

# *Strathcona County Library Financial Statements*



*For the Year Ended  
December 31, 2010*

**STRATHCONA COUNTY LIBRARY**  
**FINANCIAL STATEMENTS**  
*Year ended December 31, 2010*

**STRATHCONA COUNTY LIBRARY**  
**Financial Statements**  
Year ended December 31, 2010

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## Independent Auditors' Report

To the Members of the Board of Strathcona Public Library

We have audited the accompanying financial statements of Strathcona Public Library ("the Library"), which comprise the statement of financial position as at December 31, 2010, the statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes, comprising 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 the 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the 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 our 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, we consider 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 Library as at December 31, 2010, and its results of operations, change in its net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

April 26, 2011  
Edmonton, Canada

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

As at December 31, 2010

	<u>2010</u>	<u>2009</u>
<b>FINANCIAL ASSETS</b>		
Due From Strathcona County (Note 2)	\$ 2,854,651	\$ 4,355,155
Trade and Other Receivables	<u>26,879</u>	<u>32,654</u>
	<u>2,881,530</u>	<u>4,387,809</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	517,893	334,106
Deferred Revenue (Note 3)	30,904	23,157
Long-Term Debt (Note 4)	<u>23,940,415</u>	<u>10,635,200</u>
	<u>24,489,212</u>	<u>10,992,463</u>
<b>NET DEBT</b>	<u>(21,607,682)</u>	<u>(6,604,654)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible Capital Assets (Note 5)	29,115,629	13,133,337
Prepaid Expenses	<u>3,041</u>	<u>1,413</u>
	<u>29,118,670</u>	<u>13,134,750</u>
<b>ACCUMULATED SURPLUS (Note 7)</b>	<u>\$ 7,510,988</u>	<u>\$ 6,530,096</u>

Commitments and Contingencies (Note 12)

See accompanying Notes to Financial Statements.

**STRATHCONA COUNTY LIBRARY**  
**Statement of Operations and Accumulated Surplus**  
Year ended December 31, 2010

	<u>Budget</u>	<u>2010</u>	<u>2009</u>
	(Unaudited - Note 14)		
<b>REVENUE</b>			
Property Taxes	\$ 6,205,819	\$ 6,205,819	\$ 5,918,513
Government Transfers (Note 8)	525,330	727,893	541,945
User Fees and Charges	148,340	135,675	141,951
Penalties and Fines	158,670	146,061	147,143
Investment Income	13,880	53,367	29,321
Other	558,875	652,672	389,865
<b>TOTAL REVENUE</b>	<u>7,610,914</u>	<u>7,921,487</u>	<u>7,168,738</u>
<b>EXPENSES</b>			
Salaries, Wages and Benefits	3,913,405	3,946,039	3,414,965
Amortization	124,000	867,971	495,791
Contracted and General Services	942,530	844,667	1,020,056
Interest on Long-Term Debt	821,995	830,456	81,914
Administrative Charges (Note 9)	246,665	244,293	70,647
Supplies, Materials and Utilities	1,167,716	208,121	214,974
Other Expenses	8,155	7,291	6,594
Grants and Requisitions (Recovery)	-	(8,243)	(2,200)
<b>TOTAL EXPENSES</b>	<u>7,224,466</u>	<u>6,940,595</u>	<u>5,302,741</u>
<b>ANNUAL SURPLUS</b>	386,448	980,892	1,865,997
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<u>6,530,096</u>	<u>6,530,096</u>	<u>4,664,099</u>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<u>\$ 6,916,544</u>	<u>\$ 7,510,988</u>	<u>\$ 6,530,096</u>

See accompanying Notes to Financial Statements.

**STRATHCONA COUNTY LIBRARY**  
**Statement of Change in Net Debt**  
Year ended December 31, 2010

	<u>Budget</u> (Unaudited - Note 14)	<u>2010</u>	<u>2009</u>
<b>ANNUAL SURPLUS</b>	\$ 386,448	\$ 980,892	\$ 1,865,997
Acquisition of Tangible Capital Assets	(4,928,041)	(16,850,263)	(11,319,671)
Amortization of Tangible Capital Assets	124,000	867,971	495,791
	<u>(4,417,593)</u>	<u>(15,001,400)</u>	<u>(8,957,883)</u>
Acquisition of Prepaid Expenses	-	(3,041)	(1,413)
Use of Prepaid Expenses	-	1,413	-
	<u>-</u>	<u>(1,628)</u>	<u>(1,413)</u>
<b>CHANGE IN NET DEBT</b>	(4,417,593)	(15,003,028)	(8,959,296)
<b>NET FINANCIAL ASSETS (NET DEBT), BEGINNING OF YEAR</b>	<u>(6,604,654)</u>	<u>(6,604,654)</u>	<u>2,354,642</u>
<b>NET DEBT, END OF YEAR</b>	<u>\$ (11,022,247)</u>	<u>\$ (21,607,682)</u>	<u>\$ (6,604,654)</u>

See accompanying Notes to Financial Statements.

