

Strathcona County Library Financial Statements



***For the Year Ended
December 31, 2008***

STRATHCONA COUNTY LIBRARY
Financial Statements
Year ended December 31, 2008

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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, 2008 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, 2008 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 11, 2009

STRATHCONA COUNTY LIBRARY
Statement of Financial Position
As at December 31, 2008

	2008	2007
		(restated-Note 10)
ASSETS		
Financial Assets		
Due From Strathcona County (Note 2)	\$ 2,617,195	\$ 1,658,186
Accounts Receivable	9,310	8,056
Prepaid Expenses	-	1,215
	2,626,505	1,667,457
Physical Assets		
Leasehold Improvements	1,401,161	1,401,161
Furniture and Equipment	681,172	629,654
Bookmobile	442,353	50,108
Computer	491,599	491,599
	3,016,285	2,572,522
Total Assets	\$ 5,642,790	\$ 4,239,979
LIABILITIES AND LIBRARY EQUITY		
Liabilities		
Accounts Payable and Accrued Liabilities	\$ 244,477	\$ 287,029
Deferred Revenue (Note 3)	27,383	185,444
Long-Term Debt (Note 4)	-	65,096
	271,860	537,569
Library Equity		
Fund Balances		
Operating Fund (Schedule 1)	-	-
Capital Fund (Schedule 2)	18,748	(26,237)
Reserves (Schedule 3)	2,335,897	1,221,221
	2,354,645	1,194,984
Equity in Physical Assets (Schedule 4)	3,016,285	2,507,426
	5,370,930	3,702,410
Total Liabilities and Library Equity	\$ 5,642,790	\$ 4,239,979

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, 2008

	<u>2008</u>	<u>Budget</u> (Unaudited)	<u>2007</u> (restated-Note 10)
Revenues			
Property Taxes	\$ 5,110,471	\$5,110,471	\$ 3,669,829
Provincial Operating Grant	364,195	350,089	344,195
Other Government Grants (Note 5)	265,640	66,657	247,165
User Fees and Charges	141,103	149,110	140,661
Penalties and Fines	147,273	143,237	131,140
Investment Income	68,133	38,652	61,628
Other	137,462	221,778	171,188
Total Revenues	<u>6,234,277</u>	<u>6,079,994</u>	<u>4,765,806</u>
Expenditures			
Salaries and Wages	2,621,100	2,692,400	2,501,832
Employee Benefits	458,366	509,276	410,113
Training and Development	36,446	57,045	37,763
Business Expenses	2,038	3,821	2,142
Advertising, Printing and Distribution	72,056	74,501	68,323
Professional Services	81,335	89,186	17,040
Rentals and Leases	436,963	439,132	378,185
Contracted Services	94,148	14,225	13,941
Supplies and Materials	424,581	451,502	440,717
Repairs and Maintenance	113,170	115,390	135,440
Equipment Purchases	70,475	62,155	77,211
Utilities	64,584	67,190	55,307
Telecommunications	15,491	19,076	16,191
Interest on Debt	114	2,766	2,876
Administrative Charges (Note 7)	70,291	66,214	63,853
Other	4,599	2,900	2,886
Capital Expenditures (Schedule 2)	443,763	105,260	273,451
Total Expenditures	<u>5,009,520</u>	<u>4,772,039</u>	<u>4,497,271</u>
Excess of Revenues over Expenditures	1,224,757	1,307,955	268,535
Long-Term Debt Repaid	<u>(65,096)</u>	<u>(65,096)</u>	<u>(62,442)</u>
Change in Fund Balances	1,159,661	1,242,859	206,093
Opening Balance, restated (Note 10)	<u>1,194,984</u>	<u>1,194,984</u>	<u>988,891</u>
Closing Balance	<u>\$ 2,354,645</u>	<u>\$2,437,843</u>	<u>\$ 1,194,984</u>

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY
Statement of Changes in Financial Position
Year ended December 31, 2008

	2008	2007
Cash provided by (used in):		(restated-Note 10)
Operating Activities		
Excess of Revenues over Expenditures	\$ 1,224,757	\$ 268,535
Decrease (Increase) in Non-Cash Financial Assets		
Accounts Receivable	(1,254)	5,850
Prepaid Expenses	1,215	14,155
Increase (Decrease) in Non-Cash Liabilities		
Accounts Payable and Accrued Liabilities	(42,552)	127,491
Deferred Revenue	(158,061)	(6,009)
Cash from Operations	1,024,105	410,022
Financing Activities		
Long-Term Debt Repaid	(65,096)	(62,442)
Increase in Due From Strathcona County	959,009	347,580
Due From Strathcona County – beginning of year	1,658,186	1,310,606
Due From Strathcona County – end of year	\$ 2,617,195	\$ 1,658,186

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY
Schedule of Operating Fund Activities

