

PARKLAND REGIONAL LIBRARY

**Financial Statements and
Auditors' Report**

December 31, 2008

AUDITORS' REPORT

To the Board Members of Parkland Regional Library

We have audited the statement of financial position of Parkland Regional Library as at December 31, 2008 and the statements of changes in net assets, 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, 2008 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

Red Deer, Alberta
February 5, 2009

CHARTERED ACCOUNTANTS

PARKLAND REGIONAL LIBRARY

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PARKLAND REGIONAL LIBRARY

Statement of Financial Position

December 31, 2008

	2008	2007
ASSETS		
Current assets		
Cash and guaranteed investment certificates (note 4)	\$ 866,660	1,100,619
Accounts receivable	42,802	13,283
Grants receivable	-	15,403
Inventory	21,682	22,819
Prepaid expenses	<u>25,576</u>	<u>21,639</u>
	956,720	1,173,763
Long-term investments (note 5)	527,259	584,280
Capital assets (note 6)	<u>865,250</u>	<u>935,934</u>
	<u>\$ 2,349,229</u>	<u>2,693,977</u>
LIABILITIES		
Current liabilities		
Accounts payable and accruals	\$ 66,130	69,269
Deferred revenue (note 7)	37,338	296,525
Book allotment	<u>266,996</u>	<u>195,421</u>
	<u>370,464</u>	<u>561,215</u>
NET ASSETS		
Unrestricted operational fund	150,000	150,000
Invested in capital assets	865,250	935,934
Reserves (note 8)	<u>963,515</u>	<u>1,046,828</u>
	<u>1,978,765</u>	<u>2,132,762</u>
	<u>\$ 2,349,229</u>	<u>2,693,977</u>

Approved by Library Board

_____ Chairman

_____ Director

PARKLAND REGIONAL LIBRARY
Statement of Changes in Net Assets
Year Ended December 31, 2008

				2008	2007
	<u>Unrestricted</u>	<u>Invested in Capital Assets</u>	<u>Reserves (note 8)</u>	<u>Total</u>	<u>Total</u>
Balances, beginning of year	\$ 150,000	935,934	1,046,828	2,132,762	2,043,937
Excess (deficiency) of revenues over expenses	(43,569)	(110,428)	-	(153,997)	88,825
Interfund transfers	<u>43,569</u>	<u>39,744</u>	<u>(83,313)</u>	<u>-</u>	<u>-</u>
Balances, end of year	<u>\$ 150,000</u>	<u>865,250</u>	<u>963,515</u>	<u>1,978,765</u>	<u>2,132,762</u>

PARKLAND REGIONAL LIBRARY

Statement of Operations

Year Ended December 31, 2008

	2008	2007
Revenues		
Provincial funding (page 11)	\$ 1,223,594	1,198,379
Member fees	1,187,788	1,057,090
School contracts	221,189	225,910
Book and supply outside sales	131,229	174,077
Other grants	111,609	30,312
Media contracts	62,814	65,071
Investment income	56,003	75,569
AMBC contracts	49,426	46,422
Workshop registrations	9,186	10,089
Internet fees	9,095	8,119
Miscellaneous and donations	7,032	4,836
School Horizon maintenance fees	<u>5,062</u>	<u>4,800</u>
	<u>3,074,027</u>	<u>2,900,674</u>
Expenses		
Salaries and benefits	1,317,255	1,196,259
Library materials	694,007	471,506
Library services grant reimbursement	328,455	327,494
Book and supply outside purchases	131,156	170,710
Amortization	107,195	126,792
Other grants	101,765	28,283
Administration	90,586	80,066
Unrealized loss on long-term investments	75,771	10,338
Computer systems	75,531	71,106
RDC reference service	75,000	75,362
Supplies and stationery	43,391	31,518
Automotive	35,121	29,570
Workshops and advisory group	20,613	26,647
Freight and postage reimbursement	17,354	10,997
Trustee	15,443	16,136
Continuing education	15,430	8,805
Travel	15,248	13,963
Repairs and maintenance - building	15,236	11,726
Professional fees	12,387	16,883
Audit	11,270	10,750
Insurance	10,890	10,378
Dues, fees and memberships	8,310	8,413
Investment fees	6,013	5,874
Loss on disposal of capital assets	3,234	26,223
Miscellaneous	1,363	800
Outlet PLDI special funding	<u>-</u>	<u>25,250</u>
	<u>3,228,024</u>	<u>2,811,849</u>
Excess (deficiency) of revenues over expenses	<u>\$ (153,997)</u>	<u>88,825</u>

