

# **PARKLAND REGIONAL LIBRARY**

## **Financial Statements and Independent Auditor's Report**

**December 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

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### To the Board of Directors of Parkland Regional Library

#### *Report on Financial Statements*

We have audited the accompanying financial statements of Parkland Regional Library, which comprises of the statement of financial position as at December 31, 2017 and the statements of operations and accumulated operating surplus, changes in net financial assets and cash flows for the year then ended, and 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 these 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.

#### *Auditor's Responsibility*

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 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 the auditor's 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, the auditor considers 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.

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## INDEPENDENT AUDITOR'S REPORT, CONTINUED

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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, these financial statements present fairly, in all material respects, the financial position of the Parkland Regional Library as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Red Deer County, Alberta

May 24, 2018

*Collins Barrow Red Deer LLP*

Chartered Professional Accountants

# **PARKLAND REGIONAL LIBRARY**

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**December 31, 2017**

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# PARKLAND REGIONAL LIBRARY

## Statement of Financial Position

December 31, 2017

	2017	2016
<b>FINANCIAL ASSETS</b>		
Cash (note 3)	\$ 2,935,563	584,974
Accounts receivable	94,835	86,173
Long-term investments (note 4)	<u>711,129</u>	<u>693,444</u>
	<u>3,741,527</u>	<u>1,364,591</u>
<b>LIABILITIES</b>		
Accounts payable and accruals (note 5)	100,287	90,015
Book allotment	57,776	12,861
Deferred revenue (note 6)	<u>2,419,343</u>	<u>-</u>
	<u>2,577,406</u>	<u>102,876</u>
<b>NET FINANCIAL ASSETS</b>	<u>1,164,121</u>	<u>1,261,715</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (page 6)	623,111	645,970
Prepaid expenses	98,530	66,063
Inventory for consumption	<u>12,023</u>	<u>19,336</u>
	<u>733,664</u>	<u>731,369</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 1,897,785</u>	<u>1,993,084</u>
<b>ACCUMULATED SURPLUS CONSISTS OF:</b>		
Accumulated operating surplus (note 8)	\$ 1,889,967	1,971,290
Accumulated remeasurement gain on long-term investments (page 7)	<u>7,818</u>	<u>21,794</u>
	<u>\$ 1,897,785</u>	<u>1,993,084</u>

Approved by the Library Board:

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

# PARKLAND REGIONAL LIBRARY

## Statement of Operations and Accumulated Operating Surplus Year Ended December 31, 2017

	Budget (unaudited)	2017	2016
<b>Revenue</b>			
Member fees	\$ 1,689,091	1,694,903	1,655,490
Provincial funding (note 7)	1,517,419	1,533,063	1,594,620
Book and supply outside sales	-	167,643	295,765
Municipal Affairs building renovation and maintenance grant (note 6)	-	48,128	-
Investment income	35,000	27,133	27,608
Miscellaneous and donations	-	1,895	3,550
	<u>3,241,510</u>	<u>3,472,765</u>	<u>3,577,033</u>
<b>Expenses</b>			
Salaries and benefits	1,825,706	1,758,392	1,644,725
Library materials	398,379	443,867	436,237
Library service grant	428,737	428,737	428,740
Technology equipment and systems	168,500	188,973	158,792
Books and supply outside purchases	-	166,951	214,426
Planned member technology purchases	63,027	106,204	175,927
Amortization	-	83,875	85,268
Administration and utilities	66,500	57,072	57,145
Building renovation and maintenance (note 6)	-	48,128	-
Repairs and maintenance - building	57,000	43,975	59,421
Supplies and stationary	40,861	42,523	45,208
Vehicle	41,000	39,992	35,361
Trustee	25,000	21,323	20,518
Continuing education	20,000	20,021	19,781
Workshops and advisory group	15,000	15,314	15,184
Audit	14,000	14,700	14,000
Insurance	15,500	14,663	13,818
Freight and postage reimbursement	15,500	12,166	13,031
Dues, fees, and memberships	11,000	10,902	10,736
Communications, marketing and advocacy	13,500	10,713	11,558
Professional fees	2,000	10,100	173
Travel	15,000	8,885	9,188
Investment fees	4,500	4,023	4,053
Loss on disposal of tangible capital assets	-	1,789	28,047
Miscellaneous	800	800	800
Board approved unbudgeted purchases	-	-	1,463
	<u>3,241,510</u>	<u>3,554,088</u>	<u>3,503,600</u>
<b>Excess (deficiency) of revenue over expenses</b>	-	(81,323)	73,433
<b>Accumulated operating surplus, beginning of year</b>	<u>1,971,290</u>	<u>1,971,290</u>	<u>1,897,857</u>
<b>Accumulated operating surplus, end of year</b>	<u>\$ 1,971,290</u>	<u>1,889,967</u>	<u>1,971,290</u>