**STRATHCONA COUNTY LIBRARY**  
**Statement of Cash Flows**  
Year ended December 31, 2010

	<b>2010</b>	<b>2009</b>
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Annual Surplus	\$ 980,892	\$ 1,865,997
Amortization which does not involve cash	867,971	495,791
Changes to Non-Cash Assets and Liabilities:		
Trade and Other Receivables	5,775	(23,344)
Accounts Payable and Accrued Liabilities	183,787	89,629
Deferred Revenue	7,747	(4,226)
Prepaid Expenses	<u>(1,628)</u>	<u>(1,413)</u>
Cash Provided by Operating Activities	<u>2,044,544</u>	<u>2,422,434</u>
<b>CAPITAL</b>		
Acquisition of Tangible Capital Assets	<u>(16,850,263)</u>	<u>(11,319,671)</u>
Cash Applied to Capital Activities	<u>(16,850,263)</u>	<u>(11,319,671)</u>
<b>FINANCING</b>		
Long-Term Debt Issued	13,649,600	10,635,200
Long-Term Debt Repaid	<u>(344,385)</u>	<u>-</u>
Cash Provided by Financing Activities	<u>13,305,215</u>	<u>10,635,200</u>
<b>CHANGE IN DUE FROM STRATHCONA COUNTY DURING THE YEAR (NOTE 2)</b>	<b>(1,500,504)</b>	<b>1,737,963</b>
<b>DUE FROM STRATHCONA COUNTY, BEGINNING OF YEAR (NOTE 2)</b>	<u><b>4,355,155</b></u>	<u><b>2,617,192</b></u>
<b>DUE FROM STRATHCONA COUNTY, END OF YEAR (NOTE 2)</b>	<u><u><b>\$ 2,854,651</b></u></u>	<u><u><b>\$ 4,355,155</b></u></u>
Cash Paid for Interest	\$ 720,143	\$ -
Cash Received from Interest	117,139	75,714

See accompanying Notes to Financial Statements.

**STRATHCONA COUNTY LIBRARY**  
**Notes to Financial Statements**  
Year ended December 31, 2010

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

**1. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Strathcona County Library are prepared by management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by Strathcona County Library are as follows:

**a) Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

**b) Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts 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 expenses during the period. Significant estimates include assumptions used in estimating provisions for accrued liabilities.

In addition, the Library's implementation of Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful life of tangible capital assets.

Actual results could differ from those estimates.

**c) Deferred Revenue**

Deferred revenue consists of conditional government transfers and unearned revenues. These amounts are recognized as revenues in the fiscal year the services are performed.

**d) Government Transfers**

Government transfers 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 government transfers that any eligibility criteria have been met.

**e) Gifts in Kind**

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

**STRATHCONA COUNTY LIBRARY**  
**Notes to Financial Statements**  
Year ended December 31, 2010

**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f) 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.

**i. 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:

<u>Asset</u>	<u>Useful Life – Years</u>
Buildings	50
Machinery & Equipment	4 – 10
Books & Periodicals	10
Vehicles	20

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**ii. Contributions of Tangible Capital Assets**

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

**iii. 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.

**iv. Cultural and Historical Assets**

Works of art for display are not recorded as tangible capital assets but are disclosed.

**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**

Deferred revenue comprises the funds noted below, the use of which, together with any earnings thereon is externally restricted.

	Balance at December 31, 2009	Deferred Revenue Received	Contributions Used	Balance at December 31, 2010
Deferred operating grants	\$ 16,031	\$ 17,308	\$ (16,031)	\$ 17,308
Other	7,126	6,470	-	\$ 13,596
Total deferred revenue	<u>\$ 23,157</u>	<u>23,778</u>	<u>(16,031)</u>	<u>\$ 30,904</u>

**STRATHCONA COUNTY LIBRARY**  
**Notes to Financial Statements**  
Year ended December 31, 2010

**4. LONG-TERM DEBT**

Through Strathcona County, the Library has debentures repayable to the Alberta Capital Finance Authority. These debentures bear interest at rates ranging from 4.04% to 4.75%, and mature in 2035. Debenture debt is issued on the credit and security of Strathcona County at large.

