

PARKLAND REGIONAL LIBRARY

**Financial Statements and
Auditors' Report**

December 31, 2007

AUDITORS' REPORT

To the Members of the Board Parkland Regional Library

We have audited the statement of financial position of Parkland Regional Library as at December 31, 2007 and the statements of changes in fund balances, operations and cash flows 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 the library as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Red Deer LLP

CHARTERED ACCOUNTANTS

Red Deer, Alberta
February 7, 2008

PARKLAND REGIONAL LIBRARY
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PARKLAND REGIONAL LIBRARY

Statement of Financial Position

December 31, 2007

			2007	2006
	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and guaranteed investment certificates (note 5)	\$ 1,100,619	-	1,100,619	716,299
Accounts receivable	13,286	-	13,286	19,174
Grants receivable	15,403	-	15,403	87,523
Inventory	22,819	-	22,819	23,092
Prepaid expenses	<u>21,639</u>	<u>-</u>	<u>21,639</u>	<u>23,649</u>
	1,173,766	-	1,173,766	869,737
Long-term investments (note 6)	64,366	519,914	584,280	566,904
Capital assets (note 7)	<u>-</u>	<u>935,934</u>	<u>935,934</u>	<u>991,211</u>
	<u>\$ 1,238,132</u>	<u>1,455,848</u>	<u>2,693,980</u>	<u>2,427,852</u>
LIABILITIES				
Current liabilities				
Accounts payable and accruals	\$ 69,269	-	69,269	86,653
Deferred revenue (note 8)	296,525	-	296,525	99,800
Book allotment	<u>195,424</u>	<u>-</u>	<u>195,424</u>	<u>197,463</u>
	<u>561,218</u>	<u>-</u>	<u>561,218</u>	<u>383,916</u>
FUND BALANCES				
Unrestricted operational fund	150,000	-	150,000	150,000
Invested in capital assets	-	935,934	935,934	991,211
Reserves (note 9)	<u>526,914</u>	<u>519,914</u>	<u>1,046,828</u>	<u>902,725</u>
	<u>676,914</u>	<u>1,455,848</u>	<u>2,132,762</u>	<u>2,043,936</u>
	<u>\$ 1,238,132</u>	<u>1,455,848</u>	<u>2,693,980</u>	<u>2,427,852</u>

Approved by Library Board

_____ Chairman

_____ Director

PARKLAND REGIONAL LIBRARY

Statement of Changes in Fund Balances

Year Ended December 31, 2007

			2007	2006
	Unrestricted Operational Fund	Invested in Capital Assets	Total	Total
Balances, beginning of year	\$ 150,000	991,211	1,141,211	1,143,695
Excess (deficiency) of revenues over expenses	241,837	(153,011)	88,826	217,104
Net transfers to reserves (note 9)	(113,469)	(30,634)	(144,103)	(219,588)
Interfund transfers	<u>(128,368)</u>	<u>128,368</u>	<u>-</u>	<u>-</u>
Balances, end of year	<u>\$ 150,000</u>	<u>935,934</u>	<u>1,085,934</u>	<u>1,141,211</u>

PARKLAND REGIONAL LIBRARY

Statement of Operations

Year Ended December 31, 2007

			2007	2006
	General Fund	Capital Fund	Total	Total
Revenues				
Provincial funding (page 11)	\$1,198,380	-	1,198,380	1,185,906
Member fees	1,057,090	-	1,057,090	1,008,985
School contracts	225,910	-	225,910	260,023
Book and supply outside sales	174,077	-	174,077	216,039
Investment income	65,227	-	65,227	142,829
Media contracts	65,071	-	65,071	65,256
AMBC contracts	46,422	-	46,422	46,521
Other grants	30,312	-	30,312	64,763
Workshop registrations	10,089	-	10,089	2,564
Internet fees	8,119	-	8,119	7,221
Miscellaneous and donations	4,836	-	4,836	2,937
School Horizon maintenance fees	4,800	-	4,800	4,700
Rental	-	-	-	2,452
	<u>2,890,333</u>	<u>-</u>	<u>2,890,333</u>	<u>3,010,196</u>
Expenses				
Salaries and benefits	1,196,259	-	1,196,259	1,136,322
Library materials	471,506	-	471,506	519,336
Library services grant reimbursement	327,494	-	327,494	325,598
Book and supply outside purchases	170,710	-	170,710	211,224
Administration	80,066	-	80,066	70,493
RDC reference service	75,362	-	75,362	75,615
Computer systems	71,106	-	71,106	67,580
Supplies and stationery	31,518	-	31,518	35,341
Automotive	29,570	-	29,570	24,316
Other grants	28,283	-	28,283	17,694
Workshops and advisory group	26,647	-	26,647	4,807
Outlet PLDI special funding	25,250	-	25,250	32,438
Professional fees	16,883	-	16,883	3,265
Trustee	16,136	-	16,136	20,803
Travel	13,963	-	13,963	19,134
Repairs and maintenance - building	11,726	-	11,726	15,019
Freight and postage reimbursement	10,997	-	10,997	11,201
Audit	10,750	-	10,750	8,550
Insurance	10,378	-	10,378	9,116
Continuing education	8,805	-	8,805	13,939
Dues, fees and memberships	8,413	-	8,413	8,325
Investment fees	5,874	-	5,874	5,133
Miscellaneous	800	-	800	400
Cataloguing	-	-	-	304
Amortization	-	126,792	126,792	143,427
Loss on disposal of capital assets	-	26,219	26,219	13,712
	<u>2,648,496</u>	<u>153,011</u>	<u>2,801,507</u>	<u>2,793,092</u>
Excess (deficiency) of revenues over expenses	\$ 241,837	(153,011)	88,826	217,104

