

**CHINOOK ARCH LIBRARY BOARD**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

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## INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of Chinook Arch Library Board

We have audited the accompanying financial statements of Chinook Arch Library Board, which comprise the statement of financial position as at December 31, 2015 and the statement of operations, statement of net assets and the statement of cash flow 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 not-for-profit 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.

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, the financial statements present fairly, in all material respects, the financial position of Chinook Arch Library Board as at December 31, 2015 and the results of its operations and its cash flow for the year then ended in accordance with Canadian not-for-profit accounting standards.

***Maynes Newman LLP***

Maynes Newman LLP  
Chartered Professional Accountants

Vauxhall, Alberta  
April 7, 2016

**CHINOOK ARCH LIBRARY BOARD**

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	2015	2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Temporary Investments (note 12)	\$ 1,007,650	\$ 1,262,136
Accounts Receivable (net)	\$ 10,072	\$ 6,341
GST Recoverable	\$ 25,185	\$ 25,959
Prepaid Expenses	\$ 248,287	\$ 145,222
Current Portion Due on Loans Receivable (note 4)	\$ 2,292	\$ 1,355
	<u>\$ 1,293,486</u>	<u>\$ 1,441,013</u>
Loans Receivable (note 4)	\$ 2,668	\$ 2,715
Capital Assets (note 5)	\$ 904,315	\$ 884,473
	<u>\$ 2,200,469</u>	<u>\$ 2,328,201</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 21,279	\$ 25,437
Deferred Revenue (note 6)	\$ 2,500	\$ 38,300
Employee Benefit Obligations (note 7)	\$ 126,893	\$ 130,771
	<u>\$ 150,672</u>	<u>\$ 194,508</u>
<b>NET ASSETS</b>		
Net Assets Invested in Capital	\$ 904,316	\$ 884,473
Net Assets Internally Restricted (note 8)	\$ 1,143,732	\$ 1,245,403
Net Assets Externally Restricted (note 8)	\$ 1,749	\$ 2,079
Unrestricted Net Assets	\$ -	\$ 1,738
	<u>\$ 2,049,797</u>	<u>\$ 2,133,693</u>
	<u>\$ 2,200,469</u>	<u>\$ 2,328,201</u>

Approved by the Board:

 Director  
 Director

Date April 7/16  
Date Apr 7/16

# CHINOOK ARCH LIBRARY BOARD

## STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2015

	2015	2014
<b>REVENUE</b>		
Library Boards	\$ 578,575	\$ 568,986
Municipal Levies	\$ 1,441,342	\$ 1,380,790
Municipal Rural Services Fees	\$ 64,108	\$ 64,102
Resource Sharing Contract Grant (note 9)	\$ 146,700	\$ 149,987
Provincial Operating Grant	\$ 921,773	\$ 864,575
Provincial Rural Library Services Grant	\$ 190,266	\$ 185,103
Other Income (schedule 1)	\$ 436,967	\$ 417,228
Contract Services (Schedule 2)	\$ 177,770	\$ 143,468
	<b>\$ 3,957,501</b>	<b>\$ 3,774,239</b>
<b>EXPENDITURES</b>		
Library Materials and Collections	\$ 959,408	\$ 738,145
Shipping & Delivery (schedule 3)	\$ 49,984	\$ 51,082
Network Services (schedule 4)	\$ 228,221	\$ 272,394
Bibliographic Services (schedule 5)	\$ 96,999	\$ 74,855
Programs and Services (schedule 6)	\$ 349,442	\$ 440,896
Training & Development (schedule 7)	\$ 88,390	\$ 87,237
Salaries and Benefits (note 11)	\$ 1,823,651	\$ 1,738,759
Administration (schedule 8)	\$ 38,601	\$ 49,299
Building and Maintenance	\$ 70,588	\$ 74,210
Board Expenses	\$ 43,674	\$ 32,794
Contract & Other Services (schedule 9)	\$ 193,085	\$ 190,436
Amortization Expense	\$ 99,354	\$ 75,886
	<b>\$ 4,041,397</b>	<b>\$ 3,825,993</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>\$ (83,896)</b>	<b>\$ (51,754)</b>

