

REGINA PUBLIC LIBRARY BOARD

FINANCIAL STATEMENTS

December 31, 2010

INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Members of Regina Public Library Board

We have audited the accompanying consolidated financial statements of Regina Public Library Board and its subsidiary, which comprise the consolidated statement of financial position at December 31, 2010, and the consolidated statements of operations and changes in accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Regina Public Library Board and its subsidiary as at December 31, 2010, and their financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

March 22, 2011
Regina, Saskatchewan

REGINA PUBLIC LIBRARY BOARD
Consolidated Statement of Financial Position
As at December 31

(000's)

	2010	2009
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 9,337	\$ 9,260
Accounts receivable	343	350
Total financial assets	9,680	9,610
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	1,345	819
Deferred revenue	303	386
Building lease obligation (Note 4)	749	901
Employee benefits obligations (Note 5)	1,031	1,069
Total financial liabilities	3,428	3,175
Net financial assets	6,252	6,435
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	10,034	9,228
Prepaid expenses	177	191
	10,211	9,419
Accumulated surplus (Note 7)	\$ 16,463	\$ 15,854

See accompanying notes

REGINA PUBLIC LIBRARY BOARD

Consolidated Statement of Operations and Changes in Accumulated Surplus

Year ended December 31

(000's)

	2010 Budget (Unaudited)	2010	2009
REVENUE			
City of Regina tax levy	\$ 14,105	\$ 14,161	\$ 13,695
Grants-in-lieu of taxes	982	971	916
Provincial services agreement	553	553	553
Home lottery	1,335	1,079	1,286
Capital donations	-	8	51
Other grants	411	616	826
Other revenue	537	690	489
	17,923	18,078	17,816
EXPENSES (Note 13)			
Public services	9,753	9,603	9,046
Support services	3,405	3,152	3,147
Governance	88	41	57
Administration	1,226	1,553	1,322
Home lottery	920	935	785
Amortization	2,075	2,185	2,118
Write down of tangible capital assets	-	-	77
	17,467	17,469	16,552
Surplus	456	609	1,264
Accumulated surplus, beginning of year		15,854	14,590
Accumulated surplus, end of year		\$ 16,463	\$ 15,854

See accompanying notes

REGINA PUBLIC LIBRARY BOARD
Consolidated Statement of Change in Net Financial Assets
Year ended December 31

(000's)	2010	2009
Surplus	\$ 609	\$ 1,264
Acquisition of tangible capital assets	(2,996)	(2,440)
Change in ownership of SILS tangible capital assets	5	-
Amortization of tangible capital assets	2,185	2,118
Write down of tangible capital assets	-	77
	(806)	(245)
Acquisition of prepaid expenses	(177)	(191)
Use of prepaid expenses	191	209
	14	18
(Decrease) increase in net financial assets	(183)	1,037
Net financial assets, beginning of year	6,435	5,398
Net financial assets, end of year	\$ 6,252	\$ 6,435

See accompanying notes

REGINA PUBLIC LIBRARY BOARD
Consolidated Statement of Cash Flows
Year ended December 31

(000's)

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Surplus	\$ 609	\$ 1,264
Add back non-cash items:		
Amortization of tangible capital assets	2,185	2,118
Write down of tangible capital assets	-	77
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	7	(41)
Decrease in prepaid expenses	14	18
Increase (decrease) in accounts payable	526	(181)
(Decrease) increase in deferred revenue	(83)	324
(Decrease) increase in employee benefits obligations	(38)	9
Cash provided by operating activities	3,220	3,588
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,996)	(2,440)
Change in ownership of SILS tangible capital assets	5	-
Cash applied to capital activities	(2,991)	(2,440)
FINANCING ACTIVITIES		
Debt retirement - building lease	(152)	(120)
Cash applied to financing activities	(152)	(120)
Increase in cash and cash equivalents	77	1,028
Cash and cash equivalents, beginning of year	9,260	8,232
Cash and cash equivalents, end of year	\$ 9,337	\$ 9,260

See accompanying notes

REGINA PUBLIC LIBRARY BOARD

Notes to the Consolidated Financial Statements

Year ended December 31, 2010

1. PURPOSE OF ORGANIZATION

The Regina Public Library Board (the "Library") is governed by the Public Libraries Act 1996 to facilitate equitable access to basic library services by all residents of Saskatchewan. The Library's mission is to enhance the quality of life in Regina by providing access to information for cultural, economic, educational and recreational development.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the public sector, as recommended by the Canadian Institute of Chartered Accountants ("CICA").