Long-term debt principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 557,872	\$ 1,069,168	\$ 1,627,040
2012	583,205	1,043,835	1,627,040
2013	609,691	1,017,349	1,627,040
2014	637,383	989,657	1,627,040
2015	666,335	960,705	1,627,040
Thereafter	20,885,929	10,590,347	31,476,276
Total Long Term Debt	<u>\$ 23,940,415</u>	<u>\$ 15,671,061</u>	<u>\$ 39,611,476</u>

**5. TANGIBLE CAPITAL ASSETS**

Cost	Balance at December 31, 2009	Additions	Disposals	Balance at December 31, 2010
Buildings	\$ 1,511,780	\$ 24,284,800	\$ (1,511,780)	\$ 24,284,800
Machinery & Equipment	487,866	2,072,425	(36,802)	2,523,489
Books & Periodicals	3,039,372	1,015,071	(251,238)	3,803,205
Vehicles	522,792	14,110	-	536,902
Assets under Construction	10,642,098	(10,536,143)	-	105,955
Total	<u>\$ 16,203,908</u>	<u>\$ 16,850,263</u>	<u>\$ (1,799,820)</u>	<u>\$ 31,254,351</u>

Accumulated Amortization	Balance at December 31, 2009	Disposals	Amortization Expense	Balance at December 31, 2010
Buildings	\$ 1,469,440	\$ (1,511,780)	\$ 285,187	\$ 242,847
Machinery & Equipment	197,610	(36,802)	175,498	336,306
Books & Periodicals	1,324,140	(251,238)	381,554	1,454,456
Vehicles	79,381	-	25,732	105,113
Assets under Construction	-	-	-	-
Total	<u>\$ 3,070,571</u>	<u>\$ (1,799,820)</u>	<u>\$ 867,971</u>	<u>\$ 2,138,722</u>

	Net Book Value December 31, 2009	Net Book Value December 31, 2010
Buildings	\$ 42,340	\$ 24,041,953
Machinery & Equipment	290,256	2,187,183
Books & Periodicals	1,715,232	2,348,749
Vehicles	443,411	431,789
Assets under Construction	10,642,098	105,955
Total	<u>\$ 13,133,337</u>	<u>\$ 29,115,629</u>

**STRATHCONA COUNTY LIBRARY**  
**Notes to Financial Statements**  
Year ended December 31, 2010

**5. TANGIBLE CAPITAL ASSETS (CONTINUED)**

Cost	Balance at December 31, 2008	Additions	Disposals	Balance at December 31, 2009
Leasehold Improvements	\$ 1,511,780	\$ -	\$ -	\$ 1,511,780
Machinery & Equipment	424,643	91,482	(28,259)	487,866
Books & Periodicals	2,499,149	540,223	-	3,039,372
Vehicles	434,054	88,738	-	522,792
Assets under Construction	42,870	10,599,228	-	10,642,098
<b>Total</b>	<b>\$ 4,912,496</b>	<b>\$ 11,319,671</b>	<b>\$ (28,259)</b>	<b>\$ 16,203,908</b>

Accumulated Amortization	Balance at December 31, 2008	Disposals	Amortization Expense	Balance at December 31, 2009
Leasehold Improvements	\$ 1,342,422	\$ -	\$ 127,018	\$ 1,469,440
Machinery & Equipment	160,209	(28,259)	65,660	197,610
Books & Periodicals	1,047,214	-	276,926	1,324,140
Vehicles	53,194	-	26,187	79,381
Assets under Construction	-	-	-	-
<b>Total</b>	<b>\$ 2,603,039</b>	<b>\$ (28,259)</b>	<b>\$ 495,791</b>	<b>\$ 3,070,571</b>

	Net Book Value December 31, 2008	Net Book Value December 31, 2009
Leasehold Improvements	\$ 169,358	\$ 42,340
Machinery & Equipment	264,434	290,256
Books & Periodicals	1,451,935	1,715,232
Vehicles	380,860	443,411
Assets under Construction	42,870	10,642,098
<b>Total</b>	<b>\$ 2,309,457</b>	<b>\$ 13,133,337</b>

**a) Assets under Construction**

Assets under construction having a value of \$105,955 (2009 - \$10,642,098) have not been amortized. Amortization of these assets will commence when the asset is put into service.

**b) Contributed Tangible Capital Assets**

Contributed assets are recognized at fair market value at the date of contribution. Strathcona County Library did not receive any contributed assets in 2009 or 2010.

**c) Tangible Capital Assets Disclosed at Nominal Values**

Where an estimate of fair value could not be made, the tangible capital asset is recognized at a nominal value. Strathcona County Library has not assigned nominal values to any assets.

**d) Write-down of Tangible Capital Assets**

Strathcona County Library did not write down any tangible capital assets in 2009 or 2010.