PARKLAND REGIONAL LIBRARY

Statement of Cash Flows

Year Ended December 31, 2007

	2007	2006	2007	2006
	Operating General Fund		Financing and Investing Capital Fund	
Cash Provided By				
Membership fees, contracts, sales	\$ 1,601,363	1,621,166	-	-
Provincial and other grants	1,498,481	1,286,174	-	-
Investment income	60,819	70,807	-	-
Proceeds on disposal of investments	17,662	263,210	72,664	-
Rental income	-	2,452	-	-
Proceeds on disposal of capital assets	-	-	11,134	100
	<u>3,178,325</u>	<u>3,243,809</u>	<u>83,798</u>	<u>100</u>
Cash Used For				
Materials and services	1,116,634	1,329,706	-	-
Salaries and benefits	1,196,259	1,057,869	-	-
Grant reimbursements	352,744	354,598	-	-
Purchase of capital assets	-	-	108,869	154,752
Long-term investments	-	-	103,297	132,193
	<u>2,665,637</u>	<u>2,742,173</u>	<u>212,166</u>	<u>286,945</u>
Net increase (decrease) in cash and guaranteed investment certificates	512,688	501,636	(128,368)	(286,845)
Cash and guaranteed investment certificates, beginning of year	716,299	501,508	-	-
Interfund adjustments	<u>(128,368)</u>	<u>(286,845)</u>	<u>128,368</u>	<u>286,845</u>
Cash and guaranteed investment certificates, end of year	\$ <u>1,100,619</u>	<u>716,299</u>	<u>-</u>	<u>-</u>
Cash and guaranteed investment certificates consists of:				
Guaranteed Investment Certificates			\$ 750,375	554,820
Cash			<u>350,244</u>	<u>161,479</u>
			<u>\$ 1,100,619</u>	<u>716,299</u>

PARKLAND REGIONAL LIBRARY

Notes to the Financial Statements

December 31, 2007

1. Nature of Activities

Parkland Regional Library is an independent body established under the Alberta Libraries Act for the purpose of providing a variety of support services for the public and school libraries of rural Central Alberta.

The Library is exempt from tax under Section 149(1)(l) of the Income Tax Act.

2. Significant Accounting Policies

Fund accounting

Parkland Regional Library follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Capital Fund reports the assets, liabilities, revenues and expenses related to Parkland Regional Library's capital assets.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include: allowance for doubtful accounts, estimated useful lives of capital assets, impairment of long-lived assets, fair value of financial instruments, inventory obsolescence, inventory valuation and employee future benefits. Actual results may differ from management's best estimates as additional information becomes available in the future.

Cash and guaranteed investment certificates

Cash and cash guaranteed investment certificates include cash on deposit and guaranteed investment certificates with a maturity of twelve months or less at acquisition.

Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is valued at the last invoice price net of freight.

Long-term Investments

Investments are recorded at fair value. Unrealized gains and losses as a result of fair value adjustments at year end are included in investment income for the year

PARKLAND REGIONAL LIBRARY

Notes to the Financial Statements

December 31, 2007

2. Significant Accounting Policies (Continued)

Capital assets

Capital assets are recorded at cost, except for donated assets, which are recorded at estimated fair value when acquired. Government contributions for the acquisition of capital assets are recorded as capital revenue and do not reduce the related capital asset costs.

Amortization expense is reported in the Capital Fund. Amortization is provided using the declining balance method at the following annual rates:

Building	4%
Equipment, furniture and fixtures	20%
Computer equipment and systems	30%
Automotive	30%

Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Reserves for future expenditures

Reserves are determined at the discretion of the board to set aside funds for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the General Fund and/or Capital Fund equity.

3. Change in Accounting Policy

Effective January 1, 2007, the organization adopted CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement. This new handbook section provides comprehensive requirements for the recognition and measurement of financial instruments. As a result of adopting this section, the changes in initial measurement as a result of applying the new standards were recorded as an increase to opening reserves in the amount of \$72,021, with no impact on the current year statement of operations.

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Notes to the Financial Statements

December 31, 2007

4. Recent Accounting Pronouncements

Inventories

In June 2007, the CICA issued Section 3031, Inventories, which provides additional guidance in the measurement and disclosure of inventories. The revised standard requires inventories to be presented at the lower of cost and net realizable value, with guidance on the determination of cost including the requirement to allocate overhead costs based on normal production levels. Given the type of inventory held by the library, the adoption of this new section will not have a material impact on the library's financial statements.