The preparation of the consolidated financial statements required management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, as well as the reported amount of revenues and expenses during the period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and as adjustments become necessary, they are reported in surplus in the period in which they become known.

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below:

a) Basis of consolidation

These consolidated financial statements include the accounts of the Library and the Library's proportionate share of the Saskatchewan Information & Library Services Consortium Inc. ("SILS"). In the current year, the Library's share of SILS was 22.51% (2009 - 22.80%). All intercompany transactions have been eliminated.

b) Employee benefit plans

The Library is a member of the City of Regina Civic Employee's Superannuation and Benefit Plan and the Regina Civic Employee's Long Term Disability Plan, which are multi-employer plans. The Library's contributions to the pension and disability plans are expensed as incurred.

The Library has a post-employment obligation for sick leave and severance payments earned by long service employees which is expected to be paid out upon retirement or termination. The obligations have been determined on an actuarial basis using the projected benefit method prorated on services. Experience gains/losses are amortized over the estimated average remaining service life of the employee group.

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Tangible capital assets

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

Land improvements	20 years
Buildings	20 - 50 years
Collections	8 years
Shelving	25 years
Computer hardware	3 – 5 years
Computer software	3 – 8 years
Audio visual and security	5 years
Furniture and equipment	10 years
Vehicles	8 years

Assets under construction are not amortized until the asset is available for productive use.

Leases are classified as either capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred. Assets under capital lease are included within the respective asset classification in the table above.

Purchases of works of art are expensed.

Purchases of electronic information (annual licences for access to databases) and serials/periodicals are expensed in the year of acquisition.

d) Non-financial assets

Non-financial assets are held for use in the provision of services and are not available to discharge existing liabilities. They have useful lives beyond the current year and are not intended for sale in the ordinary course of operations.

e) Revenue recognition

Taxation revenue is recognized in the fiscal period the tax assessment was levied against property owners. The City of Regina administers the assessment and collection of the Library mill rate and remits tax revenues to the Library. Tax revenues are recorded net of a provision for potential losses on outstanding assessment appeals and uncollected taxes.

Grant revenue is recognized as revenue when the funds are received unless the grant is restricted. If the grant is restricted by the contributor, the revenue is deferred and recognized when the conditions of the funding have been met.

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Revenue recognition (continued)

Home Lottery revenue is recognized on tickets sold when the final prize drawing occurs.

Donation revenue is recognized in the period in which the funds are received unless the donation is restricted. If the donation is restricted by the contributor, the revenue is deferred and recognized when the conditions of the donation have been met.

Other revenue, such as fines, interest and exhibits, is recognized when received or when goods or services have been provided.

3. CASH AND CASH EQUIVALENTS

	2010	2009
	(000's)	(000's)
Unrestricted cash and cash equivalents	\$ 4,842	\$ 3,948
SILS cash	342	347
Capital project reserve cash	3,053	3,177
Capital donation reserve cash	915	1,554
Dunlop art projects reserve cash	156	135
Home Lottery cash	-	64
Fine arts reserve cash	29	35
	\$ 9,337	\$ 9,260

The Library has an authorized line of credit available to a maximum amount of \$500,000 (2009 - \$500,000) with an assignment of accounts receivable as collateral. The Library did not draw on these funds during 2010 (2009 - \$nil).

Funds are invested in interest bearing accounts earning interest at a rate of bank prime minus 1.65% (2009 - bank prime minus 1.65%).