# CHINOOK ARCH LIBRARY BOARD

## STATEMENT OF NET ASSETS

YEAR ENDED DECEMBER 31, 2015

	Unrestricted Surplus	Internally restricted Surplus (note 8)	Externally restricted Surplus (note 8)	Invested in Capital Assets (note 5)	Total 2015	Total 2014
<b>BALANCE BEGINNING OF YEAR</b>	\$ 1,738	\$ 1,245,403	\$ 2,079	\$ 884,473	\$ 2,133,693	\$ 2,185,447
Excess(Deficiency) of Revenue Over Expenditures	\$ (83,896)			\$	\$ (83,896)	\$ (51,754)
Internally Imposed Restrictions	\$ 101,671	\$ (101,671)				
Externally Imposed Restrictions	\$ 330		\$ (330)			
Capital Assets Purchases	\$ (119,197)			\$ 119,197		
Capital Assets Grants	\$ -			\$ -		
Reduction of Assets Sold	\$ 33,820			\$ (33,820)		
Accumulated Amortization on Assets Sold	\$ (33,820)			\$ 33,820		
Annual Amortization Expense	\$ 99,354			\$ (99,354)		
<b>BALANCE END OF YEAR</b>	\$ -	\$ 1,143,732	\$ 1,749	\$ 904,316	\$ 2,049,797	\$ 2,133,693
<b>BALANCE END OF YEAR - 2014</b>	\$ 1,738	\$ 1,245,403	\$ 2,079	\$ 884,473		

**CHINOOK ARCH LIBRARY BOARD**

## STATEMENT OF CASH FLOW

YEAR ENDED DECEMBER 31, 2015

	2015	2014
<b>OPERATING ACTIVITIES</b>		
Cash Received for Operations	\$ 3,908,941	\$ 3,850,592
Cash Paid to Suppliers and Employees	\$ (4,056,230)	\$ (3,906,188)
	\$ (147,289)	\$ (55,596)
<b>INVESTING ACTIVITIES</b>		
Proceeds (Purchase) of Property, Plant and Equipment	\$ (107,197)	\$ (103,450)
	\$ (107,197)	\$ (103,450)
INCREASE (DECREASE) IN CASH	\$ (254,486)	\$ (159,046)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	\$ 1,262,136	\$ 1,421,182
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	\$ 1,007,650	\$ 1,262,136

**CASH AND TEMPORARY INVESTMENTS ARE COMPRISED OF:**

Cash	\$ 499,400	\$ 762,136
Temporary Investments	\$ 508,250	\$ 500,000
	\$ 1,007,650	\$ 1,262,136

## CHINOOK ARCH LIBRARY BOARD

### SCHEDULE 1 - OTHER INCOME

YEAR ENDED DECEMBER 31, 2015

	2015	2014
Additional Funds for Library Materials	\$ 382,136	\$ 319,853
Interest & Investment Income	\$ 16,622	\$ 17,484
Fundraising & Donations - General	\$ 610	\$ 32,707
RISE Project	\$ -	\$ 5,000
Employment Programs	\$ 5,100	\$ 5,050
Southern Alberta Library Conference	\$ 19,850	\$ 19,998
Gain on Disposal of Capital Assets	\$ 12,000	\$ 16,718
Miscellaneous	\$ 649	\$ 418
<b>TOTAL</b>	<b>\$ 436,967</b>	<b>\$ 417,228</b>

### SCHEDULE 2 - CONTRACT SERVICES

YEAR ENDED DECEMBER 31, 2015

	2015	2014
Contracts	\$ 41,693	\$ 30,526
Book Purchases	\$ 1,708	\$ 1,557
Reimbursement for Purchases	\$ 134,369	\$ 111,385
<b>TOTAL</b>	<b>\$ 177,770</b>	<b>\$ 143,468</b>

