

Financial Statements of

**THE CITY OF MEDICINE HAT  
LIBRARY BOARD**

Year ended December 31, 2018

## **Management's Responsibility for Financial Reporting**

The City of Medicine Hat Library Board's management is responsible for the preparation, accuracy, objectivity, and integrity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the Library's financial position as at December 31, 2018 and the results of its operations for the year then ended.

The financial statements have been prepared in accordance with Canadian public sector accounting standards. The financial statements include certain amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has designed and maintains a system of internal controls to produce reliable information to meet reporting requirements. The system is designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are properly accounted for and safeguarded.

The Board of Trustees is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Trustees fulfill these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Trustees are also responsible for recommending the appointment of the Library's external auditors.

The financial statements have been audited by the independent firm of KPMG LLP, Chartered Accountants. Their report to the Board of The City of Medicine Hat Library Board outlines the scope of their examination and provides their opinion on the financial statements.

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Chief Librarian

April 3, 2019



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## INDEPENDENT AUDITORS' REPORT

To Board of Trustees of The City of Medicine Hat Library Board

### ***Opinion***

We have audited the financial statements of The City of Medicine Hat Library Board (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

### ***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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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 the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

## ***Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

## ***Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- 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.

*KPMG LLP*



Chartered Professional Accountants

Lethbridge, Canada

April 3, 2019

# THE CITY OF MEDICINE HAT LIBRARY BOARD

## Statement of Financial Position

December 31, 2018, with comparative information for 2017

|  | 2018                | 2017                |
|--|---------------------|---------------------|
| <b>Financial Assets:</b>                 |                     |                     |
| Cash                                     | \$ 661,898          | \$ 986,431          |
| Short-term investments (note 4)          | 160,908             | 161,766             |
| Accounts receivable                      | 3,337               | 980                 |
| Due from City of Medicine Hat (note 7)   | 30,604              | --                  |
|  | <u>856,747</u>      | <u>1,149,177</u>    |
| <b>Financial Liabilities:</b>            |                     |                     |
| Accounts payable and accrued liabilities | 73,478              | 63,238              |
| Deferred revenue (note 5)                | 36,665              | 24,470              |
| Due to City of Medicine Hat (note 7)     | --                  | 390,761             |
| Long-term debt – capital (note 6)        | --                  | 4,847               |
|  | <u>110,143</u>      | <u>483,316</u>      |
| Net financial assets                     | 746,604             | 665,861             |
| <b>Non-Financial Assets:</b>             |                     |                     |
| Tangible capital assets (note 11)        | 967,790             | 1,023,638           |
| Prepaid collection levy                  | 35,796              | 41,058              |
| Prepaid expense                          | 300                 | 380                 |
|  | <u>1,003,886</u>    | <u>1,065,076</u>    |
| Commitments (note 15)                    |                     |                     |
| Accumulated surplus (note 12)            | <u>\$ 1,750,490</u> | <u>\$ 1,730,937</u> |

See accompanying notes to financial statements.

# THE CITY OF MEDICINE HAT LIBRARY BOARD

## Statement of Operations and Changes in Accumulated Surplus

Year ended December 31, 2018, with comparative information for 2017

|   | Budget              | 2018                | 2017                |
|---|---------------------|---------------------|---------------------|
| Grant revenue:                                    |                     |                     |                     |
| City of Medicine Hat                              | \$ 2,349,872        | \$ 2,348,434        | \$ 2,303,608        |
| Province of Alberta                               | 349,750             | 349,750             | 349,750             |
| Services to Shortgrass Regional<br>Library System | 15,241              | 15,214              | 15,214              |
| Employment grants                                 | 5,000               | 21,379              | 25,309              |
| Other grants                                      | --                  | 12,437              | 177,967             |
|   | <u>2,719,863</u>    | <u>2,747,214</u>    | <u>2,871,848</u>    |
| Sales, service and other revenue:                 |                     |                     |                     |
| Memberships                                       | 30,000              | 32,914              | 32,522              |
| Fees and fines                                    | 30,400              | 35,506              | 35,205              |
| Discarded materials                               | 2,800               | 3,035               | 4,126               |
| Room and equipment rental                         | 8,150               | 12,016              | 7,077               |
| Other services                                    | 6,000               | 51,863              | 48,975              |
| Interest  | 250                 | 4,962               | 6,689               |
| Other donations and miscellaneous                 | --                  | 25,523              | 109,401             |
|   | <u>77,600</u>       | <u>165,819</u>      | <u>243,995</u>      |
|   | <u>2,797,463</u>    | <u>2,913,038</u>    | <u>3,115,843</u>    |
| Expenses (schedule)                               | 2,474,387           | 2,893,480           | 2,801,889           |
| Excess of revenue over expenses                   | 323,076             | 19,553              | 313,954             |
| Accumulated surplus, beginning of year            | 1,730,937           | 1,730,937           | 1,416,983           |
| Accumulated surplus, end of year                  | <u>\$ 2,054,013</u> | <u>\$ 1,750,490</u> | <u>\$ 1,730,937</u> |