**PARKLAND REGIONAL LIBRARY**  
**Statement of Changes in Net Financial Assets**  
**Year Ended December 31, 2017**

	2017	2016
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (81,323)</b>	73,433
Acquisition of tangible capital assets	<b>(70,805)</b>	(79,046)
Amortization of tangible capital assets	<b>83,875</b>	85,268
Proceeds on disposal of tangible capital assets	<b>8,000</b>	-
Loss on disposal of tangible capital assets	<b>1,789</b>	28,047
Change in prepaid expenses	<b>(32,467)</b>	67,686
Change in inventory for consumption	<b>7,313</b>	(9,260)
Change in accumulated remeasurement gain on long-term investments	<u><b>(13,976)</b></u>	<u>(12,718)</u>
<b>Increase (decrease) in net financial assets</b>	<b>(97,594)</b>	153,410
<b>Net financial assets, beginning of year</b>	<u><b>1,261,715</b></u>	<u>1,108,305</u>
<b>Net financial assets, end of year</b>	<u><b>\$ 1,164,121</b></u>	<u>1,261,715</u>

# PARKLAND REGIONAL LIBRARY

## Statement of Cash Flows

Year Ended December 31, 2017

	2017	2016
<b>CASH PROVIDED BY (USED FOR)</b>		
<b>Operating activities</b>		
Cash receipts from membership fees, contracts, sales	\$ 1,855,778	1,940,976
Cash receipts from grants	1,583,063	1,544,620
Investment income received	50,922	31,512
Cash paid for materials and services	(1,251,260)	(1,277,108)
Cash paid for salaries and benefits	(1,758,392)	(1,644,725)
Cash paid for library service grant	<u>(428,737)</u>	<u>(428,740)</u>
	<u>51,374</u>	<u>166,535</u>
<b>Capital activities</b>		
Purchase of tangible capital assets	(70,805)	(79,045)
Proceeds on disposal of tangible capital assets	8,000	-
Building renovation and maintenance grant received	<u>2,400,000</u>	<u>-</u>
	<u>2,337,195</u>	<u>(79,045)</u>
<b>Investing activities</b>		
Purchase of investments	(114,980)	(71,382)
Proceeds on sale of investments	<u>77,000</u>	<u>70,000</u>
	<u>(37,980)</u>	<u>(1,382)</u>
<b>Increase in cash</b>	<b>2,350,589</b>	<b>86,108</b>
<b>Cash, beginning of year</b>	<u><b>584,974</b></u>	<u><b>498,866</b></u>
<b>Cash, end of year</b>	<u><b>\$ 2,935,563</b></u>	<u><b>584,974</b></u>



**PARKLAND REGIONAL LIBRARY**  
**Schedule of Changes in Accumulated Operating Surplus**  
**Year Ended December 31, 2017**