### SCHEDULE 3 - SHIPPING AND DELIVERY

YEAR ENDED DECEMBER 31, 2015

	2015	2014
Freight	\$ 4,637	\$ 3,373
Postage and Shipping	\$ 5,695	\$ 5,102
Vehicle Insurance	\$ 3,535	\$ 2,951
Vehicle Expenses	\$ 36,117	\$ 39,656
<b>TOTAL</b>	<b>\$ 49,984</b>	<b>\$ 51,082</b>

### SCHEDULE 4 - NETWORK SERVICES

YEAR ENDED DECEMBER 31, 2015

	2015	2014
Telecommunications	\$ 36,859	\$ 26,770
Network Support and Maintenance	\$ 137,286	\$ 124,001
RISE Bridge & Network Support	\$ 35,000	\$ 34,300
Equipment and Software	\$ 19,076	\$ 87,323
<b>TOTAL</b>	<b>\$ 228,221</b>	<b>\$ 272,394</b>

**CHINOOK ARCH LIBRARY BOARD****SCHEDULE 5 - BIBLIOGRAPHIC SERVICES****YEAR ENDED DECEMBER 31, 2015**

	<b>2015</b>	<b>2014</b>
Cataloguing Subscriptions	\$ 4,373	\$ 4,302
Supplies for Library Materials	\$ 14,624	\$ 16,297
Support Services	\$ 78,002	\$ 54,256
<b>TOTAL</b>	<b>\$ 96,999</b>	<b>\$ 74,855</b>

**SCHEDULE 6 - PROGRAMS****YEAR ENDED DECEMBER 31, 2015**

	<b>2015</b>	<b>2014</b>
Summer Programs	\$ 3,731	\$ 3,437
Reading Programs	\$ -	\$ 1,044
Membership Programs	\$ 8,340	\$ 7,943
Rural Library Services Grant Transfers	\$ 221,506	\$ 218,770
Library Membership Cards	\$ 4,125	\$ 3,877
Marketing and Communications	\$ 21,610	\$ 23,308
Regional Resource Sharing	\$ 90,000	\$ 182,482
Special Projects	\$ 130	\$ 35
<b>TOTAL</b>	<b>\$ 349,442</b>	<b>\$ 440,896</b>

**SCHEDULE 7 - TRAINING AND DEVELOPMENT****YEAR ENDED DECEMBER 31, 2015**

	<b>2015</b>	<b>2014</b>
Librarians Meetings and Training	\$ 17,039	\$ 16,543
Southern Alberta Library Conference	\$ 30,795	\$ 28,491
Conferences, Courses, Staff Travel	\$ 40,556	\$ 42,203
<b>TOTAL</b>	<b>\$ 88,390</b>	<b>\$ 87,237</b>



**CHINOOK ARCH LIBRARY BOARD****SCHEDULE 8 -ADMINISTRATION****YEAR ENDED DECEMBER 31, 2015**

	<b>2015</b>	<b>2014</b>
Bank Charges	\$ 356	\$ 279
Subscriptions	\$ 2,552	\$ 2,408
Professional Fees	\$ 7,350	\$ 7,350
Advertising	\$ 55	\$ -
Memberships	\$ 1,234	\$ 1,317
Recruitment	\$ -	\$ 4,444
Office Supplies and Equipment	\$ 4,525	\$ 8,217
Maintenance Office Equipment	\$ 15,449	\$ 16,415
Coffee Services	\$ 4,646	\$ 4,545
Printing	\$ 2,434	\$ 4,324
<b>TOTAL</b>	<b>\$ 38,601</b>	<b>\$ 49,299</b>