See accompanying notes to financial statements.

# THE CITY OF MEDICINE HAT LIBRARY BOARD

## Statement of Change in Net Financial Assets

Year ended December 31, 2018, with comparative information for 2017

|  | Budget     | 2018       | 2017       |
|--|------------|------------|------------|
| Excess of revenue over expenses                        | \$ 323,076 | \$ 19,553  | \$ 313,954 |
| Acquisition of tangible capital assets                 | --         | (338,560)  | (780,443)  |
| Amortization of tangible capital assets                | --         | 394,408    | 388,900    |
|  | 323,076    | 75,401     | (77,589)   |
| Net acquisition (reduction) of prepaid expenses        | --         | 80         | 10,828     |
| Net acquisition (reduction) of prepaid collection levy | --         | 5,262      | (17,085)   |
|  | 323,076    | 80,743     | (83,846)   |
| Net financial assets, beginning of year                | 665,861    | 665,861    | 749,707    |
| Net financial assets, end of year                      | \$ 988,937 | \$ 746,604 | \$ 665,861 |

See accompanying notes to financial statements.



# THE CITY OF MEDICINE HAT LIBRARY BOARD

## Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

|   | 2018       | 2017       |
|---|------------|------------|
| Cash provided by (used in):                               |            |            |
| Operations:   |            |            |
| Excess of revenue over expenses                           | \$ 19,553  | \$ 313,954 |
| Amortization which does not involve cash                  | 394,408    | 388,900    |
| Net changes in non-cash financial assets and liabilities: |            |            |
| Accounts receivable                                       | (2,357)    | 3,116      |
| Deferred revenue  | 12,195     | (132,354)  |
| Accounts payable and accrued liabilities                  | 10,240     | (14,122)   |
| Prepaid collection levy                                   | 5,262      | (17,085)   |
| Prepaid expenses  | 80         | 10,828     |
|   | 439,381    | 553,237    |
| Investing:  |            |            |
| Short-term investments                                    | 858        | (442)      |
| Capital Activities:                                       |            |            |
| Acquisition of tangible capital assets                    | (338,560)  | (780,443)  |
| Financing:  |            |            |
| Due to City of Medicine Hat                               | (421,365)  | 339,159    |
| Repayment of long-term debt- capital                      | (4,847)    | (14,161)   |
|   | (426,212)  | 324,998    |
| Increase (decrease) in cash                               | (324,533)  | 97,350     |
| Cash, beginning of year                                   | 986,431    | 889,081    |
| Cash, end of year   | \$ 661,898 | \$ 986,431 |

See accompanying notes to financial statements.

# THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2018

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## 1. Significant accounting policies:

The financial statements of the The City of Medicine Hat Library Board (the "Library") are the representations of management prepared in accordance with Canadian Public Sector accounting standards. Significant aspects of the accounting policies adopted by the Library are as follows:

(a) Basis of accounting:

The Library follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(b) Revenue recognition:

The operating grant and unrestricted contributions are recognized as received. Restricted contributions and capital grants are recognized when the related expenses are incurred and stipulations are met. Investment income is recognized on an accrual basis. Room and equipment rental revenue is recognized when services are provided. Fines, fees and all other revenue are recognized as earned.

(c) Contributed materials and services:

Contributed materials and services are recognized in the financial statements when fair value can be reasonably determined and they are consumed in the normal course of the Library's operations and would otherwise have been purchased.

(d) Pension expense:

The Library participates in the Local Authorities Pension Plan, a multi-employer defined benefit pension plan, through the City of Medicine Hat. This plan is accounted for as a defined contribution plan.