	<b>Unrestricted</b>	<b>Reserves</b>	<b>Equity in Tangible Capital Assets</b>	<b>2017</b>	<b>2016</b>
<b>Balance, beginning of year</b>	\$ 357,063	968,257	645,970	<b>1,971,290</b>	1,897,857
Excess (deficiency) of revenue over expenses	(81,323)	-	-	<b>(81,323)</b>	73,433
Reserves used for (transferred from) operations	(190,613)	190,613	-	-	-
Current year funds used for tangible capital assets	-	(70,805)	70,805	-	-
Disposal of tangible capital assets	9,789	-	(9,789)	-	-
Annual amortization expense	<u>83,875</u>	<u>-</u>	<u>(83,875)</u>	<u>-</u>	<u>-</u>
<b>Balance, end of year</b>	<u>\$ 178,791</u>	<u>1,088,065</u>	<u>623,111</u>	<u><b>1,889,967</b></u>	<u>1,971,290</u>

**PARKLAND REGIONAL LIBRARY**  
**Schedule of Tangible Capital Assets**  
**Year Ended December 31, 2017**

	Vehicles	Building	Technology equipment and systems	Equipment	Furniture and fixtures	2017	2016
<b>Cost</b>							
Beginning balance	\$ 88,524	1,375,359	502,824	86,693	25,095	2,078,495	2,213,918
Additions	62,147	-	8,658	-	-	70,805	79,046
Disposals	<u>(28,540)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,540)</u>	<u>(214,469)</u>
Ending balance	<u>122,131</u>	<u>1,375,359</u>	<u>511,482</u>	<u>86,693</u>	<u>25,095</u>	<u>2,120,760</u>	<u>2,078,495</u>
<b>Accumulated amortization</b>							
Beginning balance	58,867	902,355	407,496	40,800	23,007	1,432,525	1,533,678
Amortization	24,604	18,920	31,195	8,738	418	83,875	85,268
Disposals	<u>(18,751)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,751)</u>	<u>(186,421)</u>
Ending balance	<u>64,720</u>	<u>921,275</u>	<u>438,691</u>	<u>49,538</u>	<u>23,425</u>	<u>1,497,649</u>	<u>1,432,525</u>
<b>Net book value</b>	<b>\$ <u>57,411</u></b>	<b><u>454,084</u></b>	<b><u>72,791</u></b>	<b><u>37,155</u></b>	<b><u>1,670</u></b>	<b><u>623,111</u></b>	<b><u>645,970</u></b>

**PARKLAND REGIONAL LIBRARY**  
**Schedule of Remeasurement Gains and Losses**  
**Year Ended December 31, 2017**

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	2017	2016
Accumulated remeasurement gains on long-term investments, beginning of year	\$ 21,794	\$ 34,512
Decrease in market value	<u>(13,976)</u>	<u>(12,718)</u>
Accumulated remeasurement gains on long-term investments, end of year	<u>\$ 7,818</u>	<u>\$ 21,794</u>

# **PARKLAND REGIONAL LIBRARY**

## **Notes to the Financial Statements**

**December 31, 2017**

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### **1. Nature of Activities**

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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 libraries of rural Central Alberta.

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

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### **2. Significant Accounting Policies**

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These financial statements are prepared in accordance with Canadian public sector accounting standards. The significant policies are detailed as follows:

#### **Basis of accounting**

These financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes the effect of transactions and events in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent.

#### **i. Revenue**

Member fees are recognized as revenue when the services have been provided.

The Library follows the deferral method of accounting for provincial funding and grants. Externally restricted grants are recorded as deferred contributions if the terms of the funding create a liability. These funds are recognized as revenue in the year in which the related expenses are incurred and the terms of the funding are met. 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.

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

#### **ii. Expenses**

Expenses are recognized in the period the goods and services are acquired and a liability is incurred.

# PARKLAND REGIONAL LIBRARY

## Notes to the Financial Statements

December 31, 2017

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### 2. Significant Accounting Policies (Continued)

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#### Use of estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards 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: estimated useful lives of tangible capital assets and employee benefit obligations. Actual results may differ from management's best estimates as additional information becomes available in the future.