**SCHEDULE 9 -CONTRACTS AND OTHER SERVICES****YEAR ENDED DECEMBER 31, 2015**

	<b>2015</b>	<b>2014</b>
Better Beginnings Card Coupons	\$ 330	\$ 1,018
Provincial ILL Resource Sharing	\$ 2,362	\$ 2,921
ILL VDX Maintenance	\$ 34,855	\$ 36,243
ILS Maint. & Subscriptions Contract Services (SLS)	\$ 21,235	\$ 16,609
Internet Services Contract (SLS)	\$ 7,563	\$ 6,354
Purchasing Services for Member Libraries	\$ 125,286	\$ 125,301
Regional Libraries Promotional Mat.	\$ -	\$ 380
Staff Purchases Materials	\$ 1,454	\$ 1,610
<b>TOTAL</b>	<b>\$ 193,085</b>	<b>\$ 190,436</b>

**CHINOOK ARCH LIBRARY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**1. NATURE OF OPERATIONS**

Chinook Arch Library Board assists a network of cooperating libraries in southwest Alberta to provide cost-effective, convenient access to information and library resources.

Chinook Arch Library Board is a volunteer Board established as a Library under the Alberta Libraries Act. The Board is also a registered charity under the Income Tax Act. The Board operates Chinook Arch Regional Library System.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Canadian Not-For-Profit accounting standards applied on a basis consistent with prior periods.

Outlined below are those policies the organization considers particularly significant:

a) Fund Accounting

For reporting purposes, established funds consist of the operating, capital, restricted and reserve funds. Transfers between funds are recorded as adjustments to the appropriate equity account. Capital fund debt interest is recorded as an expense in the capital equity fund. Amortization expense is recorded as an expense in the Statement of Operations.

b) Investments

Investments that are Guaranteed Investment Certificates have a carrying value that equal their estimated fair market value and are classified as held to maturity. Held to maturity investments are accounted for at amortized cost using the effective interest method.

c) Capital Assets

Capital assets are stated at cost. Amortization is provided using the declining balance method for the following assets at the following annual rates:

Building	-	4%
Automotive (passenger vehicles )	-	50%

Amortization is provided on a straight-line basis for the following assets at the following annual rates:

Automotive (delivery vehicles)	-	50%
Office furniture and equipment	-	10%
Computer equipment	-	25%

d) Reserves for Future Expenditures

Internally restricted reserves are established at the discretion of the Board to set aside funds for future operating and capital expenditures. Transfers to and from reserves are reflected as adjustments to the Statement of Net Assets.

Externally restricted reserves arise from funding received for specific projects. Transfers to and from these reserves arise as funds are received or expenditures are incurred for the specific projects.

**CHINOOK ARCH LIBRARY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

e) Restricted Fund – Book Allotment

Funds allocated to member libraries for book allotment are restricted for purchases of library materials in subsequent years. Unspent allocations are added to the library's allocation in the following year. Transfers to and/or from reserves are reflected in Note 8 – Reserves and Restricted Funds.

f) Revenue Recognition

Revenue is recognized when the requirements as to performance for transactions involving the sale of goods are met and ultimate collection is reasonably assured at the time of performance.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of capital assets. These funds are accounted for as deferred revenue until used for the purpose specified.

Government transfers for operations are recognized in the period when the related expenses are incurred and any eligibility criteria have been met.

Government grants for the purchase of capital assets are applied against the asset cost and the balance of the cost is amortized over the useful life of the asset. There were no grants received for the acquisition of capital assets in 2015 (2014-\$54,710).

g) Use of Estimates

The preparation of financial statements in accordance with Part III of the CICA Handbook – Accounting requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in the period in which they become known. Actual results could differ from those estimates.

h) Financial Instruments

Fair Value

Financial instruments of the organization consist mainly of cash, temporary investments, accounts receivable, loans receivable, accounts payable and accrued liabilities. There are no significant differences between carrying values of these amounts and their estimated market value due to the short term maturities of these instruments. Unless otherwise noted, it is Management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

(i) Measurement of Financial Instruments

Chinook Arch Library Board measures its financial assets and financial liabilities at cost. Financial assets measured at cost include cash, temporary investments, accounts receivable, and loans receivable. Financial liabilities measured at cost consist of accounts payable and accrued liabilities. Changes in fair value are recognized in the statement of operations in the period incurred.

