

Financial Statements

Yellowhead Library Board

December 31, 2019

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Management's Responsibility for Financial Reporting

The management of the Yellowhead Library Board prepared these financial statements and are responsible for their reliability, completeness and integrity. They conform in all material respects to Canadian accounting standards for not-for-profit organizations.

Management maintains the necessary accounting and internal control systems designed to ensure the timely production of reliable and accurate financial information; the protection of assets (to a reasonable extent) against loss or unauthorized use; and the promotion of operational efficiency. The Board of Directors oversees management's responsibilities for the financial reporting and internal control systems.

The external auditor, appointed by the Board of Directors, conducted an audit of these financial statements in accordance with Canadian auditing standards. The Director reviewed these financial statements with the external auditor in detail before recommending their approval to the Board of Directors.

Spruce Grove, Alberta

Karla Palichuk, Director

March 16, 2020

Yellowhead Library Board

Independent Auditor's Report

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To the Members of the
Yellowhead Library Board

Opinion

We have audited the financial statements of the Yellowhead Library Board (the "Library"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Yellowhead Library Board as at December 31, 2019, and its results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Library in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Library's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Library or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Library's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Library's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Library to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Edmonton, Canada

March 16, 2020



Chartered Professional Accountants

Yellowhead Library Board

Statement of Operations

Year Ended December 31

2019

2018

	Budget (unaudited) (Note 11)		General	Capital Asset	Operational Contingency	Special Projects	Total	Total
Revenues								
Additional allotment	\$ 100,000	\$ 91,991	\$ -	\$ -	\$ -	\$ -	\$ 91,991	\$ 83,738
Amortization of deferred government contributions	-	-	-	40,427	-	-	40,427	40,427
Contract services (Note 16)	78,000	78,000	-	-	-	-	78,000	78,000
Interest	37,500	62,433	-	-	-	-	62,433	55,412
Local appropriations (Schedule 1)	1,265,881	1,262,188	-	-	-	-	1,262,188	1,265,899
Non-allotment sales	125,000	214,866	-	-	-	-	214,866	210,882
Operating grant	1,425,939	1,389,025	-	-	-	-	1,389,025	1,409,325
Grant funding	-	-	-	-	-	26,424	26,424	91,900
Other revenue (Note 13)	14,000	22,265	-	-	-	5,698	27,963	24,739
School system levies (Schedule 2)	150,967	151,106	-	-	-	-	151,106	150,967
	<u>\$ 3,197,287</u>	<u>\$ 3,271,874</u>	<u>\$ 40,427</u>	<u>\$ -</u>	<u>\$ 32,122</u>	<u>\$ 3,344,423</u>	<u>\$ 3,411,289</u>	
Expenses								
Amortization of tangible capital assets	\$ -	\$ -	\$ 120,063	\$ -	\$ -	\$ -	\$ 120,063	\$ 129,210
Loss on sale of assets	-	-	-	9,266	-	-	9,266	-
Building maintenance and repairs	44,000	46,296	-	-	-	-	46,296	36,752
Delivery and client support	52,500	49,741	-	-	-	-	49,741	56,964
Employee salaries and benefits	1,608,759	1,645,291	-	-	-	-	1,645,291	1,585,191
First Nations project expense	-	-	-	-	-	27,934	27,934	60,900
Library services disbursements	56,016	56,016	-	-	-	-	56,016	56,016
Insurance	10,750	9,191	-	-	-	-	9,191	7,488
Leases and licenses	120,000	85,121	-	-	-	-	85,121	85,598
Library supplies and shipping	26,775	19,753	-	-	-	-	19,753	18,120
Memberships	18,500	11,409	-	-	-	-	11,409	12,349
Office supplies and equipment, printing and promotion	48,750	33,475	-	-	-	-	33,475	29,595
Professional services	92,500	143,989	-	-	-	-	143,989	107,290
Purchases - allotment	331,615	311,445	-	-	-	-	311,445	299,891
Purchases - headquarters collection	220,000	227,374	-	-	-	-	227,374	230,365
Purchases - non-allotment	125,000	216,320	-	-	-	-	216,320	211,108
Staff expenses, recruitment and professional development	33,250	31,520	-	-	-	-	31,520	42,043
Summer reading program	-	-	-	-	-	6,350	6,350	14,377
Telephone and utilities	104,250	80,577	-	-	-	-	80,577	91,913
The Regional Libraries Computer Automation Systems Consortium Society (TRAC) (Note 16)	175,000	174,554	-	-	-	-	174,554	162,940
Trustee expenses	50,000	55,795	-	-	-	-	55,795	47,622
Workshops and programming	26,000	29,049	-	-	-	-	29,049	11,120
	<u>\$ 3,143,665</u>	<u>\$ 3,226,916</u>	<u>\$ 129,329</u>	<u>\$ -</u>	<u>\$ 34,284</u>	<u>\$ 3,390,529</u>	<u>\$ 3,296,852</u>	
Excess (deficiency) of revenues over expenses	<u>\$ 53,622</u>	<u>\$ 44,958</u>	<u>\$ (88,902)</u>	<u>\$ -</u>	<u>\$ (2,162)</u>	<u>\$ (46,106)</u>	<u>\$ 114,437</u>	

