



Chinook Arch
Regional Library
System

CHINOOK ARCH LIBRARY BOARD
FINANCIAL STATEMENTS
DECEMBER 31, 2016

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Newman Solutions *

Chartered Professional Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Chinook Arch Library Board

I have audited the accompanying financial statements of Chinook Arch Library Board, which comprise the statement of financial position as at December 31, 2016 and the statements of operations, net assets and 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 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Chinook Arch Library Board as at December 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Newman Solutions Professional Corporation

Vauxhall, Alberta
April 6, 2017

Newman Solutions Professional Corporation
Chartered Professional Accountant


CHINOOK ARCH LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

	2016	2015
ASSETS		
Current Assets		
Cash and Temporary Investments (note 12)	\$ 1,077,256	\$ 1,007,650
Accounts Receivable (net)	\$ 43,448	\$ 10,072
GST Recoverable	\$ 21,282	\$ 25,185
Prepaid Expenses	\$ 227,888	\$ 248,287
Current Portion Due on Loans Receivable (note 4)	\$ 2,241	\$ 2,292
	<u>\$ 1,372,115</u>	<u>\$ 1,293,486</u>
Loans Receivable (note 4)	\$ 430	\$ 2,668
Capital Assets (note 5)	\$ 833,452	\$ 904,315
	<u>\$ 2,205,997</u>	<u>\$ 2,200,469</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 60,950	\$ 21,279
Receiver General payroll liabilities	\$ 14,501	\$ -
Deferred Revenue (note 6)	\$ 6,129	\$ 2,500
Employee Benefit Obligations (note 7)	\$ 124,795	\$ 126,893
	<u>\$ 206,375</u>	<u>\$ 150,672</u>
NET ASSETS		
Net Assets Invested in Capital	\$ 833,452	\$ 904,316
Net Assets Internally Restricted (note 8)	\$ 1,164,826	\$ 1,143,732
Net Assets Externally Restricted (note 8)	\$ 1,344	\$ 1,749
Unrestricted Net Assets	\$ -	\$ -
	<u>\$ 1,999,622</u>	<u>\$ 2,049,797</u>
	<u>\$ 2,205,997</u>	<u>\$ 2,200,469</u>

Approved by the Board:

 Director
 Director

Date April 06, 2017
Date April 06, 2017

CHINOOK ARCH LIBRARY BOARD

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2016

	2016	2015
REVENUE		
Library Boards	\$ 587,332	\$ 578,575
Municipal Levies	\$ 1,499,849	\$ 1,441,342
Municipal Rural Services Fees	\$ 64,550	\$ 64,108
Resource Sharing Contract Grant (note 9)	\$ 151,402	\$ 146,700
Provincial Operating Grant	\$ 958,746	\$ 921,773
Provincial Rural Library Services Grant	\$ 191,236	\$ 190,266
Other grants	\$ 36,733	\$ -
Other Income (schedule 1)	\$ 377,256	\$ 436,967
Contract Services (Schedule 2)	\$ 211,074	\$ 177,770
	\$ 4,078,178	\$ 3,957,501
EXPENDITURES		
Library Materials and Collections	\$ 882,239	\$ 959,408
Shipping & Delivery (schedule 3)	\$ 45,662	\$ 49,984
Network Services (schedule 4)	\$ 246,965	\$ 228,221
Bibliographic Services (schedule 5)	\$ 99,190	\$ 96,999
Programs and Services (schedule 6)	\$ 356,110	\$ 349,442
Training & Development (schedule 7)	\$ 88,632	\$ 88,390
Salaries and Benefits (note 11)	\$ 1,831,122	\$ 1,823,651
Administration (schedule 8)	\$ 43,774	\$ 38,601
Building and Maintenance	\$ 57,391	\$ 70,588
Board Expenses	\$ 34,426	\$ 43,674
Contract & Other Services (schedule 9)	\$ 239,685	\$ 193,085
Amortization Expense	\$ 91,731	\$ 99,354
	\$ 4,016,927	\$ 4,041,397
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 61,251	\$ (83,896)
OTHER REVENUE(EXPENDITURES)		
Technology Project	\$ 83,266	\$ -
Building Project	\$ 28,160	\$ -
	\$ 111,426	\$ -
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ (50,175)	\$ -