(e) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short term deposits which are highly liquid with original maturities of less than three months at the date of acquisition. These financial assets are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

# THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2018

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## 1. Significant accounting policies (continued):

### (f) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

| Asset                        | Useful Life - Years |
|------------------------------|---------------------|
| Building improvements        | 10                  |
| Furniture and fixtures       | 7                   |
| Computer equipment           | 3                   |
| Books and library collection | 3                   |

Annual amortization is charged in the year of acquisition and in the year of disposal.

### Contributions of tangible capital assets:

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

### (g) 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 and disclosure of contingent assets and liabilities at the financial statement date, and reported amounts of revenues and expenses during the reporting period.

# THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2018

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## 2. Future accounting pronouncements:

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Standards Board (PSAB). In 2019, the Library will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently.

a) PS 1201 - Financial Statement Presentation:

The implementation of this standard requires a new statement of re-measurement gains and losses separate from the statement of operations. This new statement will include the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currency. This standard is effective for fiscal years beginning on or after April 1, 2021.

b) PS 3450 - Financial Instruments:

This section establishes recognition, measurement, and disclosure requirements for derivative and non-derivative instruments. The standard requires fair value measurements of derivative instruments and equity instruments; all other financial instruments can be measured at either cost or fair value depending upon elections made by the Entity. Unrealized gains and losses will be presented on the new statement of re-measurement gains and losses arising from the adoption of PS 1201. There will also be a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. It is anticipated that the adoption of this standard will have a minimal impact on the Library. This standard is effective for fiscal years beginning on or after April 1, 2021.

c) PS 2601 - Foreign Currency Translation:

This section establishes guidance on the recognition, measurement, presentation and disclosure of assets and liabilities denominated in foreign currencies. The Section requires monetary assets and liabilities, denominated in a foreign currency, and non-monetary items valued at fair value, denominated in a foreign currency, to be adjusted to reflect the exchange rates in effect at the financial statement date. The resulting unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is effective for fiscal years beginning on or after April 1, 2021.

d) PS 3041 - Portfolio Investments:

This section removes the distinction between temporary and portfolio investments and provides additional guidance on recognition, measurement, presentation and disclosure of portfolio investments. Upon adoption of this section and PS 3450, PS 3040 - Portfolio Investments will no longer be applicable. This standard is effective for fiscal years beginning on or after April 1, 2021.

# THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2018

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## 2. Future accounting pronouncements (continued):

e) PS 3430 – Restructure Transactions:

This section provides guidance on the recognition, measurement and presentation on restructuring transactions by both the transferor and recipients of assets and/or liabilities, together with related program or operating responsibilities. This section is effective for fiscal years beginning on or after April 1, 2021.

f) PS 3280 – Asset Retirement Obligations:

This section provides guidance on how to account for and report a liability for retirement of a tangible capital asset. This section is effective for fiscal years beginning on or after April 1, 2021.

The requirements in PS 1201, PS 3450, PS 2601 and PS 3041 are required to be implemented at the same time.

## 3. Adoption of new accounting standards:

The Entity has prospectively adopted standards from January 1, 2018:

- PS 2200 – Related party disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- PS 3420 – Inter-entity transactions, establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.
- PS 3210 – Assets, provides guidance for applying the definition of assets set out in PS 1000 - Financial statement concepts and establishes general disclosure standards for assets.
- PS 3320 - Contingent assets defines and establishes disclosure standards for contingent assets.
- PS 3380 – Contractual rights defines and establishes disclosure standards on contractual rights.

# THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2018

## 4. Short-term investments:

|   | 2018              | 2017              |
|---|-------------------|-------------------|
| Guaranteed investment certificates                  | \$ 160,908        | \$ 146,773        |
| Investors Group mortgage and short-term income fund | --                | 14,993            |
|   | <u>\$ 160,908</u> | <u>\$ 161,766</u> |

The guaranteed investment certificates bear interest ranging from 1.55% to 2.75% and mature at varying dates to April, 2020.

## 5. Deferred revenue:

Deferred revenue represents unspent externally restricted contributions.