#### Long-term investments

Long-term investments are recorded at fair value, based on quoted prices in an active market, including accrued interest. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

#### Non-financial assets

Non-financial assets are not available to discharge existing liabilities, but 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. The change in non-financial assets during the year, together with the excess of revenue over expenses, provides the changes in net financial assets for the year. Non-financial assets consist of the following:

i. Inventory for consumption

Inventory of materials and supplies for consumption is valued at the lower of cost or current replacement cost with cost determined on a specific item basis.

ii. 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 assets. The cost, less residual value, of the tangible capital assets are amortized on a declining balance basis over the estimated useful life as follows:

Vehicles	30%
Building	4%
Technology equipment and systems	30%
Furniture and fixtures	20%
Equipment	20%

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

# PARKLAND REGIONAL LIBRARY

## Notes to the Financial Statements

December 31, 2017

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### 2. Significant Accounting Policies (Continued)

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iii. Prepaid expenses

Expenses paid in advance where services have not been performed or materials have not been received.

iv. Contribution of Tangible Capital Assets

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

#### Financial instruments

The Library measures its financial instruments initially at fair value and subsequently measures them at amortized cost, except for long-term investments which are measured at fair value.

Transaction costs related to financial instruments recorded at amortized cost are added to the carrying value of the instrument. Transaction costs related to financial instruments recorded at fair value are expensed as incurred.

#### 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 within accumulated surplus.

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3. Cash	2017	2016
Unrestricted	\$ 560,710	584,974
Building renovation and maintenance	<u>2,374,853</u>	<u>-</u>
	<u>\$ 2,935,563</u>	<u>584,974</u>

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Cash accounts bear interest at bank prime rate (currently 3.45%) less 1.85%.

Included in unrestricted cash is \$50,000 restricted to use related to the Alberta Culture and Tourism technology grant (note 6).

The building renovation and maintenance account is restricted for use in the maintenance, renovation or upgrade of the Library's current facilities (note 6). Included in accounts payable and accruals is \$5,510 related to the project.

# PARKLAND REGIONAL LIBRARY

## Notes to the Financial Statements

December 31, 2017

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<b>4. Long-term Investments</b>	<b>2017</b>	<b>2016</b>
Bonds (original cost of \$700,332; 2016 - \$671,650)	<u>\$ 711,129</u>	<u>693,444</u>

Bonds bear interest at rates ranging from 2.40% to 4.20% and have maturity dates ranging from March 2018 to June 2027.

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<b>5. Accounts Payable and Accruals</b>	<b>2017</b>	<b>2016</b>
Trade accounts payable and accruals	\$ 43,207	37,449
Employee benefit obligations	52,360	47,034
Goods and Services Tax payable	<u>4,720</u>	<u>5,532</u>
	<u>\$ 100,287</u>	<u>90,015</u>

Employee benefit obligations consist of estimated sick leave benefits of \$35,000 (2016 - \$35,000) that accumulate but do not vest as well as vacation and lieu time of \$17,360 (2016 - \$12,034) that employees have earned and deferred to future years.

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<b>6. Deferred Revenue</b>	<b>2017</b>	<b>2016</b>
Minister of Municipal Affairs building renovation and maintenance grant	\$ 2,369,343	-
Alberta Culture and Tourism Community Initiative Program (CIP) grant	<u>50,000</u>	<u>-</u>
	<u>\$ 2,419,343</u>	<u>-</u>

The organization received \$2,400,000 from the Government of Alberta for the maintenance and renovation of the organization's current headquarters or upgrade of its existing facilities. Interest of \$17,471 on the cash balance has also been deferred. Expenses on the project of \$48,128 were incurred during the year. Revenue of \$48,128 has been recognized during the year.

During the year the organization received \$50,000 from Alberta Culture and Tourism Community Initiative Program (CIP) grant to be utilized in 2018.