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2010

4. BUILDING LEASE OBLIGATION

The George Bothwell branch is located in a purpose-built building in the southland mall. The lease commenced November 16, 1994 and expires December 31, 2014.

The future minimum lease payments are:

	<u>(000's)</u>
2011	\$ 229
2012	229
2013	229
2014	209
Total minimum lease payments	896
Less: amount representing interest at 9.25%	(147)
Balance of obligation	<u>\$ 749</u>

The Library is committed to paying annual common area charges of \$41,000 (2009 - \$41,000).

5. EMPLOYEE BENEFITS OBLIGATIONS

The Library's Collective Agreement with the Canadian Union of Public Employees ("CUPE") provides for a partial pay out of accumulated sick leave credits on termination or retirement for eligible employees with at least 10 years of service. Eligible out-of-scope employees receive severance payments on termination.

An actuarial valuation of vested sick leave and severance payments was completed using the benefit method at December 31, 2010. The actuarial valuation was based on assumptions about future events including employee turnover and mortality, wage and salary increases, sick leave usage and interest rates. The discount rate used to determine the unfunded employee benefit is 4.0% (2009- 5.0%) and compensation rates are assumed to increase at an average rate of 4.6% for 2011-12 and 3.6% thereafter.

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2010

5. EMPLOYEE BENEFITS OBLIGATIONS (continued)

The Library's recorded employee benefits and benefits plan expense are disclosed below:

Accrued benefits liability	2010 (000's)	2009 (000's)
	<hr/>	<hr/>
Accrued benefits obligation, beginning of year	\$ 1,022	\$ 1,009
Current period benefit cost	72	69
Interest on accrued benefit obligation	51	51
Experience gain	(46)	-
Less: benefits paid	(158)	(107)
Accrued benefit obligation, end of year	<hr/> 941	<hr/> 1,022
Unamortized net actuarial gain	90	47
Accrued benefits liability, end of year	<hr/> \$ 1,031	<hr/> \$ 1,069

The obligation amount of \$941,000 (2009 - \$1,022,000) is unfunded and will be paid from future revenues.

Employee benefits related expense	2010 (000's)	2009 (000's)
	<hr/>	<hr/>
Benefit expense		
Current period benefit cost	\$ 72	\$ 69
Amortization of net actuarial gains	(3)	(3)
Total benefit expense	<hr/> 69	<hr/> 66
Interest expense		
Interest cost on accrued benefit obligations	51	51
Total benefit plan related expense	<hr/> \$ 120	<hr/> \$ 117

Actual benefits payments for 2010 were \$158,000 (2009 - \$107,000).

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2010

6. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2010	2009
	(000's)	(000's)
Land	\$ 185	\$ 165
Land improvements	1	1
Books, DVDs, other collections	5,207	5,247
Buildings and leasehold improvements	3,012	2,394
Furnishings and information technology	1,508	1,324
Shelving	77	88
Vehicles	44	9
	\$ 10,034	\$ 9,228

Tangible capital asset cost:

	Beginning of Year (000's)	Additions (000's)	Disposals and Write Downs (000's)	End of Year (000's)
2010				
Land	\$ 165	\$ 20	\$ -	\$ 185
Land improvements	12	-	-	12
Books, DVDs, other collections	10,756	1,293	1,485	10,564
Buildings and leasehold improvements	8,233	1,047	-	9,280
Furnishings and information technology	2,144	595	192	2,547
Shelving	602	-	-	602
Vehicles	65	41	16	90
2010 Totals	\$ 21,977	\$ 2,996	\$ 1,693	\$ 23,280
2009 Totals	\$ 21,318	\$ 2,440	\$ 1,781	\$ 21,977

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2010

6. TANGIBLE CAPITAL ASSETS (continued)

Accumulated amortization:

	Beginning of Year <u>(000's)</u>	Amortization Expense <u>(000's)</u>	Disposals and Write Downs <u>(000's)</u>	End of Year <u>(000's)</u>
2010				
Land improvements	\$ 11	\$ -	\$ -	\$ 11
Books, DVDs, other collections	5,509	1,333	1,485	5,357
Buildings and leasehold improvements	5,839	429	-	6,268
Furnishings and information technology	820	405	186	1,039
Shelving	514	11	-	525
Vehicles	56	7	17	46
2010 Totals	\$ 12,749	\$ 2,185	\$ 1,688	\$ 13,246
2009 Totals	\$ 12,335	\$ 2,118	\$ 1,704	\$ 12,749

The Library purchased and expensed \$15,000 of works of art in 2010 (2009 - \$18,000).

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2010

7. ACCUMULATED SURPLUS

The Board of Directors has established internally restricted reserves for specific, future purposes. These appropriated reserves may be used or increased at the discretion of the Board of Directors. The summary of appropriated and unappropriated surplus is as follows:

	2010	2009
	(000's)	(000's)
Appropriated surplus:		
Capital project reserve	\$ 3,294	\$ 3,266
Capital donation reserve	769	1,638
Operating reserve	1,705	1,705
Technology reserve	950	950
Dunlop art projects reserve	98	79
Fine arts reserve	26	34
SILS	55	28
	6,897	7,700
Obligations to be funded from future revenues:		
Employee benefits obligations	(941)	(1,022)
Building lease obligation	(749)	(901)
	(1,690)	(1,923)
Investment in tangible capital assets	10,034	9,228
Unappropriated surplus	1,222	849
Accumulated surplus	\$ 16,463	\$ 15,854

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2010

8. COMMITMENTS AND CONTINGENCIES

a) Operating leases

The Library is committed to the following payments for operating leases and service agreements:

	Regent Place Branch lease <u>(000's)</u>	Other <u>(000's)</u>	Total <u>(000's)</u>
2011	\$ 134	\$ 143	\$ 277
2012	11	93	104
2013	-	6	6
Total lease payments	\$ 145	\$ 242	\$ 387

b) Home lottery

The Library has committed \$728,000 (2009 - \$756,000) in prize and fee costs for the 2011 Home Lottery. Prizes will be awarded on May 4, 2011.

c) Land purchases

The Library has an agreement to purchase land in Regina. The outstanding amount on the contract is \$140,000.

d) Branch construction

The Library has outstanding contractual commitments with respect to the construction of the new Prince of Wales branch in the amount of \$750,000.

9. INVESTMENT IN GOVERNMENT PARTNERSHIPS

SILS was incorporated in 2009 as a non-profit membership corporation by the ten public library systems in Saskatchewan. The purpose of SILS is to develop and maintain a single integrated library information system and provide a common experience for library users throughout the province. SILS is funded by grants from the Ministry of Education and member libraries. The member libraries share in annual operating expenses based on a service level formula.

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2010

9. INVESTMENT IN GOVERNMENT PARTNERSHIPS (continued)

The condensed supplementary financial information of SILS is as follows:

	2010	2009
	(000's)	(000's)
Statement of Financial Position		
Financial assets	\$ 1,717	\$ 1,859
Financial liabilities	1,647	1,654
Net financial assets	70	205
Non-financial assets		
Prepaid	8	-
Tangible capital assets	2,476	1,748
	2,484	1,748
Accumulated surplus	\$ 2,554	\$ 1,953
Statement of Operations		
Revenue	\$ 1,524	\$ 2,396
Expenses	923	443
Surplus	\$ 601	\$ 1,953

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2010

9. INVESTMENT IN GOVERNMENT PARTNERSHIPS (continued)

The financial statements shown above are proportionately consolidated with the Library financial statements at 22.51% (2009 - 22.80%) representing the Library's interest in SILS. After eliminating inter-company transactions, the following amounts have been included in the consolidated financial statements:

	2010	2009
	(000's)	(000's)
Statement of Financial Position		
Financial assets	\$ 374	\$ 295
Financial liabilities	358	249
Net financial assets	16	46
Non-financial assets	559	320
Accumulated surplus	\$ 575	\$ 366
Statement of Operations		
Revenue	\$ 309	\$ 457
Expenses	100	91
Surplus	\$ 209	\$ 366

In the event that SILS is dissolved, the Library is responsible for its share of any costs in excess of the net assets of SILS. At December 31, 2010, SILS plans to continue operations for the foreseeable future.