Yellowhead Library Board

Statement of Changes in Net Assets

Year Ended December 31

2019

2018

	<u>General</u>	<u>Equity in Capital Assets</u>	<u>Operational Contingency</u>	<u>Special Projects</u>	<u>Capital Reserves</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year	\$ 203,784	\$ 188,521	\$ 1,582,439	\$ 188,591	\$ 1,392,019	\$ 3,555,354	\$ 3,440,917
Excess (deficiency) of revenues over expenses	44,958	(88,902)	-	(2,162)	-	(46,106)	114,437
Inter-fund transfers:							
Transfer from general fund to operational contingency	(203,784)	-	203,784	-	-	-	-
Tangible capital asset purchased – internally funded	-	155,605	-	-	(155,605)	-	-
Tangible capital asset proceeds of disposition	-	(3,473)	-	-	3,473	-	-
Balance, end of year	\$ 44,958	\$ 251,751	\$ 1,786,223	\$ 186,429	\$ 1,239,887	\$ 3,509,248	\$ 3,555,354

Yellowhead Library Board Statement of Financial Position

Year Ended December 31

2019

2018

	<u>General</u>	<u>Capital Asset</u>	<u>Operational Contingency</u>	<u>Special Projects</u>	<u>Total</u>	<u>Total</u>
Assets						
Current						
Cash (Note 3)	\$ 3,356,106	\$ -	\$ -	\$ -	\$ 3,356,106	\$ 4,247,850
Accounts receivable	19,073	-	-	-	19,073	9,844
Prepays	86,072	-	-	-	86,072	110,907
Interfund receivables (payables) (Note 4)	<u>(3,274,468)</u>	<u>1,239,888</u>	<u>1,786,223</u>	<u>248,357</u>	<u>-</u>	<u>-</u>
	186,783	1,239,888	1,786,223	248,357	3,461,251	4,368,601
Tangible capital assets (Note 5)	<u>-</u>	<u>1,822,933</u>	<u>-</u>	<u>-</u>	<u>1,822,933</u>	<u>1,118,674</u>
	<u>\$ 186,783</u>	<u>\$ 3,062,821</u>	<u>\$ 1,786,223</u>	<u>\$ 248,357</u>	<u>\$ 5,284,184</u>	<u>\$ 5,487,275</u>
Liabilities						
Current						
Accounts payables and accrued liabilities (Note 6)	\$ 48,540	\$ -	\$ -	\$ -	\$ 48,540	\$ 182,435
Deferred revenue (Note 7)	-	-	-	61,928	61,928	737,603
Unexpended book allotments (Note 8)	<u>93,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,285</u>	<u>81,729</u>
	141,825	-	-	61,928	203,753	1,001,767
Deferred capital contributions (Note 9)	<u>-</u>	<u>1,571,183</u>	<u>-</u>	<u>-</u>	<u>1,571,183</u>	<u>930,154</u>
	<u>141,825</u>	<u>1,571,183</u>	<u>-</u>	<u>61,928</u>	<u>1,774,936</u>	<u>1,931,921</u>
Net assets (Note 10)						
Internally restricted for capital reserves	-	1,239,887	-	-	1,239,887	1,392,019
Internally restricted for operational contingences	-	-	1,786,223	-	1,786,223	1,582,439
Internally restricted for special projects	-	-	-	186,429	186,429	188,591
Equity in capital assets	-	251,751	-	-	251,751	188,521
General	<u>44,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,958</u>	<u>203,784</u>
	<u>44,958</u>	<u>1,491,638</u>	<u>1,786,223</u>	<u>186,429</u>	<u>3,509,248</u>	<u>3,555,354</u>
	<u>\$ 186,783</u>	<u>\$ 3,062,821</u>	<u>\$ 1,786,223</u>	<u>\$ 248,357</u>	<u>\$ 5,284,184</u>	<u>\$ 5,487,275</u>