PARKLAND REGIONAL LIBRARY

Statement of Cash Flows

Year Ended December 31, 2008

	2008	2007
CASH PROVIDED BY (USED FOR)		
Operating Activities		
Cash receipts from membership fees, contracts, sales	\$ 1,653,047	1,601,363
Cash receipts from grants	1,091,682	1,498,481
Cash paid for materials and services	(1,330,478)	(1,116,634)
Cash paid for salaries and benefits	(1,317,255)	(1,196,259)
Grant reimbursements	(328,455)	(352,744)
Investment income received	<u>58,709</u>	<u>60,819</u>
	<u>(172,750)</u>	<u>495,026</u>
Investing Activities		
Proceeds on disposal of investments	77,997	90,326
Proceeds on disposal of capital assets	7,500	11,134
Purchase of capital assets	(47,245)	(108,869)
Purchase of investments	<u>(99,461)</u>	<u>(103,297)</u>
	<u>(61,209)</u>	<u>(110,706)</u>
Net increase (decrease) in cash and cash equivalents	(233,959)	384,320
Cash and cash equivalents, beginning of year	<u>1,100,619</u>	<u>716,299</u>
Cash and cash equivalents, end of year	\$ <u>866,660</u>	<u>1,100,619</u>
Cash and cash equivalents consist of:		
Guaranteed Investment Certificates	\$ 771,629	750,375
Cash	<u>95,031</u>	<u>350,244</u>
	\$ <u>866,660</u>	<u>1,100,619</u>

PARKLAND REGIONAL LIBRARY
Notes to the Financial Statements
December 31, 2008

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

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant policies are detailed as follows:

Revenue recognition

The organization follows the deferral method of accounting for provincial funding and grants. Externally restricted grants are recognized as revenue in the year in which the related expenses are incurred. Unrestricted provincial funding and grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

School and media contract fees are recognized as revenue when the services has been provided.

All other income is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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 and fair value of financial instruments. Actual results may differ from management's best estimates as additional information becomes available in the future.

Cash and cash equivalents

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

PARKLAND REGIONAL LIBRARY

Notes to the Financial Statements

December 31, 2008

2. Significant Accounting Policies (Continued)

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 the statement of operations.

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 is recorded using the declining balance method and the following rates:

Building	4%
Computer equipment & systems	30%
Furniture and fixtures	20%
Equipment	20%
Automotive	30%

A full year of amortization is recorded in the year of acquisition. No amortization is taken in the year of disposal.

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 net assets.

Financial instruments

The organization has chosen to apply CICA Handbook Section 3861 "Financial Instruments - Disclosures and Presentations" in place of Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation".

PARKLAND REGIONAL LIBRARY

Notes to the Financial Statements

December 31, 2008

3. Change in Accounting Policy

During the year, the organization changed its method of accounting for contributions from the restricted fund method to the deferral method. This change in accounting policy has resulted in changes to the presentation of the financial statements with no impact on opening net assets and no impact on the current year statement of operations.

4. Cash and Guaranteed Investment Certificates

Included in cash and guaranteed investment certificates are guaranteed investment certificates that bear interest at 1.75% to 2.25% and have maturity dates between January and November 2009.

5. Long-Term Investments	2008	2007
Coupons (cost of \$301,515)	\$ 322,250	285,365
Common shares (cost of \$236,920)	<u>205,009</u>	<u>298,915</u>
	<u>\$ 527,259</u>	<u>584,280</u>

Coupons bear interest at rates ranging from 3.55% to 5.00%, and have maturity dates ranging from March 2009 to March 2018.