**STRATHCONA COUNTY LIBRARY**  
**Notes to Financial Statements**  
Year ended December 31, 2010

**6. INVESTED IN TANGIBLE CAPITAL ASSETS**

	<b>2010</b>	<b>2009</b>
Tangible capital assets	\$ 31,254,351	\$ 16,203,908
Accumulated Amortization	(2,138,722)	(3,070,571)
Long-Term Debt	(23,940,415)	(10,635,200)
	\$ 5,175,214	\$ 2,498,137

**7. ACCUMULATED SURPLUS**

Accumulated surplus consists of individual fund surplus and reserves and reserve funds as follows:

	<b>2010</b>	<b>2009</b>
<b>Surplus:</b>		
Unrestricted Surplus	\$ 6,438	\$ -
Invested in Tangible Capital Assets	5,175,214	2,498,137
	5,181,652	2,498,137
<b>Reserves:</b>		
Operating Reserves	61,145	220,603
Capital Reserves	2,268,191	3,811,356
	2,329,336	4,031,959
	\$ 7,510,988	\$ 6,530,096

**8. GOVERNMENT TRANSFERS**

	<b>2010</b>	<b>2009</b>
<b>Provincial Government Transfer - Operating</b>	\$ 475,189	\$ 461,813
<b>Other Government Transfers:</b>		
Federal Government		
Canada Summer Jobs	\$ 20,348	\$ 2,156
Community Access Program	2,991	3,002
Young Canada Works	3,798	5,097
	27,137	10,255
Provincial Government		
Alberta Foundation for the Arts	-	1,333
Alberta Public Library Electronic Network	-	1,696
Alberta Public Library Electronic Network Capacity Grant	11,645	-
Community Spirit Grant	19,263	6,955
Community Initiatives Program	50,000	1,252
Special Project Grant	4,386	-
Student Temporary Employment Program	6,860	9,800
Alberta Public Network Grant Internet Accrual	(1,089)	-
PLDI Grant for Pages Conference	16,826	-
	107,891	21,036
<b>Total Other Government Transfers</b>	\$ 135,028	\$ 31,291

**STRATHCONA COUNTY LIBRARY**  
**Notes to Financial Statements**  
Year ended December 31, 2010

**8. GOVERNMENT TRANSFERS (CONTINUED)**

	<b>2010</b>	2009
<b>Government Transfers - Capital</b>		
Provincial Grants:		
Community Initiatives Program	\$ -	\$ (1,252)
Alberta Public Library Electronic Network	-	3,700
MCFP Grant	<b>46,000</b>	-
Prov Cond Grant	<b>7,904</b>	-
	<b>53,904</b>	2,448
<b>Investment Income</b>		
Interest on Government Transfer - Capital	<b>63,772</b>	46,393
	<b>\$ 117,676</b>	\$ 48,841
<b>Total Government Transfers</b>	<b>\$ 727,893</b>	\$ 541,945

**9. ADMINISTRATIVE CHARGES**

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

	<b>2010</b>	2009
Building Maintenance - Internal Chargeback	\$ <b>165,845</b>	\$ -
Personnel Services	<b>25,000</b>	25,000
Financial Services	<b>36,470</b>	30,540
General Services	<b>16,978</b>	15,107
	<b>\$ 244,293</b>	\$ 70,647

**10. 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 was required to make current service contributions to the Plan of 9.06% (2009 – 8.46%) of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 12.53% (2009 – 11.66%) thereafter. Employees of the Library are required to make current service contributions of 8.06% (2009 – 7.46%) of pensionable salary up to YMPE, and 11.53% (2009 – 10.66%) thereafter.

Total current service contributions by Strathcona County Library to LAPP in 2010 were \$252,892 (2009 - \$211,554). Total current service contributions by the employees of Strathcona County Library to LAPP in 2010 were \$226,876 (2009 - \$188,086).

As stated in their 2009 Annual Report, LAPP serves 199,849 (2008 – 189,149) members and 418 (2008 – 411) employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund. At December 31, 2009, the Plan reported an actuarial deficiency of \$4.0 (2008 - \$4.4) billion. The Local Authorities Pension Plan contribution rates will increase by a total of 0.93% of pensionable salary in 2011 (2010 - 1.33%).

**STRATHCONA COUNTY LIBRARY**  
**Notes to Financial Statements**  
Year ended December 31, 2010

**11. FINANCIAL INSTRUMENTS**

Strathcona County Library's financial instruments consist of Due from Strathcona County, trade and other receivables, 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 values.

**12. COMMITMENTS AND CONTINGENCIES**

**Leases**

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

2011	\$ 9,259
2012	9,259
2013	9,259
2014	9,259
2015	6,944
	<u>\$ 43,980</u>

Strathcona County Library also has ongoing operating leases for a water system. The future minimum lease payments are as follows:

2011	\$ 600
2012	600
2013	600
	<u>\$ 1,800</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 2010, the Library's share of central costs was \$21,531 (2009 - \$21,189). 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.

**13. COMPARATIVE FIGURES**

Certain comparative figures have been restated to conform to the current year's presentation.

**14. BUDGET DATA**

The unaudited budget data presented in these statements is based on the 2010 operating and capital budgets approved by Council on December 15, 2009.