On behalf of the Board

_____ Director

Yellowhead Library Board

Statement of Cash Flows

Year Ended December 31

2019

2018

Operating

(Deficiency) excess of revenue over expenses	\$ (46,106)	\$ 114,437
Non-cash items:		
Amortization of tangible capital assets	120,063	129,210
Amortization of deferred capital contributions	(40,427)	(40,427)
Loss on disposal of tangible capital assets	<u>9,266</u>	<u>-</u>
	42,796	203,220
Changes in non-cash working capital balances:		
Accounts receivable	(9,229)	3,832
Prepays	24,835	(1,649)
Accounts payable and accrued liabilities	(133,895)	94,502
Deferred revenue	5,781	10,212
Unexpended book allotments	<u>11,556</u>	<u>15,771</u>
	<u>(58,156)</u>	<u>325,888</u>
Investing		
Proceeds on disposal of capital assets	3,473	-
Purchase of tangible capital assets	<u>(837,061)</u>	<u>(465,852)</u>
	<u>(833,588)</u>	<u>(465,852)</u>
Change in cash and cash equivalents during the year	(891,744)	(139,964)
Cash and cash equivalents, beginning of year	<u>4,247,850</u>	<u>4,387,814</u>
Cash and cash equivalents, end of year	<u>\$ 3,356,106</u>	<u>\$ 4,247,850</u>

Non-cash transactions:

Transfer between deferred revenue and deferred capital contributions (Note 7 and 9)	<u>\$ 681,456</u>	<u>\$ 459,589</u>
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Yellowhead Library Board

Notes to the Financial Statements

December 31, 2019

1. Purpose of the Library

The Yellowhead Library Board (the “Library”) provides materials and services to public and school libraries and other organizations to assist them in meeting their patrons’ informational, educational, cultural and recreational needs. The Library services fifty-five municipalities and three school divisions within the Yellowhead region of Alberta. The Library is incorporated under the Libraries Act of Alberta as a not-for-profit organization without share capital. The Library is not subject to income taxes under Section 149 of the Canadian Income Tax Act and accordingly, no provision for income taxes has been provided for in these financial statements.

2. Summary of significant accounting policies

These financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

Use of estimates

In preparing the Library’s financial statements in conformity with Canadian accounting standards for not-for-profit organizations, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The most significant estimate included in these financial statements is the useful lives of tangible capital assets. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents consists of balances with banks net of outstanding cheques.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is charged against the capital fund and is provided for on a straight line basis at the following rates:

Building	2.5%
Building improvements	10%
Furniture and equipment	15%
Automotive equipment	20%
Computer hardware	33%
Computer software	33%

Yellowhead Library Board

Notes to the Financial Statements

December 31, 2019

2. Summary of significant accounting policies (cont'd)

Impairment of long-lived assets

Impairment of non-monetary long-lived assets, including tangible capital assets, is recognized when events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is determined by comparing the carrying amount of the asset to the undiscounted future cash flows expected from use and eventual disposition of the asset. If the carrying value exceeds sum of undiscounted cash flows the asset is measured at fair value and an impairment loss recognized in the statement of operation. This policy did not have any impact on the financial statements for year ended December 31, 2019.

