

REGINA PUBLIC LIBRARY BOARD

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of the Regina Public Library Board:

We have audited the accompanying financial statements of Regina Public Library Board, which comprise the statement of financial position at December 31, 2014, and the statements of operations, 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 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.

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 Regina Public Library Board as at December 31, 2014, and the results of its operations, changes in its net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants

April 30, 2015
Regina, Saskatchewan

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

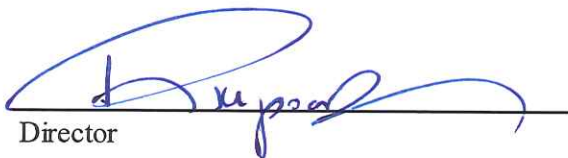
(000's)

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 11,462	\$ 10,609
Accounts receivable	400	302
Total financial assets	11,862	10,911
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	1,646	1,523
Deferred revenue	57	173
Building lease obligation	-	200
Employee benefits obligations (Note 4)	1,073	1,087
Total financial liabilities	2,776	2,983
Net financial assets	9,086	7,928
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	11,534	11,460
Prepaid expenses	418	333
	11,952	11,793
Accumulated surplus (Note 6)	\$ 21,038	\$ 19,721

See accompanying notes



Director



Director

REGINA PUBLIC LIBRARY BOARD

Consolidated Statement of Operations and Changes in Accumulated Surplus Year ended December 31

(000's)

	2014	2014	2013
	Budget		
	(Unaudited)		
REVENUE			
City of Regina tax levy	\$ 17,314	\$ 17,679	\$ 16,594
Grants-in-lieu of taxes	1,235	1,210	1,224
Provincial services agreement	592	597	592
Home lottery	-	-	439
Capital donations	7	2	2
Other grants	295	417	331
Other revenue	684	674	637
Gain on disposal of tangible capital assets	-	3	-
	20,127	20,582	19,819
EXPENSES (Note 11)			
Public services	12,137	11,506	10,770
Support services	3,695	3,875	3,400
Governance	105	98	68
Administration	1,237	1,491	1,481
Home lottery	-	-	665
Amortization	2,301	2,295	2,146
	19,475	19,265	18,530
Surplus	652	1,317	1,289
Accumulated surplus, beginning of year		19,721	18,432
Accumulated surplus, end of year		\$ 21,038	\$ 19,721

See accompanying notes

REGINA PUBLIC LIBRARY BOARD

Consolidated Statement of Change in Net Financial Assets

Year ended December 31

(000's)	<u>2014</u>	<u>2013</u>
Surplus	\$ 1,317	\$ 1,289
Acquisition of tangible capital assets	(2,380)	(2,206)
Change in ownership of SILS	1	3
Amortization of tangible capital assets	2,295	2,146
Proceeds on sale of tangible capital assets	13	-
Gain on disposal of tangible capital assets	(3)	-
	(74)	(57)
Acquisition of prepaid expenses	(418)	(243)
Use of prepaid expenses	333	219
	(85)	(24)
Increase in net financial assets	1,158	1,208
Net financial assets, beginning of year	7,928	6,720
Net financial assets, end of year	\$ 9,086	\$ 7,928

See accompanying notes

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

(000's)	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Surplus	\$ 1,317	\$ 1,289
Add back non-cash items:		
Amortization of tangible capital assets	2,295	2,146
Gain on disposal of tangible capital assets	(3)	-
Change in ownership of SILS	1	3
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivable	(98)	252
(Increase) in prepaid expenses	(85)	(24)
Increase (decrease) in accounts payable	123	(19)
(Decrease) increase in deferred revenue	(116)	75
(Decrease) increase in employee benefits obligations	(14)	56
Cash provided by operating activities	3,420	3,778
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,380)	(2,206)
Proceeds on sale of tangible capital assets	13	-
Cash applied to capital activities	(2,367)	(2,206)
FINANCING ACTIVITIES		
Debt retirement - building lease	(200)	(200)
Cash applied to financing activities	(200)	(200)
Increase in cash and cash equivalents	853	1,372
Cash and cash equivalents, beginning of year	10,609	9,237
Cash and cash equivalents, end of year	\$ 11,462	\$ 10,609

See accompanying notes

REGINA PUBLIC LIBRARY BOARD

Notes to the Consolidated Financial Statements

Year ended December 31, 2014

1. PURPOSE OF THE 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 public sector accounting standards, as recommended by the Chartered Professional Accountants of Canada (CPA Canada).

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 21.72% (2013 – 21.86%). All intercompany transactions have been eliminated.

b) Employee benefit plans

The Library is a member of the City of Regina Civic Employees' Superannuation and Benefit Plan and the Regina Civic Employees' 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, 2014

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 is amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	20 - 50 years
Leasehold improvements	lease term
Furnishings and information technology:	
Furniture and equipment	10 years
Audio visual and security	5 years
Computer hardware	3 – 5 years
Computer software	3 – 8 years
Land improvements	20 years
Library Materials	8 years
Shelving	25 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 licenses for access to databases) and serials/periodicals are expensed over the subscription period.

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.

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Revenue recognition (continued)

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

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.