# PARKLAND REGIONAL LIBRARY

## Notes to the Financial Statements

December 31, 2017

<b>7. Provincial Funding</b>	<b>2017</b>	<b>2016</b>
<b>Government of Alberta - Municipal Affairs</b>		
Operating grant	\$ 990,831	987,432
Library Service grant	428,737	428,738
Provincial First Nations grant	109,624	101,250
Provincial one time grant	3,871	-
Hoopla subscription funding	<u>-</u>	<u>27,200</u>
	<b>1,533,063</b>	1,544,620
<b>Alberta Culture and Tourism</b>		
Community Initiative Program (CIP)	<u>-</u>	<u>50,000</u>
	<b>\$ 1,533,063</b>	<b>1,594,620</b>
<hr/>		
<b>8. Accumulated Operating Surplus</b>	<b>2017</b>	<b>2016</b>
<hr/>		
<b>Unrestricted operating fund</b>	<u>178,791</u>	<u>357,063</u>
<b>Internally restricted</b>		
<b>Operating reserves</b>		
Building replacement	250,000	250,000
Contingent liability/ consultation	<u>50,000</u>	<u>50,000</u>
	<u>300,000</u>	<u>300,000</u>
<b>Capital reserves</b>		
Technology equipment and systems	391,213	252,888
Amortization	241,178	235,549
Vehicle	105,674	129,820
Equipment/ furnishings replacement	<u>50,000</u>	<u>50,000</u>
	<u>788,065</u>	<u>668,257</u>
<b>Total reserves</b>	<u>1,088,065</u>	<u>968,257</u>
<b>Equity in tangible capital assets</b>	<u>623,111</u>	<u>645,970</u>
	<b>\$ 1,889,967</b>	<b>1,971,290</b>



# **PARKLAND REGIONAL LIBRARY**

## **Notes to the Financial Statements**

**December 31, 2017**

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### **9. Local Authorities Pension Plan**

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Employees of the Library participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plans Act. The LAPP serves about 253,862 people and 417 employers. The LAPP is financed by employer and employee contributions and by investment earnings in the LAPP Fund.

Contributions for current service are recorded as expenses in the year in which they become due.

The Library is required to make current service contributions to the LAPP of 11.39% of pensionable earnings up to the year's maximum pensionable earnings under the Canada Pension Plan, and 15.84% on pensionable earnings above that amount.

Total current service contributions by the Library to the LAPP in 2017 were \$153,115 (2016 - \$156,118). Total current service contributions by employees of the Library to the LAPP in 2017 were \$137,944 (2016 - \$143,196).

As at December 31, 2016 the LAPP disclosed an actuarial deficiency of \$637 million (2015 - \$923 million). LAPP has not yet disclosed the actuarial deficiency as at December 31, 2017.

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### **10. Economic Dependence**

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Parkland Regional Library is dependent on funding from government grants to maintain its operations. If funding is not received, its operations would be significantly reduced.

# **PARKLAND REGIONAL LIBRARY**

## **Notes to the Financial Statements**

**December 31, 2017**

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### **11. Financial Instruments**

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The Library's financial instruments consist of cash, accounts receivable, long-term investments, accounts payable and accruals and book allotment. It is management's opinion that the Library is not exposed to significant interest, currency, market, liquidity or credit risks arising from these financial instruments except as follows:

#### **Credit risk**

The Library is exposed to credit risk as it grants credit to its members in the normal course of operations. This risk is mitigated by the fact that the receivables are from municipalities.

The Library is exposed to credit risk as it has purchased bonds which are included in long-term investments. This risk is mitigated by the fact that the Library has only purchased bonds issued by the Federal or Provincial governments.

#### **Interest rate risk**

The Library is exposed to interest rate price risk as the bonds bear interest at fixed interest rates.

The Library is exposed to interest rate cash flow risk as cash bears interest at a floating interest rate.

#### **Market rate risk**

The Library is exposed to market rate risk on its long-term investments due to changes in quoted market rates on investments. The Library is not exposed to significant market rate risk as any fluctuations in the market rate would not have a material effect on the value of the investments.

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### **12. Comparative Amounts**

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

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### **13. Approval of Financial Statements**

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These financial statements were approved by the Library board on May 24, 2018.