Revenue recognition

The Library follows the deferral method of accounting for contributions.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unearned revenue represents revenue from grants that pertain to periods subsequent to the year-end and where the related expenditures have not been incurred. Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

A percentage of local appropriations revenue and school levies is allocated for book purchases for each of the member libraries. The previous years' unexpended balances, plus the current year's allotment, less the amount of books and materials purchased during the year represents the unexpended book allotments at year end.

Deferred capital contributions represent funding received by the Library from the Alberta Government to finance the construction of its building, and complete additional capital upgrades to the building. This funding has been deferred and is being amortized into the statement of operations on a straight-line basis over the estimated useful life of the building.

Contributed goods and services

Contributed goods and services are recorded only if the goods and services would normally otherwise be purchased and if an estimate of fair value is reasonably determinable.

Program funds

The Library discloses in its statements the following program funds to provide additional information of the users of the financial statements:

The General fund accounts for the Library's program delivery and administrative activities.

The Capital fund reports the assets, liabilities, revenues and expenses related to the Yellowhead Library Board's capital assets. It includes the amounts already expended on tangible capital assets, net of related debt or deferred capital contributions, and additional amounts internally restricted by the Board to allow for future purchases of capital assets.

Yellowhead Library Board

Notes to the Financial Statements

December 31, 2019

2. Summary of significant accounting policies (cont'd)

Program funds (cont'd)

The Operational Contingency fund represents net assets that the Board of Directors has restricted for future operational contingencies to allow the Library to operate in the event of unforeseen circumstances, or to meet shortfalls in the General fund.

The Special Projects fund reports the results of one-time projects approved by the Board.

Library books and periodicals

All books and periodicals purchased as library stock are expensed in the year of acquisition.

Foreign currency translation

Asset and liabilities that are denominated in a foreign currency are translated into Canadian funds using the rate as of the balance sheet date. Transactions included in revenue and expenses are translated using the average daily rate.

Pension expense

The Library participates in the Local Authorities Pension Plan, a multi-employer defined benefit pension plan. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

Financial instruments

Initial measurement:

The Library's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement:

At each reporting date, the Library measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets). The financial instruments measured at amortized cost are cash, accounts receivable, accounts payable and accrued liabilities and unexpected book allotments. The carrying value of financial instruments approximates their fair value due to the short-term nature, unless otherwise noted.

For financial assets measured at cost or amortized cost, the Library regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Library determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

Yellowhead Library Board

Notes to the Financial Statements

December 31, 2019

3. Cash

	<u>2019</u>	<u>2018</u>
Cash (Canadian dollars)	\$ 3,350,008	\$ 4,241,335
Cash (United States dollars)	<u>6,098</u>	<u>6,515</u>
	<u>\$ 3,356,106</u>	<u>\$ 4,247,850</u>

Cash includes amounts denominated in United States dollars. United States dollar denominated amounts have been translated into Canadian dollars at the exchange rate in effect on the balance sheet date. The value in USD at December 31, 2019 is \$4,695 (2018 - \$4,776).

4. Interfund receivables (payables)

Interfund receivables (payables) represents funds owing between the various programs disclosed in the statement of financial position.