The amount reported in these financial statements as grant revenue from the Saskatchewan Arts Board is made up of a combination of Lottery and non-Lottery funding. This is made possible through the Partnership Agreement between the Saskatchewan Arts Board and SaskCulture Inc., which is the Trustee for the Culture Section of Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation. Under the terms of this agreement for the applicable period, SaskCulture allocated a specified amount of Lottery funds to the Saskatchewan Arts Board as a portion of the total envelope of funds available for the program(s) through which this grant was adjudicated and approved.

f) Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The organization has minimal credit risk since it has minimal accounts receivable.

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. The staff on behalf Regina Public Library manages liquidity risk by continually monitoring cash flow requirements to ensure that it has sufficient funds to meet obligations when they become due.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

The company is not exposed to significant interest rate risk.

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2014

3. CASH AND CASH EQUIVALENTS

	2014	2013
	(000's)	(000's)
Unrestricted cash and cash equivalents	\$ 7,677	\$ 6,548
SILS cash	378	466
Capital project reserve cash	3,225	3,181
Capital donation reserve cash	32	31
Dunlop art projects reserve cash	130	347
Fine arts reserve cash	20	36
	\$ 11,462	\$ 10,609

The Library has an authorized line of credit available to a maximum amount of \$500,000 (2013 - \$500,000) with an assignment of accounts receivable as collateral. The Library did not draw on these funds during the year (2013 - \$nil).

Funds are invested in interest bearing accounts earning interest at a rate of bank prime minus 1.65% (2013 - bank prime minus 1.65%).

4. 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 projected benefit method at December 31, 2013. 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 2.4% (2013- 3.0%). Compensation rates for In-scope employees are assumed to increase at an average rate of 3.6% per annum, while compensation rates for Out-of-scope employees are assumed to increase at an average rate of 5.5% per annum for 2015, and 4.5% per annum thereafter.

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2014

4. EMPLOYEE BENEFITS OBLIGATIONS (continued)

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

Accrued benefits liability	2014 (000's)	2013 (000's)
	<hr/>	<hr/>
Accrued benefits obligation, beginning of year	\$ 1,056	\$ 957
Current period benefit cost	81	77
Interest on accrued benefit obligation	32	40
Experience (gain) loss	(8)	35
Less: benefits paid	(122)	(53)
Accrued benefit obligation, end of year	<hr/> 1,039	<hr/> 1,056
Unamortized net actuarial gain	34	31
Accrued benefits liability, end of year	<hr/> \$ 1,073	<hr/> \$ 1,087

The obligation amount of \$1,039,000 (2013 - \$1,056,000) is unfunded and will be paid from future revenues.

Employee benefits related expense	2014 (000's)	2013 (000's)
	<hr/>	<hr/>
Benefit expense		
Current period benefit cost	\$ 81	\$ 77
Amortization of net actuarial gains	(4)	(8)
Total benefit expense	<hr/> 77	<hr/> 69
Interest expense		
Interest cost on accrued benefit obligations	<hr/> 32	<hr/> 40
Total benefit plan related expense	<hr/> \$ 109	<hr/> \$ 109

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2014

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2014	2013
	(000's)	(000's)
Buildings and leasehold improvements	\$ 3,219	\$ 3,369
Construction in progress	90	-
Furnishings and information technology	1,701	1,844
Land	331	331
Land improvements	144	78
Library Materials	5,783	5,666
Shelving	186	146
Vehicles	80	26
	\$ 11,534	\$ 11,460

Tangible capital asset cost:

	Beginning of Year (000's)	Additions (000's)	Disposals and Write Downs (000's)	End of Year (000's)
2014				
Buildings and leasehold improvements	\$ 10,613	\$ 130	\$ -	\$ 10,743
Construction in progress	-	90	-	90
Furnishings and information technology	3,493	468	278	3,683
Land	331	-	-	331
Land improvements	97	72	-	169
Library Materials (Note 12)	10,912	1,495	1,258	11,149
Shelving	637	50	-	687
Vehicles	90	75	20	145
2014 Totals	\$ 26,173	\$ 2,380	\$ 1,556	\$ 26,997
2013 Totals	\$ 25,672	\$ 2,206	\$ 1,705	\$ 26,173

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2014

5. 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>
2014				
Buildings and leasehold improvements	\$ 7,244	\$ 280	\$ -	\$ 7,524
Furnishings and information technology	1,649	611	278	1,982
Land improvements	19	6	-	25
Library Materials	5,246	1,378	1,258	5,366
Shelving	491	10	-	501
Vehicles	64	10	9	65
2014 Totals	\$ 14,713	\$ 2,295	\$ 1,545	\$ 15,463
2013 Totals	\$ 14,269	\$ 2,146	\$ 1,702	\$ 14,713

The Library purchased and expensed works of art of \$7,180 during the year (2013 - \$3,420).