**CHINOOK ARCH LIBRARY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

h) Financial Instruments (cont.)

(ii) Impairment

At the end of each reporting period, Chinook Arch Library Board assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of Chinook Arch Library Board. When there is an indication of impairment, Chinook Arch Library Board determines whether a significant adverse change has occurred during the period in the expected timing of future cash flows from the financial asset.

When Chinook Arch Library Board identifies a significant adverse change in the expected timing of future cash flows from a financial asset, it reduces the carrying amount of the asset to the highest of the following:

- a) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset;
- b) the amount that could be realized by selling the asset at the statement of financial position date; and,
- c) the amount Chinook Arch Library Board expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all costs necessary to exercise those rights.

The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statement of operations.

When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the statement of operations in the period the reversal occurs.

(iii) Transaction Costs

Transactions costs are recognized in the statement of operations in the period incurred, except for financial instruments that will be subsequently measured at amortized costs. Transaction costs associated with the acquisition and disposal of fixed income investments are capitalized and are included in the acquisition costs or reduce proceeds on disposal. Investment management fees associated with the fixed investments and mutual funds are expensed as incurred.

**CHINOOK ARCH LIBRARY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
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**3. SIGNIFICANT REVENUE SOURCE**

In 2015, 82.3 % (2014 – 81.5%) of total revenue is based on per capita municipal levies, per capita payments from library boards, and per capita grants from Alberta Municipal Affairs.

A significant percentage of revenue is attributed to the membership of the City of Lethbridge. In 2015, the Lethbridge population represented 47.4 % (2014-46.8%) of the System’s total population and created 40.24% of the total revenue (2014-39.3%) Although the organization would continue to operate without that membership there would be a need for additional sources of revenue.

**4. LOANS RECEIVABLE**

The Board has a policy on loans for the purchase of computers and software to a maximum of \$2,500 per employee. These loans are payable in monthly blended payments, with interest at prime rate.

	<u>2015</u>	<u>2014</u>
Loan Receivable	\$ 4,960	\$ 4,070
Less Principal included in current assets	<u>\$ 2,292</u>	<u>\$ 1,355</u>
	<u>\$ 2,668</u>	<u>\$ 2,715</u>

Principal repayments due over the next three years are as follows:

2016 - \$2,292

2017 - \$2,238

2018 - \$ 430

**5. CAPITAL ASSETS**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2015</u>	<u>2014</u>
Land	\$ 40,580	\$ -	\$ 40,580	\$ 40,580
Building	\$1,393,083	\$ 650,881	\$ 742,202	\$766,712
Office Furniture and equipment	\$ 57,811	\$ 48,152	\$ 9,659	\$ 12,879
Computer equipment	\$ 712,547	\$ 627,007	\$ 85,540	\$ 52,727
Automotive	\$ 72,529	\$ 46,195	\$ 26,334	\$ 11,575
	<u>\$2,276,550</u>	<u>\$ 1,372,235</u>	<u>\$ 904,315</u>	<u>\$884,473</u>
Building cost			\$ 1,510,501	\$1,504,086
Less: Grants Roof repair			<u>\$ (117,418)</u>	<u>\$ (117,418)</u>
			<u>\$ 1,393,083</u>	<u>\$1,386,668</u>
Automotive Equipment cost			\$ 152,239	\$ 153,269
Less: Government grant			<u>\$ (79,710)</u>	<u>\$ (79,710)</u>
			<u>\$ 72,529</u>	<u>\$ 73,559</u>
Computer Equipment Cost			\$ 762,429	\$ 682,438
Less: Government grant			<u>\$ (49,882)</u>	<u>\$ (49,882)</u>
			<u>\$ 712,547</u>	<u>\$ 632,556</u>