	<u>General</u>	<u>Capital</u>	<u>Operational Contingency</u>	<u>Special Projects</u>
Amounts owed by the general fund to the capital fund	\$(1,239,888)	\$ 1,239,888	\$ -	-
Amounts owed by the general fund to the operational contingency fund	(1,786,223)	-	1,786,223	-
Amounts owed by the general fund to the special projects fund	<u>(248,357)</u>	<u>-</u>	<u>-</u>	<u>248,357</u>
	<u>\$ (3,274,468)</u>	<u>\$ 1,239,888</u>	<u>\$ 1,786,223</u>	<u>\$ 248,357</u>

5. Tangible capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2019 Net Book Value</u>	<u>2018 Net Book Value</u>
Automotive equipment	\$ 189,514	\$ 189,514	\$ -	\$ 2,657
Building	1,587,133	1,164,949	422,184	461,862
Building improvements	1,453,811	205,774	1,248,037	606,412
Computer hardware	395,974	272,026	123,948	24,796
Computer software	17,814	17,814	-	-
Furniture and equipment	<u>117,054</u>	<u>88,290</u>	<u>28,764</u>	<u>22,947</u>
	<u>\$ 3,761,300</u>	<u>\$ 1,938,367</u>	<u>\$ 1,822,933</u>	<u>\$ 1,118,674</u>

Yellowhead Library Board

Notes to the Financial Statements

December 31, 2019

6. Accounts payable and accrued liabilities

	<u>2019</u>	<u>2018</u>
Trade payables and accrued liabilities	\$ 61,263	\$ 198,065
Government (receivables) remittances	<u>(12,723)</u>	<u>(15,630)</u>
	<u>\$ 48,540</u>	<u>\$ 182,435</u>

7. Deferred revenue

Deferred revenue pertains to government grants and funds which were unearned at the end of the year.

	<u>2019</u>	<u>2018</u>
Special Projects Fund		
Balance, beginning of year	\$ 737,603	\$ 1,186,980
Grants received		
First Nations Grant	26,424	62,402
Conditional Capital Funds Grant		-
Interest Received on Infrastructure Grant	5,781	17,322
Grants expended		
First Nations Grant	(26,424)	(60,900)
Special Project Grant	-	(8,612)
Conditional Capital Funds Grant	<u>(681,456)</u>	<u>(459,589)</u>
Balance, end of year	<u>\$ 61,928</u>	<u>\$ 737,603</u>

8. Unexpended book allotments

Unexpended book allotments pertain to the portion of local appropriations and school levies that have been allocated as allotments to member libraries and remain unspent at year end. Changes in the unexpended balance are as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 81,729	\$ 65,959
Add: Local appropriation and school levies allocated to members	231,010	231,923
Add: Additional allotment purchased in the year by members	91,991	83,738
Less: amounts expended during the year	<u>(311,445)</u>	<u>(299,891)</u>
Balance, end of year	<u>\$ 93,285</u>	<u>\$ 81,729</u>

Yellowhead Library Board

Notes to the Financial Statements

December 31, 2019

9. Deferred capital contributions

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 930,154	\$ 510,992
Amortized into revenue	(40,427)	(40,427)
Transferred from deferred revenue	<u>681,456</u>	<u>459,589</u>
Balance, end of year	<u>\$ 1,571,183</u>	<u>\$ 930,154</u>

For the year ending December 31, 2019, the Library incurred capital expenditures of \$681,456 (2018 - \$459,589) that were eligible under the Conditional Capital Funds Grant. These funds have been transferred from deferred revenue during the year.

10. Internally restricted net assets

The Library has the following internally restricted funds:

Operational Contingency

The Board of Directors has internally restricted certain net assets for future operational contingencies. The purpose of the Operational Contingency Fund is to allow the Library to operate in the event of unforeseen circumstances, or to meet shortfalls in the General Fund. The objective is to maintain sufficient equity to finance three months of operating expenses. Management believes that the balance in this fund is adequate to meet its objective.

Capital Reserve

The Board of Directors has internally restricted certain net assets for the future purchase and replacement of capital assets. The objective of the Capital Reserve is to provide for the purchase of property, plant and equipment.

Equity in Capital Assets

This amount represents net assets that have been invested in capital assets, net of related debt.