Change in the deferred revenue balance is as follows:

|                                      | 2018             | 2017             |
|--------------------------------------|------------------|------------------|
| Balance, beginning of year           | \$ 24,470        | \$ 156,824       |
| Add amounts received in year         | 35,255           | 31,450           |
| Less amounts recognized into revenue | (23,060)         | (163,804)        |
| Balance, end of year                 | <u>\$ 36,665</u> | <u>\$ 24,470</u> |

## 6. Long-term debt:

|   | 2018         | 2017            |
|---|--------------|-----------------|
| Capital:  |              |                 |
| City of Medicine Hat capital loan bearing interest at 4.00%, unsecured, repayable in blended annual installments of \$5,041, due 2018 | --           | 4,847           |
|   | <u>\$ --</u> | <u>\$ 4,847</u> |

# THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2018

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## 7. Due from (to) City of Medicine Hat:

The Library is accountable for the administration of their financial affairs under the terms of their funding agreement to the City of Medicine Hat. At December 31, 2018 the City of Medicine Hat owed the Library \$30,604 (2017 - Library owed the City of Medicine Hat \$390,761). This is the result of current year operations and repayment of expenditures under a capital project in full.

## 8. Salary and benefits disclosure:

Disclosure of salaries and benefits for municipal officials as required by Alberta Regulation 379/94 is as follows:

|                      |            |                         | 2018       | 2017       |
|----------------------|------------|-------------------------|------------|------------|
|                      | Salary     | Benefits and Allowances | Total      | Total      |
| Chief librarian (1)  | \$ 81,857  | \$ 15,288               | \$ 97,145  | \$ 146,652 |
| Department heads (4) | 305,712    | 51,519                  | 357,231    | 340,899    |
|                      | \$ 387,569 | \$ 66,807               | \$ 454,376 | \$ 487,551 |

## 9. Economic dependence and related party transactions:

The Library is dependent upon the City of Medicine Hat to provide funding for operations.

The Library also uses a building owned by the City of Medicine Hat at no cost.

As indicated in note 5 and note 6, the City of Medicine Hat provides financing to the Library in the nature of long-term and short term financing. During the year, the Library paid the City \$194 of interest (2017- \$881).

# THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2018

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## 10. Local Authorities Pension Plan:

Employees of The City of Medicine Hat Library Board participate in the Local Authorities Pension Plan (LAPP), which is covered by the Alberta Public Sector Pension Plans Act. The Plan serves about 259,714 (2017 - 253,862) people and about 420 (2017 – 417) employers. It is financed by employer and employee contributions and investment earnings of the LAPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due. The Library is required to make current service contributions to the Plan of 11.39% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings and 15.84% for the excess. Employees of the Library are required to make current service contributions of 10.39% pensionable salary up to the year's maximum pensionable salary and 14.84% pensionable salary above this amount.

Total current service contributions by the Library to the Local Authorities Pension Plan in 2018 were \$99,359 (2017 - \$109,354). Total current service contributions by the employees of the Library to the Local Authorities Pension Plan in 2018 were \$90,322 (2017 - \$100,037).

At December 31, 2017, the Plan disclosed an actuarial deficit of \$4.835 billion (2016 - \$637 million).



# THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2018

## 11. Tangible capital assets:

|                                    | Building<br>improvements | Furniture<br>and<br>fixtures | Computer<br>equipment | Books and<br>library<br>collection | Total<br>2018     |
|------------------------------------|--------------------------|------------------------------|-----------------------|------------------------------------|-------------------|
| <b>Cost:</b>                       |                          |                              |                       |                                    |                   |
| Balance, beginning of year         | 1,258,386                | 288,731                      | 195,044               | 878,717                            | 2,620,878         |
| Additions                          | 1,200                    | 10,589                       | 59,015                | 267,758                            | 338,562           |
| Disposals                          | --                       | --                           | --                    | (358,276)                          | (358,276)         |
| Balance, end of year               | 1,259,586                | 299,320                      | 254,059               | 788,199                            | 2,601,164         |
| <b>Accumulated amortization:</b>   |                          |                              |                       |                                    |                   |
| Balance, beginning of year         | 563,195                  | 228,982                      | 177,345               | 627,718                            | 1,597,240         |
| Disposals                          | --                       | --                           | --                    | (358,275)                          | (358,275)         |
| Amortization expense               | 92,853                   | 15,048                       | 23,775                | 262,733                            | 394,409           |
| Balance, end of year               | 656,048                  | 244,030                      | 201,120               | 532,176                            | 1,633,374         |
| <b>Net book value, end of year</b> | <b>\$ 603,538</b>        | <b>\$ 55,290</b>             | <b>\$ 52,939</b>      | <b>\$ 256,023</b>                  | <b>\$ 967,790</b> |