10. PENSION AND BENEFIT PLANS

The Library is a member of the City of Regina Civic Employee's Superannuation and Benefit Plan (the "Plan") which is overseen by its own Administrative Board. All eligible permanent employees of the Library are members of the Plan. This multi-employer plan provides defined retirement benefits and is integrated with the Canada Pension Plan ("CPP"). The Plan provides a lifetime monthly pension based on an employee's years of service and the average of their best three consecutive years of earnings. During 2010 employees contributed 9.42% (2009 - 9.42%) of their earnings below the CPP maximum and 13.96% (2009 - 13.96%) of earnings above the CPP maximum. The Library matches employee contributions.

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2010

10. PENSION AND BENEFIT PLANS (continued)

Preliminary financial statement projections as at December 31, 2010 indicate the plan had a deficit (unfunded liability) of net assets available to pay accrued pension benefits of \$209,006,000 (2009 - \$207,251,000). The plan is a multi-employer defined benefit plan, therefore neither benefits nor contributions are segregated by employer. The Plan managers have been unable to determine the portion of the unfunded liability attributable to each employer. Accordingly, no portion of the deficiency has been recognized as a liability or expense in the financial statements.

The Plan has been accounted for using the method appropriate for defined contribution plans and, as such, the amount of pension expense is equal to the contributions required for the year. Pension costs of \$743,000 (2009 - \$758,000) were expensed during 2010.

11. LONG TERM DISABILITY BENEFIT PLAN

The Library is a member of the Regina Civic Employee's Long Term Disability Plan ("Disability Plan"). Preliminary financial statement projections as of December 31, 2010 indicate a surplus of net assets available for benefits of \$13,760,000 (2009 - \$11,735,000).

The Disability Plan is a multi-employer plan and consequently, identification of individual employer's assets is not available from the Plan managers. Accordingly, no portion of the surplus has been recognized as an asset or expense reduction in the financial statements. The Plan has been accounted for using the method appropriate for defined contribution plans and, as such, the amount of benefit expense is equal to the contributions required for the year. Contribution rates for 2010 were 0.92% for both employees and employers (2009 - 1.04%). The Library recorded disability premium costs of \$73,000 for 2010 (2009 - \$78,000).

12. RELATED PARTY TRANSACTIONS

The following related party transactions with the City of Regina are included in the consolidated financial statements:

	2010	2009
	(000's)	(000's)
	<hr/>	<hr/>
Accounts receivable	\$ 108	\$ 100
Accounts payable and accrued liabilities	147	94
Expenses	399	382

These transactions occurred during the normal course of operations at fair market value.

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2010

13. EXPENSES BY OBJECT

	2010 Budget (000's)	2010 (000's)	2009 (000's)
	(Unaudited)		
Wages, benefits and honoraria	\$ 10,326	\$ 10,133	\$ 9,831
Purchased goods and services	5,013	5,023	4,387
Interest	53	128	139
Amortization	2,075	2,185	2,118
Write down of tangible capital asset	-	-	77
	\$ 17,467	\$ 17,469	\$ 16,552

14. LIBRARY MATERIAL EXPENSES

	2010 Budget (000's)	2010 (000's)	2009 (000's)
	(Unaudited)		
Books	\$ 1,033	\$ 955	\$ 1,039
E-audio books	25	18	31
DVDs	178	230	217
Sound recordings	111	90	86
	\$ 1,347	\$ 1,293	\$ 1,373

Purchases of serials/periodicals of \$123,000 (2009 - \$111,000) and electronic information of \$166,000 (2009 - \$165,000) were expensed during the year.

15. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.