Special Projects

The Special Projects fund includes government funded projects for specific purposes and internally restricted funds by the Board of Directors for specific projects.

Yellowhead Library Board

Notes to the Financial Statements

December 31, 2019

11. Budget figures

The budget figures presented on the statement of operations were prepared by management and represent the revenues and expenses for the General program fund only. The budget figures have not been audited or been subjected to review.

12. Economic dependence

The operating grant is funding that is received by the Library from Alberta Municipal Affairs to assist the Library in providing public library services in the year. The Library's continued operations are dependent upon this revenue in combination with allotments received from members. In the current year, \$1,389,025 or 41.6% (2018 - \$1,409,325 or 41.4%) of revenues were recognized from the annual grant from Alberta Municipal Affairs.

13. Other revenue

	<u>2019</u>	<u>2018</u>
General		
Additional services	\$ 22,265	\$ 2,314
Special Projects		
Technology project	-	8,612
Summer reading program	<u>5,698</u>	<u>13,813</u>
	<u>\$ 27,963</u>	<u>\$ 24,739</u>

Yellowhead Library Board

Notes to the Financial Statements

December 31, 2019

14. Financial instruments

The Library's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities and unexpended book allotments. Unless otherwise noted, it is management's opinion that the Library is not exposed to significant liquidity, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market rates. The Library is exposed to interest rate risk primarily on its cash deposits. A change in interest rates would impact cash flows of the Library.

Cash is held on deposit at Alberta Treasury Branch ("ATB"). Through an arrangement with the ATB, the Library receives interest on its deposits at a rate comparable to that earned on a guaranteed investment certificate. It is the Library's policy that investments will only be made in securities guaranteed by the Crown (or an agent of the Crown in the right of Canada); securities guaranteed by the Crown (or an agent of the Crown in the right of a province in Canada); or securities that are issued or guaranteed by a bank, treasury branch, credit union or trust corporation. The Library has no investments as of December 31, 2019 or 2018. The Library is in compliance with its stated policy.

15. Commitments

Leases

In 1989, the Library signed a lease for 1.26 acres of land for consideration of \$1. The land is the site of the present building. The term of the lease is for an initial fifty-year term and runs from April 1, 1989 to March 31, 2039.

16. Related party transactions

The Yellowhead Library Board along with the Marigold Library System and the Northern Lights Library System are founding members of the Regional Libraries Computer Automation Systems Consortium Society ("TRAC" or "Society"). In December 2003, the Peace Library System became a member of TRAC.

TRAC commenced operations as a consortium in 1999 and was incorporated in the Province of Alberta as a Society on April 10, 2001. TRAC is not subject to income taxes under Section 149 of the Canadian Income tax Act.

Yellowhead Library Board

Notes to the Financial Statements

December 31, 2019

16. Related party transactions (cont'd)

The objectives of the Society include providing a central computer system for library automation and connecting all member public libraries from the four aforementioned library systems to the common system.

The start-up costs associated with the Society (largely equipment and software expenditures) were financed by government grants. Ongoing operations are financed by an allocation formula with each member responsible for an allocated amount of financing based upon the proportionate per capita statistics of each member, as based upon the current Alberta Municipal Affairs population list.

During the year, the Yellowhead Library Board entered into transactions with TRAC in the normal course of operations. These services were provided at a rate calculated to recover costs. Details are as follows:

	<u>2019</u>	<u>2018</u>
Revenue		
Contract services	<u>\$ 78,000</u>	<u>\$ 78,000</u>
Expenses		
The Regional Automatic Consortium		
Operating fund – shared costs	<u>\$ 174,554</u>	<u>\$ 162,940</u>

These transactions that were entered into in the normal course of operations and were measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

17. Employee future benefits

Certain employees of the Library participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The LAPP services about 265,000 people and 421 employers. Employer and employee contributions and investment earnings of the LAPP Fund finance the LAPP.