CHINOOK ARCH LIBRARY BOARD

STATEMENT OF NET ASSETS
YEAR ENDED DECEMBER 31, 2016

	Unrestricted Surplus	Internally restricted Surplus (note 8)	Externally restricted Surplus (note 8)	Invested in Capital Assets (note 5)	Total 2016	Total 2015
BALANCE BEGINNING OF YEAR	\$ -	\$ 1,143,732	\$ 1,749	\$ 904,316	\$ 2,049,797	\$ 2,133,693
Excess(Deficiency) of Revenue Over Expenditures	\$ (50,175)			\$	\$ (50,175)	\$ (83,896)
Internally Imposed Restrictions	\$ (21,094)	\$ 21,094				
Externally Imposed Restrictions	\$ 405		\$ (405)			
Capital Assets Purchases	\$ (20,867)			\$ 20,867		
Capital Assets Grants	\$ -			\$ -		
Reduction of Assets Sold	\$ 469,384			\$ (469,384)		
Accumulated Amortization on Assets Sold	\$ (469,384)			\$ 469,384		
Annual Amortization Expense	\$ 91,731			\$ (91,731)		
BALANCE END OF YEAR	\$ -	\$ 1,164,826	\$ 1,344	\$ 833,452	\$ 1,999,622	\$ 2,049,797
BALANCE END OF YEAR - 2015	\$ -	\$ 1,143,732	\$ 1,749	\$ 904,316		

CHINOOK ARCH LIBRARY BOARD

STATEMENT OF CASH FLOW

YEAR ENDED DECEMBER 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Cash Received for Operations	\$ 4,054,622	\$ 3,908,941
Cash Paid to Suppliers and Employees	\$ (3,964,150)	\$ (4,056,230)
	\$ 90,473	\$ (147,289)
INVESTING ACTIVITIES		
Proceeds (Purchase) of Property, Plant and Equipment	\$ (20,867)	\$ (107,197)
	\$ (20,867)	\$ (107,197)
INCREASE (DECREASE) IN CASH	\$ 69,606	\$ (254,486)
CASH AND TEMPORARY INVESTMENTS, BEGINNING OF YEAR	\$ 1,007,650	\$ 1,262,136
CASH AND TEMPORARY INVESTMENTS, END OF YEAR	\$ 1,077,256	\$ 1,007,650

CASH AND TEMPORARY INVESTMENTS ARE COMPRISED OF:

Cash	\$ 568,684	\$ 499,400
Temporary Investments	\$ 508,572	\$ 508,250
	\$ 1,077,256	\$ 1,007,650

CHINOOK ARCH LIBRARY BOARD

SCHEDULE 1 - OTHER INCOME

YEAR ENDED DECEMBER 31, 2016

	2016	2015
Additional Funds for Library Materials	\$ 332,357	\$ 382,136
Interest & Investment Income	\$ 18,673	\$ 16,622
Fundraising & Donations - General	\$ 1,163	\$ 610
Employment Programs	\$ 3,651	\$ 5,100
Southern Alberta Library Conference	\$ 20,924	\$ 19,850
Gain on Disposal of Capital Assets	\$ -	\$ 12,000
Miscellaneous	\$ 488	\$ 649
TOTAL	\$ 377,256	\$ 436,967

SCHEDULE 2 - CONTRACT SERVICES

YEAR ENDED DECEMBER 31, 2016

	2016	2015
Contracts	\$ 37,331	\$ 41,693
Book Purchases	\$ 1,251	\$ 1,708
Reimbursement for Purchases	\$ 172,492	\$ 134,369
TOTAL	\$ 211,074	\$ 177,770

SCHEDULE 3 - SHIPPING AND DELIVERY

YEAR ENDED DECEMBER 31, 2016

	2016	2015
Freight	\$ 5,696	\$ 4,637
Postage and Shipping	\$ 6,473	\$ 5,695
Vehicle Insurance	\$ 4,233	\$ 3,535
Vehicle Expenses	\$ 29,260	\$ 36,117
TOTAL	\$ 45,662	\$ 49,984

SCHEDULE 4 - NETWORK SERVICES

YEAR ENDED DECEMBER 31, 2016

	2016	2015
Telecommunications	\$ 41,441	\$ 36,859
Network Support and Maintenance	\$ 150,793	\$ 137,286
RISE Bridge & Network Support	\$ 35,000	\$ 35,000
Equipment and Software	\$ 19,731	\$ 19,076
TOTAL	\$ 246,965	\$ 228,221