**CHINOOK ARCH LIBRARY BOARD**  
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**6. DEFERRED REVENUE**

The change in deferred revenue related to revenues of future periods are as follows:

	<u>Balance</u> <u>2014</u>	<u>Amount</u> <u>Received</u>	<u>Amount</u> <u>Recognized</u>	<u>Balance</u> <u>2015</u>
Milo Library Board Book allotment 2015	\$ 300	\$ -	\$ 300	\$ -
Hoopla	\$ 38,000	\$ -	\$ 38,000	\$ -
SALC Registration fees	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ 2,500</u>
Total Deferred	<u>\$ 38,300</u>	<u>\$ 2,500</u>	<u>\$ 38,300</u>	<u>\$ 2,500</u>

**7. EMPLOYEE BENEFIT OBLIGATIONS**

	<u>2015</u>	<u>2014</u>
Vacation	\$112,780	\$ 117,015
Health Spending Account	<u>\$ 14,113</u>	<u>\$ 13,756</u>
	<u>\$126,893</u>	<u>\$ 130,771</u>

Vacation is a liability comprised of the vacation that employees have earned. Health spending benefits arise from unused benefits that are accumulated for two years. Employees have earned these benefits and are entitled to them within the next budgetary year.

**8. RESERVES AND RESTRICTED FUNDS**

	2014	Increase	Decrease	2015
<b>Reserves Internally Restricted</b>				
Technology Reserve	\$ 325,000		\$ 20,513	\$ 304,487
Vehicle	\$ 131,457			\$ 131,457
Building	\$ 337,573			\$ 337,573
Operating	\$ 208,052			\$ 208,052
Book Allotment carry over	\$ 243,321	\$ -	\$ 81,158	\$ 162,163
	<u>\$ 1,245,403</u>	<u>\$ -</u>	<u>\$ 101,671</u>	<u>\$1,143,732</u>
<b>Externally Restricted Reserves</b>				
Better Beginnings	\$ 2,079	\$ -	\$ 330	\$ 1,749
	<u>\$ 2,079</u>	<u>\$ -</u>	<u>\$ 330</u>	<u>\$ 1,749</u>

**CHINOOK ARCH LIBRARY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
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**9. RESOURCE SHARING GRANT**

Chinook Arch Library Board receives a resource sharing grant from Alberta Municipal Affairs to fund the coordination of the provincial interlibrary loan service in Alberta. Funds for the provincial fiscal year 2014-2015 were received in 2014. In 2015 the grant was received for the provincial fiscal year April 2015 to March 2016. The 2015 calculation indicates a total for the 2014-2015 provincial fiscal year ended March 31 2015 as well as the simple total for the Chinook Arch fiscal year 2015.

\*The total expenditures from April 2014 to March 2015 are \$117,583

<b>Interlibrary Loan Grant/Expenditures</b>	<b>Jan-Mar 2015</b>	<b>Apr-Dec 2015</b>	<b>Total 2015</b>	<b>Jan-Mar 2014</b>	<b>Apr-Dec 2014</b>	<b>Total 2014</b>
<b>Revenue</b>						
Resource Sharing Grant from Municipal Affairs		\$146,700	\$146,700		\$149,987	\$149,987
<b>Expenditures</b>						
Staffing and Administrative costs	\$ 27,354	\$ 80,538	\$107,892	\$ 37,740	\$ 67,735	\$105,475
Hardware/software maintenance	\$ 16,321	\$ 31,763	\$ 48,084	\$ 31,155	\$ 5,088	\$ 36,243
Node Training & Travel	\$ -	\$ 1,085	\$ 1,085	\$ -	\$ 1,085	\$ 1,085
<b>Total</b>	<b>*\$ 43,675</b>	<b>\$113,386</b>	<b>\$157,061</b>	<b>\$ 68,895</b>	<b>*\$73,908</b>	<b>\$ 42,803</b>