|                                    | Building<br>improvements | Furniture<br>and<br>fixtures | Computer<br>equipment | Books and<br>library<br>collection | Total<br>2017       |
|------------------------------------|--------------------------|------------------------------|-----------------------|------------------------------------|---------------------|
| <b>Cost:</b>                       |                          |                              |                       |                                    |                     |
| Balance, beginning of year         | \$ 720,523               | \$ 279,931                   | \$ 193,819            | \$ 919,943                         | \$ 2,114,216        |
| Additions                          | 537,863                  | 8,800                        | 1,225                 | 232,555                            | 780,443             |
| Disposals                          | --                       | --                           | --                    | (273,781)                          | (273,781)           |
| Balance, end of year               | 1,258,386                | 288,731                      | 195,044               | 878,717                            | 2,620,878           |
| <b>Accumulated amortization:</b>   |                          |                              |                       |                                    |                     |
| Balance, beginning of year         | 507,426                  | 213,408                      | 152,694               | 608,593                            | 1,482,121           |
| Disposals                          | --                       | --                           | --                    | (273,781)                          | (273,781)           |
| Amortization expense               | 55,769                   | 15,574                       | 24,651                | 292,906                            | 388,900             |
| Balance, end of year               | 563,195                  | 228,982                      | 177,345               | 627,718                            | 1,597,240           |
| <b>Net book value, end of year</b> | <b>\$ 695,191</b>        | <b>\$ 59,749</b>             | <b>\$ 17,699</b>      | <b>\$ 250,999</b>                  | <b>\$ 1,023,638</b> |

# THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2018

## 12. Accumulated surplus:

|  | Unrestricted surplus (deficit) | Reserves     | Invested in tangible capital assets | Total 2018  | Total 2017   |
|--|--------------------------------|--------------|-------------------------------------|-------------|--------------|
| Balance, beginning of year                                       | \$ --                          | \$ 1,098,496 | \$ 632,441                          | \$1,730,937 | \$ 1,416,983 |
| Excess of revenue over expenses                                  | 19,553                         | --           | --                                  | 19,553      | 313,954      |
| Tangible capital assets acquired with internal funds             | (338,562)                      | --           | 338,562                             | --          | --           |
| Amortization of internally funded tangible capital assets        | 394,408                        | --           | (394,408)                           | --          | --           |
| Repayment of long-term debt used to fund tangible capital assets | (4,847)                        | --           | 4,847                               | --          | --           |
| Related party borrowing for capital project                      | (386,348)                      | --           | 386,348                             | --          | --           |
| Transfers  | 315,796                        | (315,796)    | --                                  | --          | --           |
|  | \$ --                          | \$ 782,700   | \$ 967,790                          | \$1,750,490 | \$ 1,730,937 |

Reserves are comprised of the following:

|                           | 2018       | 2017         |
|---------------------------|------------|--------------|
| Reserves:                 |            |              |
| Capital assets (i)        | \$ 723,700 | \$ 1,039,496 |
| Insurance deductible (ii) | 50,000     | 50,000       |
| Vacation payable (iii)    | 9,000      | 9,000        |
|                           | \$ 782,700 | \$ 1,098,496 |

i) Capital asset reserve:

This reserve has been established to fund capital projects as approved by the Board. As well, the Board has the discretion to use this reserve to fund any operating deficit or allocate any operating surplus.

ii) Insurance deductible reserve:

This reserve has been established to cover the insurance deductible and shall be maintained at no less than the insurance deductible.

iii) Vacation payable reserve:

The vacation entitlement reserve is intended to assist in funding vacation benefits as they become due.

# THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2018

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## 13. Financial instruments:

- (i) It is management's opinion that the Library is not exposed to significant interest, currency or credit risks arising from its financial instruments except as otherwise disclosed.

The carrying amount of short-term investments, accounts receivable, due to City of Medicine Hat, accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

- (ii) At December 31, 2018 the Library had a line of credit totaling \$20,000, none of which was drawn. The line of credit bears interest at prime plus 2% (prime plus 2% at December 31, 2017). This line of credit is unsecured. At December 31, 2018 the prime rate was 3.95% (2017 – 3.20%).