Year ended December 31, 2008

	<u>2008</u>	<u>Budget</u> (Unaudited)	<u>2007</u>
Revenues			
Property Taxes	\$ 5,110,471	\$ 5,110,471	\$ 3,669,829
Provincial Operating Grant	364,195	350,089	344,195
Other Government Grants (Note 5)	121,698	6,657	181,552
User Fees and Charges	141,103	149,110	140,661
Penalties and Fines	147,273	143,237	131,140
Investment Income	24,792	19,326	23,983
Other	137,462	221,778	112,188
	<u>6,046,994</u>	<u>6,000,668</u>	<u>4,603,548</u>
Expenditures			
Salaries and Wages	2,621,100	2,692,400	2,501,832
Employee Benefits	458,366	509,276	410,113
Training and Development	36,446	57,045	37,763
Business Expenses	2,038	3,821	2,142
Advertising, Printing and Distribution	72,056	74,501	68,323
Professional Services	81,335	89,186	17,040
Rentals and Leases	436,963	439,132	378,185
Contracted Services	94,148	14,225	13,941
Supplies and Materials	424,581	451,502	440,717
Repairs and Maintenance	113,170	115,390	135,440
Equipment Purchases	70,475	62,155	77,211
Utilities	64,584	67,190	55,307
Telecommunications	15,491	19,076	16,191
Interest on Debt	114	2,766	2,876
Administrative Charges (Note 7)	70,291	66,214	63,853
Other	4,599	2,900	2,886
	<u>4,565,757</u>	<u>4,666,779</u>	<u>4,223,820</u>
Excess of Revenues over Expenditures	1,481,237	1,333,889	379,728
Interfund Transfers:			
From Reserve Fund	-	-	38,217
To Reserve Fund	(1,416,141)	(1,268,793)	(355,503)
Long-Term Debt Repaid	(65,096)	(65,096)	(62,442)
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, 2008

	<u>2008</u>	<u>Budget</u> (Unaudited)	<u>2007</u> (restated-Note 10)
Revenues			
Other Government Grants (Note 5)	\$ 143,942	\$ 60,000	\$ 65,613
Investment Income	43,341	19,326	37,645
Other	-	-	59,000
Total Revenues	<u>187,283</u>	<u>79,326</u>	<u>162,258</u>
Expenditures			
Inventory and Security System Replacement	42,616	62,000	273,451
Upgrade Automation Servers & Messaging System	8,902	43,260	-
Bookmobile Replacement	392,245	-	-
Total Expenditures	<u>443,763</u>	<u>105,260</u>	<u>273,451</u>
Deficiency of Revenues over Expenditures	(256,480)	(25,934)	(111,193)
Interfund Transfers:			
From Capital Reserve Fund	344,806	45,260	181,601
To Capital Reserve Fund	<u>(43,341)</u>	<u>(19,326)</u>	<u>(96,645)</u>
Change in Fund Balance	44,985	-	(26,237)
Opening Balance, restated (Note 10)	<u>(26,237)</u>	<u>(26,237)</u>	<u>-</u>
Closing Balance	<u>\$ 18,748</u>	<u>\$ (26,237)</u>	<u>\$ (26,237)</u>

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY
Schedule of Reserves
Year ended December 31, 2008

	<u>Operating</u>	<u>Capital</u>	<u>2008</u>	<u>2007</u>
Opening Balance	\$ 108,639	\$ 1,112,582	\$ 1,221,221	\$ 988,891
Add (Deduct):				
Transfer From Operating Fund	110,238	1,305,903	1,416,141	355,503
Transfer To Operating Fund	-	-	-	(38,217)
Net Transfer From Operating Fund	<u>110,238</u>	<u>1,305,903</u>	<u>1,416,141</u>	<u>317,286</u>
Transfer From Capital Fund	-	43,341	43,341	96,645
Transfer To Capital Fund	-	(344,806)	(344,806)	(181,601)
Net Transfer To Capital Fund	<u>-</u>	<u>(301,465)</u>	<u>(301,465)</u>	<u>(84,956)</u>
Change in Fund Balance	<u>110,238</u>	<u>1,004,438</u>	<u>1,114,676</u>	<u>232,330</u>
Closing Balance	<u>\$ 218,877</u>	<u>\$ 2,117,020</u>	<u>\$ 2,335,897</u>	<u>\$ 1,221,221</u>

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY
Schedule of Equity in Physical Assets
Year ended December 31, 2008

	<u>2008</u>	<u>2007</u>
Acquisition of Physical Assets		
Furniture & Equipment	\$ 51,518	\$ 273,451
Bookmobile	<u>392,245</u>	<u>273,451</u>
	443,763	273,451
Capital Financing		
Long-Term Debt Repaid	<u>65,096</u>	<u>62,442</u>
	508,859	335,893
Change in Equity Balance	508,859	335,893
Opening Balance	<u>2,507,426</u>	<u>2,171,533</u>
Closing Balance	<u>\$ 3,016,285</u>	<u>\$ 2,507,426</u>

See accompanying notes to financial statements.