**Total Apr 2014-Mar 2015**                      **\$117,583**

**10. LOCAL AUTHORITIES PENSION PLAN**

Employees of the organization participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Alberta Public Sector Pension Plan Act. The LAPP services about 237,612 members and retirees and 423 employer groups. The LAPP is financed by the employer, employee and Government of Alberta 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 organization 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 this amount. Employees of the organization are required to make current service contributions of 10.39% of pensionable salary up to the year's maximum pensionable salary and 14.84% on pensionable salary above this amount.

Total current service contributions by the organization to LAPP in 2015 were \$166,733 (2014 - \$158,886). The current service contributions by the employees of the organization to the LAPP in 2015 were \$153,189 (2014 - \$145,979).

As at December 31, 2014 the plan disclosed an actuarial deficiency of \$2.4 Billion (2014- \$4.86 Billion).

**CHINOOK ARCH LIBRARY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**11. SALARIES AND WAGES**

The increase in Salaries and Wages is comprised of \$20,040.63 of LAPP pension purchase for staff returning from leave and \$8,933.97 of vacation payout. The balance of the increase results from a 2% cost of living adjustment increase as well as salary step advances.

**12. FINANCIAL INSTRUMENTS**

Chinook Arch is exposed to various risks through its financial instruments. The risks at December 31, 2015 are as follows: credit risks, liquidity risks, currency risks and other price risks.

Chinook Arch has a specific investment policy which details acceptable low risk investment vehicles. Chinook Arch does not use derivative financial instruments to manage its risks.

**Credit Risk**

Chinook Arch is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or if there is a concentration of transactions carried out with the same party, or if there is a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that Chinook Arch could incur financial loss. Chinook Arch mitigates this risk by dealing with major financial institutions in Canada that are regulated, as well as a large customer base.

**Liquidity Risk**

Liquidity risk is the risk that Chinook Arch will not be able to meet a demand for cash or fund its obligations as they become due. Chinook Arch meets its liquidity requirements by preparing and monitoring budgets of cash flows from operations, anticipating investing and financing activities and holding assets that can readily be converted to cash.

**Market Risk**

Market Risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk, and other price risk.

**a) Currency Risk**

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. Chinook Arch transacts expenditures of approximately \$150,000 US\$ funds a year which is insignificant compared to the total expenditures. The risk at December 31, 2015 is minimal.

**b) Interest Rate Risk**

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The exposure of Chinook Arch to interest rate risk arises from its interest bearing assets. Chinook Arch's cash includes amounts on deposit with financial institutions that earn interest at market value.



**CHINOOK ARCH LIBRARY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
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**12. FINANCIAL INSTRUMENTS (cont.)**

Market Risk (cont.)

b) Interest Rate Risk (cont.)

Chinook Arch currently earns interest on temporary investments of 1.6% to 1.7%; interest is earned on the chequing account at prime-2% on balances between \$500,000 and \$1,000,000 and Prime -1.85% for balances between \$1,000,000 and \$5,000,000.

Chinook Arch manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on Chinook Arch's result of operations.

The primary objective of Chinook Arch with respect to its fixed income investments is to ensure the security of principal amounts invested, provide for a high degree of liquidity, and achieve a satisfactory investment return. The risk at December 31, 2014 is minimal.

c) Other Price Risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. The risk at December 31, 2015 is minimal.

Changes in Risk

There has been no change in Chinook Arch's risk exposure from the prior year.

**13. COMPARATIVE FIGURES**

Where applicable, certain 2014 comparative figures have been reclassified to conform to the financial statements presentation adopted in the current year.

**14. APPROVAL OF FINANCIAL STATEMENTS**

The Board and management have approved these financial statements.