CHINOOK ARCH LIBRARY BOARD

SCHEDULE 5 - BIBLIOGRAPHIC SERVICES

YEAR ENDED DECEMBER 31, 2016

	2016	2015
Cataloguing Subscriptions	\$ 4,262	\$ 4,373
Supplies for Library Materials	\$ 14,016	\$ 14,624
Support Services	\$ 80,912	\$ 78,002
TOTAL	\$ 99,190	\$ 96,999

SCHEDULE 6 - PROGRAMS

YEAR ENDED DECEMBER 31, 2016

	2016	2015
Summer Programs	\$ 3,672	\$ 3,731
Membership Programs	\$ 8,510	\$ 8,340
Rural Library Services Grant Transfers	\$ 221,692	\$ 221,506
Library Membership Cards	\$ 9,232	\$ 4,125
Marketing and Communications	\$ 21,004	\$ 21,610
Regional Resource Sharing	\$ 90,000	\$ 90,000
Special Projects	\$ 2,000	\$ 130
TOTAL	\$ 356,110	\$ 349,442

SCHEDULE 7 - TRAINING AND DEVELOPMENT

YEAR ENDED DECEMBER 31, 2016

	2016	2015
Librarians Meetings and Training	\$ 18,556	\$ 17,039
Southern Alberta Library Conference	\$ 29,594	\$ 30,795
Conferences, Courses, Staff Travel	\$ 39,876	\$ 40,556
Programs & Training for Libraries	\$ 606	\$ -
TOTAL	\$ 88,632	\$ 88,390

CHINOOK ARCH LIBRARY BOARD

SCHEDULE 8 -ADMINISTRATION

YEAR ENDED DECEMBER 31, 2016

	2016	2015
Bank Charges	\$ 316	\$ 356
Subscriptions	\$ 2,788	\$ 2,552
Professional Fees	\$ 7,850	\$ 7,350
Advertising	\$ 882	\$ 55
Memberships	\$ 105	\$ 1,234
Office Supplies and Equipment	\$ 6,344	\$ 4,525
Maintenance Office Equipment	\$ 16,769	\$ 15,449
Coffee Services	\$ 4,676	\$ 4,646
Printing	\$ 4,038	\$ 2,434
Miscellaneous	\$ 6	\$ -
TOTAL	\$ 43,774	\$ 38,601

SCHEDULE 9 -CONTRACTS AND OTHER SERVICES

YEAR ENDED DECEMBER 31, 2016

	2016	2015
Better Beginnings Card Coupons	\$ 405	\$ 330
Provincial ILL Resource Sharing	\$ 3,310	\$ 2,362
ILL VDX Maintenance	\$ 35,234	\$ 34,855
ILS Maint. & Subscriptions Contract Services (SLS)	\$ 21,479	\$ 21,235
Internet Services Contract (SLS)	\$ 8,580	\$ 7,563
Purchasing Services for Member Libraries	\$ 169,545	\$ 125,286
Staff Purchases Materials	\$ 1,132	\$ 1,454
TOTAL	\$ 239,685	\$ 193,085

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.

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 2016 (2015-\$0).

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.

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.

3. SIGNIFICANT REVENUE SOURCE

In 2016, 81.5 % (2015 – 82.3%) 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 2016, the Lethbridge population represented 46.5 % (2015-47.4%) of the System’s total population and created 39.75% of the total revenue (2015-40.24%) 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>2016</u>	<u>2015</u>
Loan Receivable	\$ 2,668	\$ 4,960
Less Principal included in current assets	<u>\$ 2,238</u>	<u>\$ 2,292</u>
	<u>\$ 430</u>	<u>\$2,668</u>