STRATHCONA COUNTY LIBRARY

Notes to Financial Statements

Year ended December 31, 2008

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 2008 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 2008 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.

In 2008, 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, land improvements, buildings, engineered structures, vehicles, machinery and equipment is finished to December 31, 2007. Completion of asset acquisitions, disposals and any write-downs in 2008 and 2009 are in progress.

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, 2008

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

	2008	2007 <small>(restated-Note 10)</small>
Operating	\$ 27,383	\$ 104,081
Capital: CIP - Bookmobile	-	81,363
	\$ 27,383	\$ 185,444

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 relate to government grants as further detailed in Note 5.

STRATHCONA COUNTY LIBRARY
Notes to Financial Statements
Year ended December 31, 2008

4. LONG-TERM DEBT

The Library, through Strathcona County, had a debenture repayable in annual payments of \$67,862 to the Alberta Capital Finance Authority including interest at 4.25%. Interest paid during 2008 was \$2,766 (2007 - \$5,420). The final payment was made in January 2008.

5. OTHER GOVERNMENT GRANTS

	2008	2007
		(restated-Note 10)
Operating Grants		
Federal:		
Canadian Library Association	\$ 4,880	\$ 5,447
Community Access Program	2,982	3,274
Young Canada Works	6,174	1,225
	14,036	9,946
Provincial:		
Public Library Service Special Grant	79,703	137,197
Alberta Public Library Electronic Network	4,182	27,304
Student Temporary Employment Program	5,635	5,294
Alberta Foundation for the Arts	991	1,811
Alberta Public Library Network Capacity Grant	17,151	-
	107,662	171,606
Total Operating Grants	121,698	181,552
Capital Grants		
Provincial:		
Community Initiatives Program	143,942	65,613
Total Grants	\$ 265,640	\$ 247,165

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 Community Initiatives Program (CIP) is provided to support project-based initiatives. Specifically, this funding was used to purchase the following:

- bus chassis that forms the basis of the new bookmobile
- two self-service checkout kiosks

6. COMMITMENTS AND CONTINGENCIES

Leases

The Library is located in the Sherwood Park Mall. The premises have been leased to October 31, 2010 and negotiations regarding lease rates are still in progress. Monthly payments beginning November 1, 2008 are made at the past lease rate, however a retroactive adjustment will be made once the lease rate is finalized.

The future minimum lease payments are as follows:

2009	\$ 383,274
2010	322,106
	\$ 705,380

STRATHCONA COUNTY LIBRARY

Notes to Financial Statements

Year ended December 31, 2008

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

2009	\$ 10,200
2010	18,750
2011	19,219
	<u>\$ 48,169</u>

Metro-Area Group Library Network (MAGNET)

The Strathcona County Library is committed to an annual payment for central site computer and support services under the Metro-Area Group Library Network (MAGNET) co-owners agreement. In 2008, the Library's share of central costs was \$19,021. 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. ADMINISTRATIVE CHARGES

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

	<u>2008</u>	<u>2007</u>
Personnel Services	\$ 25,000	\$ 25,000
Financial Services	28,850	26,000
General Services	16,441	12,853
	<u>\$ 70,291</u>	<u>\$ 63,853</u>

8. 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.

The Library is required to make current service contributions to the Plan of 7.75 (2007 – 7.75) per cent of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 10.64 (2007 – 10.64) per cent thereafter. Employees of the Library are required to make current service contributions of 6.75 (2007 – 6.75) per cent of pensionable salary up to YMPE, and 9.64 (2007 – 9.64) per cent thereafter.

Total current service contributions by Strathcona County Library to LAPP in 2008 were \$174,131 (2007 - \$162,169). Total current service contributions by the employees of Strathcona County Library to LAPP in 2008 were \$153,439 (2007 - \$142,797).

As stated in their 2007 Annual Report, LAPP serves 179,188 (2006 – 168,334) members and 407 (2006 – 408) employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund. At December 31, 2007, the Plan reported an actuarial deficiency of \$1.18 (2006 - \$0.75) billion. The Local Authorities Pension Plan contribution rates will increase by a total of 1.57% of pensionable salary in 2009.

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.

STRATHCONA COUNTY LIBRARY
Notes to Financial Statements
Year ended December 31, 2008

10. PRIOR PERIOD ADJUSTMENT

a) Reporting Entity

In accordance with accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, grant revenue should be recognized in the same period as the matching expenditures.

b) Restatement Summary

Statement of Financial Activities and Change in Fund Balances

	2008
Opening Balance, as previously reported	\$ 1,129,371
Add Alberta Community Development Grant received in 2007	65,613
Opening Balance, as restated	\$ 1,194,984

Schedule of Capital Fund Activities (Schedule 2)

	2008
Opening Balance, as previously reported	\$ (91,850)
Add Alberta Community Development Grant received in 2007	65,613
Opening Balance, as restated	\$ (26,237)

11. COMPARATIVE FIGURES

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