Disclosures - Financial Instruments

In December 2006, the CICA issued Handbook Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. These sections require disclosures that enable users to evaluate both the significance of financial instruments for the library's financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and how the entity manages those risks. The organization will be required to adopt these standards for its fiscal period ending December 31, 2008. Management will be reviewing the impact of adoption of these sections for the next fiscal year.

5. Cash and Guaranteed Investment Certificates

Included in cash and guaranteed investment certificates are guaranteed investment certificates that bear interest at 4.25% to 4.33% and have maturity dates between January and November 2008.

Included in cash and guaranteed investment certificates is restricted cash of \$184,290 to be used for the Alberta Multilingual Book Consortium.

6. Long-Term Investments

	2007	2006
Coupons	\$ 285,365	283,464
Common shares	<u>298,915</u>	<u>283,440</u>
	<u>\$ 584,280</u>	<u>566,904</u>

Coupons bear interest at rates ranging from 3.55% to 5.00%, and have maturity dates ranging between December 2008 and June 2016.

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Notes to the Financial Statements

December 31, 2007

7. Capital Assets			2007	2006
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Building	\$ 1,389,660	695,681	693,979	706,211
Computer equipment & systems	967,163	799,048	168,115	202,728
Furniture and fixtures	138,775	123,945	14,830	18,264
Equipment	65,063	47,309	17,754	27,329
Automotive	<u>78,244</u>	<u>36,988</u>	<u>41,256</u>	<u>36,679</u>
	<u>\$ 2,638,905</u>	<u>1,702,971</u>	<u>935,934</u>	<u>991,211</u>

8. Deferred Revenue		2007	2006
Public library development initiative	\$	75,138	61,761
AMBC Public library development initiative		184,290	-
School contract fees		<u>37,097</u>	<u>38,039</u>
	\$	<u>296,525</u>	<u>99,800</u>

Deferred revenue consists of grant funds received during the year that have not been spent and school contract fees that have been collected for the 2008 year.

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Notes to the Financial Statements

December 31, 2007

9. Reserves

Reserves for operating and capital activities changed as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Ending Balance</u>
Operating reserves			
Contingent liability	\$ 50,000	-	50,000
Operating emergency	83,013	74,690	157,703
Building replacement	125,000	-	125,000
Surplus	<u>155,432</u>	<u>38,779</u>	<u>194,211</u>
	<u>413,445</u>	<u>113,469</u>	<u>526,914</u>
Capital reserves			
Computer equipment	386,712	-	386,712
Automotive	39,468	23,634	63,102
Equipment/furnishings replacement	<u>63,100</u>	<u>7,000</u>	<u>70,100</u>
	<u>489,280</u>	<u>30,634</u>	<u>519,914</u>
	<u>\$ 902,725</u>	<u>144,103</u>	<u>1,046,828</u>

The surplus reserve opening balance has been increased by \$72,021 due to the change in accounting policy as described in note 3.

PARKLAND REGIONAL LIBRARY

Notes to the Financial Statements

December 31, 2007

10. Financial Instruments

The library's financial instruments consist of cash and guaranteed investment certificates, accounts receivable, grants receivable, long-term investments, accounts payable and accruals and book allotment. The fair value of these financial instruments approximates their carrying value, unless otherwise noted. It is management's opinion that the library is not exposed to significant interest, currency or credit risks arising from these financial instruments except as follows:

Interest rate risk

The library is exposed to interest rate price risk as it has purchased guaranteed investment certificates and coupons which bear interest at fixed interest rates.

Credit risk

The library is exposed to credit risk as it grants credit to members in the normal course of operations.

The library is exposed to credit risk as it has purchased bonds which are included in long-term investments. The risk is mitigated by the fact that the bonds are from the federal or provincial government.

Market risk

The library is exposed to market price risk as the common shares included in long-term investments are traded in the market.

11. Employee Future Benefits

The library participates in a defined contribution plan through the Local Authorities Pension Plan. Pension expense for the current year was \$ 62,910 (2006 - \$54,342).

12. Comparative Amounts

The presentation of certain accounts of the previous year has been changed to conform with the presentation adopted for the current year.

PARKLAND REGIONAL LIBRARY

Supplementary Financial Information

Year Ended December 31, 2007

	2007	2006
Schedule of Provincial Funding		
Municipal Affairs and Housing:		
Operating grant	\$ 602,990	\$ 601,566
Library service grant	327,494	325,598
Establishment grant	<u>3,153</u>	<u>3,492</u>
	<u>933,637</u>	<u>930,656</u>
Yellowhead Regional Library:		
Public Library Development Initiative	278,119	277,345
Prior year funding recognized in the current year	61,761	-
Funding carried forward to the following year	<u>(75,138)</u>	<u>(61,761)</u>
	<u>264,742</u>	<u>215,584</u>
Yellowhead Regional Library Alberta Multilingual Book Consortium:		
Public Library Development Initiative	223,956	39,666
Funding recognized in the prior year	(39,666)	-
Funding carried forward to the following year	<u>(184,290)</u>	<u>-</u>
	<u>-</u>	<u>39,666</u>
	<u>\$ 1,198,379</u>	<u>\$ 1,185,906</u>