The Library is required to make current service contributions to the LAPP of 10.39% (2018 - 10.39%) on pensionable earnings up to the Canada Pension Plan limit and 14.84% (2018 - 14.84%) on the excess of pensionable earnings above the Canada Pension Plan limit. Total current service contributions by the Library to the LAPP plan in the current year were \$70,288 (2018 - \$82,522). Total current service contributions by the employees of the Library to the LAPP in the current year were \$63,183 (2018 - \$75,693).

In addition, the Library offers a group registered retirement defined contribution plan to certain other employees. The expense related to this plan in the current year was \$21,121 (2018 - \$19,379). This represents a contribution of 5% of regular salary/wages per eligible employee (2018 - 5% of regular salary/wages per eligible employee).

Yellowhead Library Board

Schedule 1 - Local Appropriations

December 31, 2019

	<u>2019</u>	<u>2018</u>
Alberta Beach (Village of)	\$ 4,377	\$ 4,377
Barrhead (County of)	27,038	27,038
Barrhead (Town of)	19,690	19,690
Beaumont (Town of)	80,965	78,776
Birch Cove (Summer Village of)	194	194
Brazeau County	33,415	33,415
Breton (Village of)	2,468	2,468
Calmar (Town of)	9,580	9,580
Castle Island (Summer Village)	43	43
Clyde (Village of)	1,849	1,849
Crystal Springs (Summer Village of)	219	219
Devon (Town of)	28,285	28,285
Drayton Valley (Town of)	31,111	31,111
Edson (Town of)	36,180	36,180
Grande Cache (Town of)	-	15,355
Grandview (Summer Village of)	490	490
Hinton (Town of)	42,493	42,493
Jasper (Municipality of)	19,737	19,737
Kapasiwin (Summer Village of)	43	43
Lac Ste. Anne County	46,866	46,866
Lakeview (Summer Village of)	129	129
Leduc (City of)	139,526	133,859
Leduc County	59,254	59,254
Ma-Me-O Beach (Summer Village of)	473	473
Mayerthorpe (Town of)	5,676	5,676
Millet (Town of)	8,364	8,364
Nakumun Park (Summer Village of)	413	413
Norris Beach (Summer Village of)	163	163
Onoway (Town of)	4,425	4,425
Parkland County	138,017	138,017
Popular Bay (Summer Village of)	443	443
Ross Haven (Summer Village of)	688	688
Seba Beach (Summer Village of)	727	727
Silver Beach (Summer Village of)	280	280
Silver Sands (Summer Village of)	688	688
South View (Summer Village of)	288	288
Spring Lake (Village of)	3,006	3,006
Spruce Grove (City of)	153,791	149,988
Stony Plain (Town of)	73,913	73,913
Sunrise Beach (Summer Village of)	581	581
Sunset Point (Summer Village of)	727	727
Swan Hills (Town of)	5,594	5,594
Thorsby (Town of)	4,365	4,365
Val Quentin (Summer Village of)	1,084	1,084
Wabamun (Village of)	2,933	2,933
Warburg (Village of)	3,294	3,294
West Cove (Summer Village of)	641	641
Westlock (Town of)	21,934	21,934
Westlock County	31,046	31,046
Wetaskiwin (City of)	54,417	54,417
Wetaskiwin (County of)	48,078	48,078
Whitecourt (Town of)	43,877	43,877
Woodlands County	20,442	20,442
Yellowhead County	47,279	47,279
Yellowstone (Summer Village of)	589	604
	<u>\$ 1,262,188</u>	<u>\$ 1,265,899</u>

Yellowhead Library Board
Schedule 2 – School System Levies
December 31, 2019

	<u>2019</u>	<u>2018</u>
Northern Gateway Regional Division	\$ 49,913	\$ 48,951
Pembina Hills Regional Division	49,613	49,962
Wetaskiwin Regional Division	<u>51,580</u>	<u>52,054</u>
	<u>\$ 151,106</u>	<u>\$ 150,967</u>