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

2017 - \$2,238

2018 - \$ 430

5. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net 2016</u>	<u>2015</u>
Land	\$ 40,580	\$ -	\$ 40,580	\$ 40,580
Building	\$ 1,519,144	\$ 798,333	\$ 720,811	\$ 742,202
Office Furniture and equipment	\$ 61,234	\$ 51,714	\$ 9,520	\$ 9,659
Computer equipment	\$ 301,847	\$ 244,275	\$ 57,572	\$ 85,540
Automotive	\$ 152,239	\$ 142,270	\$ 9,969	\$ 26,334
	<u>\$ 2,075,044</u>	<u>\$ 1,236,592</u>	<u>\$ 838,452</u>	<u>\$ 904,315</u>
Building cost			\$ 1,519,144	\$ 1,510,501
Less: Grants Roof repair			<u>\$ (117,418)</u>	<u>\$ (117,418)</u>
			<u>\$ 1,401,726</u>	<u>\$ 1,393,083</u>
Automotive Equipment cost			\$ 152,239	\$ 152,239
Less: Government grant			<u>\$ (79,710)</u>	<u>\$ (79,710)</u>
			<u>\$ 72,529</u>	<u>\$ 72,529</u>
Computer Equipment Cost			\$ 301,846	\$ 762,429
Less: Government grant			<u>\$ (49,882)</u>	<u>\$ (49,882)</u>
			<u>\$ 251,964</u>	<u>\$ 712,547</u>

6. DEFERRED REVENUE

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

	Balance 2015	Amount Received	Amount Recognized	Balance 2016
CIP Grant Block Collection	\$ -	\$ 42,862	\$ 36,733	\$ 6,129
SALC Registration fees	\$ 2,500	\$ -	\$ 2,500	\$ -
Total Deferred	<u>\$ 2,500</u>	<u>\$ 42,862</u>	<u>\$ 39,233</u>	<u>\$ 6,129</u>

7. EMPLOYEE BENEFIT OBLIGATIONS

	<u>2016</u>	<u>2015</u>
Vacation	\$114,060	\$112,780
Health Spending Account	<u>\$ 10,735</u>	<u>\$ 14,113</u>
	<u>\$124,795</u>	<u>\$126,893</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

	<u>2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>2016</u>
Reserves Internally Restricted				
Technology Reserve	\$ 304,487			\$ 304,487
Vehicle	\$ 131,457			\$ 131,457
Building	\$ 337,573	\$ 21,781	\$ -	\$ 359,354
Operating	\$ 208,052	\$ -	\$ -	\$ 208,052
Book Allotment carry over	\$ 162,163	\$ -	\$ 687	\$ 161,476
	<u>\$ 1,143,732</u>	<u>\$ 21,781</u>	<u>\$ 687</u>	<u>\$ 1,164,826</u>
Externally Restricted Reserves				
Better Beginnings	\$ 1,749	\$ -	\$ 405	\$ 1,344
	<u>\$ 1,749</u>	<u>\$ -</u>	<u>\$ 405</u>	<u>\$ 1,344</u>

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 2015-2016 were received in 2015. 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 2015 to March 2016 are \$150,175

Interlibrary Loan Grant/Expenditures Revenue	Jan-Mar 2016	Apr-Dec 2016	Total 2016	Jan-Mar 2015	Apr-Dec 2015	Total 2015
Resource Sharing Grant from Municipal Affairs		\$151,402	\$151,402		\$146,700	\$146,700
Expenditures						
Staffing and Administrative costs	\$ 27,980	\$ 82,417	\$110,398	\$ 27,354	\$ 80,538	\$107,892
Hardware/software maintenance	\$ 8,809	\$ 26,426	\$ 35,234	\$ 16,321	\$ 31,763	\$ 48,084
Node Training & Travel	\$ -	\$ 1,085	\$ 1,085	\$ -	\$ 1,085	\$ 1,085
Total	*\$36,789	\$109,928	\$146,717	\$ 43,675	*\$113,386	\$157,061
Total Apr 2015-Mar 2016	\$150,175					

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 244,621 members and retirees and 426 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 2016 were \$162,907 (2015 - \$166,733). The current service contributions by the employees of the organization to the LAPP in 2016 were \$149,511 (2015 - \$153,189).

As at December 31, 2016 the plan disclosed an actuarial deficiency of \$923 million (2015- \$2.4 Billion).

11. FINANCIAL INSTRUMENTS

Chinook Arch is exposed to various risks through its financial instruments. The risks at December 31, 2016 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, 2016 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.

11. 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, 2016 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, 2016 is minimal.

Changes in Risk

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

12. COMPARATIVE FIGURES

Where applicable, certain 2015 comparative figures have been reclassified to conform to the financial statements presentation adopted in the current year.

13. APPROVAL OF FINANCIAL STATEMENTS

The Board and management have approved these financial statements.