6. Capital Assets	2008	2007		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Building	\$ 1,392,160	723,540	668,620	693,979
Computer equipment & systems	943,883	814,193	129,690	168,115
Furniture and fixtures	138,948	125,518	13,430	14,830
Equipment	65,063	50,860	14,203	17,754
Automotive	<u>78,865</u>	<u>39,558</u>	<u>39,307</u>	<u>41,256</u>
	<u>\$ 2,618,919</u>	<u>1,753,669</u>	<u>865,250</u>	<u>935,934</u>

PARKLAND REGIONAL LIBRARY

Notes to the Financial Statements

December 31, 2008

7. Deferred Revenue	2008	2007
School contract fees	\$ 36,838	37,097
Writers' Guild grant	500	-
AMBC Public library development initiative	-	184,290
Public library development initiative	-	75,138
	<u>\$ 37,338</u>	<u>296,525</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 2009 year.

8. Reserves

Reserves for operating and capital activities changed as follows:

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
Operating reserves			
Contingent liability	\$ 50,000	-	50,000
Operating emergency	157,703	(48,939)	108,764
Building replacement	125,000	125,000	250,000
Unallocated year-end	<u>194,211</u>	<u>(194,211)</u>	<u>-</u>
	<u>526,914</u>	<u>(118,150)</u>	<u>408,764</u>
Capital reserves			
Computer equipment	386,712	25,685	412,397
Automotive	63,102	152	63,254
Equipment/furnishings replacement	<u>70,100</u>	<u>9,000</u>	<u>79,100</u>
	<u>519,914</u>	<u>34,837</u>	<u>554,751</u>
	<u>\$ 1,046,828</u>	<u>(83,313)</u>	<u>963,515</u>

There is a standing board policy to maintain unrestricted net assets of \$150,000. In prior years, excess funds have been allocated to the unallocated year-end reserve to maintain this level. However, due to the 2008 deficiency of revenues over expenses, \$55,650 of the deficit has been adjusted through the operating emergency reserve to avoid a negative balance in the unallocated year-end reserve. The emergency operating reserve will be replenished as funds become available in future years.

PARKLAND REGIONAL LIBRARY

Notes to the Financial Statements

December 31, 2008

9. Capital

The library maintains capital consisting of its unrestricted net assets, investment in capital assets and reserves. The unrestricted net assets and investment in capital assets are available to the organization's board of directors and management in maintaining the organization's operations. The reserves are internally restricted for the purposes disclosed in note 8. There are no external restrictions on the use of the organization's capital.

10. Financial Instruments

The library's financial instruments consist of cash and guaranteed investment certificates, accounts 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, market 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 \$74,873 (2007 - \$62,910).

PARKLAND REGIONAL LIBRARY
Notes to the Financial Statements
December 31, 2008

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, 2008

	2008	2007
Schedule of Provincial Funding		
Municipal Affairs and Housing:		
Operating grant	\$ 635,065	\$ 602,990
Library service grant	328,455	327,494
Establishment grant	<u>646</u>	<u>3,153</u>
	<u>964,166</u>	<u>933,637</u>
Yellowhead Regional Library:		
Prior year funding recognized in the current year	75,138	61,761
Public Library Development Initiative	-	278,119
Funding carried forward to the following year	<u>-</u>	<u>(75,138)</u>
	<u>75,138</u>	<u>264,742</u>
Yellowhead Regional Library Alberta Multilingual Book Consortium:		
Prior year funding recognized in the current year	184,290	-
Public Library Development Initiative	-	223,956
Funding recognized in the prior year	-	(39,666)
Funding carried forward to the following year	<u>-</u>	<u>(184,290)</u>
	<u>184,290</u>	<u>-</u>
	<u>\$ 1,223,594</u>	<u>\$ 1,198,379</u>