2007</u>	<u>2006</u>
Acquisition of Physical Assets		
Machinery & Equipment	\$ 273,451	\$ -
Capital Financing		
Long-Term Debt Repaid	<u>62,442</u>	<u>59,896</u>
Change in Equity Balance	335,893	59,896
Opening Balance	<u>2,171,533</u>	<u>2,111,637</u>
Closing Balance	<u><u>\$ 2,507,426</u></u>	<u><u>\$ 2,171,533</u></u>

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY

Notes to Financial Statements

Year ended December 31, 2007

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 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 2007 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 2007 budget figures have not been included for the Schedule of Reserves.

d) Physical Assets

Physical assets are recorded at cost, reported as expenditures in the period acquired, and capitalized as assets on the Statement of Financial Position. Physical assets are not depreciated.

e) Tangible Capital Assets

January 1, 2007, Strathcona County adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the CICA with respect to the disclosure of tangible capital assets of local governments. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect on January 1, 2009.

During 2007, Strathcona County continued to work towards compliance with the new recommendations for accounting for tangible capital assets. A complete listing of assets and values for land, buildings, engineering structures, vehicles, machinery and equipment is currently underway and expected to be completed by December 31, 2008.

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 Physical Assets

Equity in physical assets represents the Library's net investment in total physical 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.

STRATHCONA COUNTY LIBRARY
Notes to Financial Statements
Year ended December 31, 2007

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.

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.

k) 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.

l) 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

	2007	2006
Operating	\$ 169,694	\$ 112,812
Capital: CIP - Bookmobile	81,363	78,641
	\$ 251,057	\$ 191,453

Deferred revenue comprises the funds noted above, the use of which 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.

STRATHCONA COUNTY LIBRARY

Notes to Financial Statements

Year ended December 31, 2007

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 2007 was \$5,420 (2006 - \$7,966). The debenture matures in 2008. Principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	<u>\$ 65,096</u>	<u>\$ 2,766</u>	<u>\$ 67,862</u>

5. OTHER GOVERNMENT GRANTS

	<u>2007</u>	<u>2006</u>
Operating Grants		
Federal:		
Canadian Library Association	\$ 5,447	\$ 3,346
Community Access Program	3,274	3,154
Summer Career Placement	<u>1,225</u>	<u>1,715</u>
	<u>9,946</u>	<u>8,215</u>
Provincial:		
Public Library Service Special Grant	137,197	71,584
Alberta Public Library Electronic Network	27,304	10,602
Student Temporary Employment Program	5,294	5,294
Alberta Foundation for the Arts	1,811	1,008
Community Initiatives Program	-	9,400
Human Rights Access and Equity Grant	-	323
	<u>171,606</u>	<u>98,211</u>
	<u>\$ 181,552</u>	<u>\$ 106,426</u>

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 Alberta Public Library Electronic Network Grant (APLEN) is provided to support libraries as they investigate new or emerging technologies or technological issues. The grant is to fund Strathcona County Library's investigation into both acquiring wireless high speed internet access for the bookmobile and improving the current internet capabilities to make library information more accessible to County residents.

6. COMMITMENTS AND CONTINGENCIES

Leases

The Library is located in the Sherwood Park Mall. The premises have been leased to November 1, 2008, with the minimum lease payments for the remaining term to be \$ 315,687. Negotiations regarding future lease terms until 2010 are in progress.

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

2007	\$ 1,860
2008	1,860
2009	<u>1,860</u>
	<u>\$ 5,580</u>

STRATHCONA COUNTY LIBRARY
Notes to Financial Statements
Year ended December 31, 2007

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:

	2007	2006
Personnel Services	\$ 25,000	\$ 25,000
Financial Services	26,000	24,000
General Services	12,763	11,762
	\$ 63,853	\$ 60,762

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 (2006 – 7.75) per cent of pensionable payroll up to the yearly maximum pensionable earning (YMPE) and 10.64 (2006 – 10.64) per cent thereafter. Employees of the Library are required to make current service contributions of 6.75 (2006 – 6.75) per cent of pensionable salary up to YMPE, and 9.64 (2006 – 9.64) per cent thereafter.

Total current service contributions by Strathcona County Library to LAPP in 2007 were \$162,169 (2006 - \$136,958). Total current service contributions by the employees of Strathcona County Library to LAPP in 2007 were \$142,797 (2006 - \$120,197).

As stated in their 2006 Annual Report, LAPP serves 168,334 (2005 – 159,936) members and 408 (2005 – 407) employers. It is financed by employer and employee contributions and investments earnings of the LAPP Fund. At December 31, 2006, the Plan reported an actuarial deficiency of \$0.75 (2005 - \$0.86) billion. The LAPP Board of Trustees determined no increase to contribution rates for both LAPP members and employers for 2008.

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