## 14. Budgeted information:

The budget information presented in these financial statements is based upon the 2018 budget approved by the Board of Directors. Amortization was not contemplated in the development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget information reported in the financial statements.

|                                 |              |
|---------------------------------|--------------|
| Revenue:                        |              |
| Total budget                    | \$ 2,797,463 |
| Expenses:                       |              |
| Total budget                    | 2,797,463    |
| Less:                           |              |
| Shortgrass levy                 | (318,652)    |
| Repayment of debt               | (4,424)      |
| Capital purchases               | --           |
| Total expenses                  | 2,474,387    |
| Excess of revenue over expenses | \$ 323,076   |

The budget was approved by the Board of Directors on February 7, 2018.

# THE CITY OF MEDICINE HAT LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2018

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## 15. Commitments:

The Library is a member of the Shortgrass Regional Library System. As such, they are committed to a yearly per capita levy based on the most recent published census population. The 2018 levy was approximately \$4.98 per capita; \$315,035 in aggregate (2017 - \$4.88 per capita; \$307,528 in aggregate).

In addition, the Library is required to pay a 35% share of the data communication and computer maintenance charges incurred by Shortgrass Regional Library System. Approximately \$nil was paid during the year for annual charges (2017 - \$2,086). This amount is included as computer maintenance services.

## 16. Contractual Rights:

Contractual rights are rights of the Library to economic resources arising from contracts or agreements that will result in both assets and revenues in the future when the terms of those contracts or agreements are met.

Estimated amounts that will be received or receivable for the next year are as follows:

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|                           | 2018         |
|---------------------------|--------------|
| City of Medicine Hat      | \$ 2,277,400 |
| Shortgrass Library System | 253,658      |
| Cypress County            | 11,500       |
|                           | <hr/>        |
|                           | \$ 2,542,558 |

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# THE CITY OF MEDICINE HAT LIBRARY BOARD

## Schedule of Expenses

Year ended December 31, 2018, with comparative information for 2017

|   | Budget              | 2018                | 2017                |
|---|---------------------|---------------------|---------------------|
| <b>Staff:</b>                               |                     |                     |                     |
| Salaries and benefits                       | \$ 2,029,707        | \$ 1,958,106        | \$ 1,962,618        |
| <b>Materials:</b>                           |                     |                     |                     |
| Binding, repair and processing              | --                  | 14,782              | 1,900               |
| Ebooks                                      | --                  | 52,540              | 57,887              |
|   | --                  | 67,322              | 59,787              |
| <b>Administration:</b>                      |                     |                     |                     |
| Advertising and publicity                   | 20,000              | 22,803              | 22,892              |
| Board expenses                              | 23,080              | 14,343              | 7,918               |
| Dues and subscriptions                      | 10,000              | 7,502               | 8,974               |
| Interest and bank charges                   | 3,000               | 2,583               | 2,606               |
| Interest on long-term debt                  | --                  | 194                 | 881                 |
| Grant expenses                              | --                  | 14,343              | --                  |
| Professional fees                           | 11,000              | 10,240              | 9,945               |
| Office, supplies and consumables            | 6,000               | 25,572              | 21,443              |
| Program expenses                            | 35,000              | 36,122              | 42,710              |
| Special projects                            | 5,000               | 43,831              | 5,114               |
| Staff travel                                | 16,482              | 11,632              | 3,271               |
| Membership costs                            | 5,000               | --                  | 5,306               |
| Telephone and communication                 | 3,500               | 3,545               | 3,568               |
|   | 138,062             | 192,710             | 134,628             |
| <b>Building, maintenance and insurance:</b> |                     |                     |                     |
| Insurance                                   | 34,646              | 27,136              | 25,927              |
| Computer maintenance and services           | 35,298              | 18,441              | 11,502              |
| Repairs, maintenance and supplies           | 120,544             | 129,748             | 128,180             |
| Utilities                                   | 116,130             | 105,609             | 90,347              |
|   | 306,618             | 280,934             | 255,956             |
| Amortization of tangible capital assets     | --                  | 394,408             | 388,900             |
| <b>Total expenses</b>                       | <b>\$ 2,474,387</b> | <b>\$ 2,893,480</b> | <b>\$ 2,801,889</b> |