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2014

6. 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:

	2014	2013
	(000's)	(000's)
Appropriated surplus:		
Capital project reserve	\$ 4,694	\$ 4,137
Capital donation reserve	(179)	(181)
North Central Shared Facility reserve	1,281	1,081
Operating reserve	1,705	1,705
Technology reserve	950	950
Dunlop art projects reserve	164	214
Fine arts reserve	7	37
SILS	315	293
	8,937	8,236
Obligations to be funded from future revenues:		
Employee benefits obligations	(1,039)	(1,056)
Building lease obligation	-	(200)
	(1,039)	(1,256)
Investment in tangible capital assets	11,534	11,460
Unappropriated surplus	1,606	1,281
Accumulated surplus	\$ 21,038	\$ 19,721

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2014

7. COMMITMENTS AND CONTINGENCIES

a) Operating leases

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

	George Bothwell Branch lease <u>(000's)</u>	Regent Place Branch lease <u>(000's)</u>	Other <u>(000's)</u>	Total <u>(000's)</u>
2015	\$ 243	\$ 151	\$ 164	\$ 558
2016	243	151	11	405
2017	243	169	7	419
2018	243	186	3	432
2019	243	186	-	429
Total payments	\$ 1,215	\$ 843	\$ 185	\$ 2,243

b) Branch construction

The Library has entered into a development agreement with the City of Regina and the Board of Education of the Regina School Division No. 4 Saskatchewan to construct an integrated educational/library/community facility in the North Central area of the City of Regina. Construction will begin in 2015 and will be completed in 2017. As of the end of the year, \$90,000 (2013 - \$90,000) was contributed to the project and was used for project design and management of the facility and was capitalized in the Library's financial statements. The total commitment to the project is estimated at \$2,500,000 (2013 - \$2,500,000).

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2014

8. 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.

The condensed supplementary financial information of SILS is as follows:

	2014	2013
	<u>(000's)</u>	<u>(000's)</u>
Statement of Financial Position		
Financial assets	\$ 2,044	\$ 2,225
Financial liabilities	767	833
Net financial assets	<u>1,277</u>	<u>1,392</u>
Non-financial assets:		
Tangible capital assets	339	1,071
Prepaid expenses	320	11
	<u>659</u>	<u>1,082</u>
Accumulated surplus	<u>\$ 1,936</u>	<u>\$ 2,474</u>
Statement of Operations		
Revenue	\$ 1,208	\$ 1,213
Expenses	1,746	1,396
(Deficit)	<u>\$ (538)</u>	<u>\$ (183)</u>

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2014

8. INVESTMENT IN GOVERNMENT PARTNERSHIPS (continued)

The financial statements shown are proportionately consolidated with the Library financial statements at 21.72% (2013 – 21.86%) representing the Library’s interest in SILS. After eliminating inter-company transactions, the following amounts have been included in the consolidated financial statements:

	2014	2013
	(000's)	(000's)
Statement of Financial Position		
Financial assets	\$ 433	\$ 474
Financial liabilities	155	170
Net financial assets	278	304
Non-financial assets:		
Tangible capital assets	74	234
Prepaid expenses	70	2
	144	236
Accumulated surplus	\$ 422	\$ 540
Statement of Operations		
Revenue	\$ 214	\$ 218
Expenses	334	264
(Deficit)	\$ (120)	\$ (46)

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, 2014, SILS plans to continue operations for the foreseeable future.

9. PENSION AND BENEFIT PLANS

The Library is a member of the City of Regina Civic Employees’ 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 the year, employees contributed 9.42% (2013 - 9.42%) of their earnings below the CPP maximum and 13.96% (2013 - 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, 2014

9. PENSION AND BENEFIT PLANS (continued)

Preliminary financial statement projections as at December 31, 2014 indicate the plan had a deficit (unfunded liability) of net assets available to pay accrued pension benefits of \$70,410,000 (2013 - \$117,911,000). 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 \$832,000 (2013 - \$828,000) were expensed during the year.

10. LONG TERM DISABILITY BENEFIT PLAN

The Library is a member of the Regina Civic Employees' Long Term Disability Plan ("Disability Plan"). Preliminary financial statement projections as of December 31, 2014 indicate a surplus of net assets available for benefits of \$24,154,000 (2013 - \$21,727,000).

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 the current year were 0.92% for both employees and employers (2013 - 0.92%). The Library recorded disability premium costs of \$75,000 for the year (2013 - \$75,000).

11. EXPENSES BY OBJECT

	2014	2014	2013
	Budget	(000's)	(000's)
	(000's)	(000's)	(000's)
	(Unaudited)		
Wages, benefits and honoraria	\$ 12,141	\$ 11,650	\$ 10,948
Purchased goods and services	4,978	5,278	5,367
Interest	55	42	69
Amortization	2,301	2,295	2,146
	\$ 19,475	\$ 19,265	\$ 18,530

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2014

12. LIBRARY MATERIALS

	2014		2014		2013
	Budget		(000's)		(000's)
	(000's)		(000's)		(000's)
	(Unaudited)				
Books	\$ 984	\$	1,009	\$	1,035
E-audio & E-books	114		196		120
DVDs	198		194		213
Sound recordings	94		96		96
	\$ 1,390	\$	1,495	\$	1,464

Purchases of serials/periodicals of \$125,000 (2013 - \$120,000) and electronic information of \$277,000 (2013 - \$228,000) were expensed during the year.