

REGINA PUBLIC LIBRARY BOARD

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

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, 2015, and the 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 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, 2015, 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.



Chartered Professional Accountants, Chartered Accountants
Licensed Chartered Professional Accountants

March 29, 2016
Regina, Saskatchewan

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

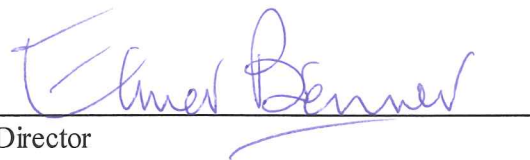
(000's)

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash (Note 3)	\$ 12,880	\$ 11,462
Accounts receivable	309	400
Total financial assets	13,189	11,862
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	1,531	1,646
Deferred revenue	34	57
Employee benefits obligations (Note 4)	1,096	1,073
Total financial liabilities	2,661	2,776
Net financial assets	10,528	9,086
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	12,176	11,534
Prepaid expenses	525	418
	12,701	11,952
Accumulated surplus (Note 6)	\$ 23,229	\$ 21,038

See accompanying notes



Director



Director

REGINA PUBLIC LIBRARY BOARD

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

(000's)

	<u>2015</u> <u>Budget</u>	<u>2015</u>	<u>2014</u>
REVENUE			
City of Regina tax levy	\$ 18,069	\$ 18,509	\$ 17,679
Grants-in-lieu of taxes	1,267	1,189	1,210
Provincial services agreement	598	597	597
Capital donations	4	159	2
Other grants	301	393	417
Other revenue	674	652	674
Gain on disposal of tangible capital assets	-	-	3
	<u>20,913</u>	<u>21,499</u>	<u>20,582</u>
EXPENSES (Note 11)			
Public services	12,414	12,095	11,506
Support services	4,138	3,502	3,875
Governance	127	90	98
Administration	1,409	1,404	1,491
Amortization	2,447	2,217	2,295
	<u>20,535</u>	<u>19,308</u>	<u>19,265</u>
Surplus	378	2,191	1,317
Accumulated surplus, beginning of year		21,038	19,721
Accumulated surplus, end of year		\$ 23,229	\$ 21,038

See accompanying notes

REGINA PUBLIC LIBRARY BOARD

Consolidated Statement of Change in Net Financial Assets

Year ended December 31

(000's)

	<u>2015</u>	<u>2014</u>
Surplus	\$ 2,191	\$ 1,317
Acquisition of tangible capital assets	(2,859)	(2,380)
Change in ownership of SILS	-	1
Amortization of tangible capital assets	2,217	2,295
Proceeds on sale of tangible capital assets	-	13
Gain on disposal of tangible capital assets	-	(3)
	(642)	(74)
Acquisition of prepaid expenses	(525)	(418)
Use of prepaid expenses	418	333
	(107)	(85)
Increase in net financial assets	1,442	1,158
Net financial assets, beginning of year	9,086	7,928
Net financial assets, end of year	\$ 10,528	\$ 9,086

See accompanying notes

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

(000's)	<u>2015</u>	<u>2014</u>
OPERATING ACTIVITIES		
Surplus	\$ 2,191	\$ 1,317
Add back non-cash items:		
Amortization of tangible capital assets	2,217	2,295
Gain on disposal of tangible capital assets	-	(3)
Change in ownership of SILS	-	1
Changes in non-cash working capital items:		
Increase (decrease) in accounts receivable	91	(98)
(Increase) in prepaid expenses	(107)	(85)
(Decrease) increase in accounts payable and accrued liabilities	(115)	123
(Decrease) in deferred revenue	(23)	(116)
Increase (decrease) in employee benefits obligations	23	(14)
Cash provided by operating activities	4,277	3,420
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,859)	(2,380)
Proceeds on sale of tangible capital assets	-	13
Cash applied to capital activities	(2,859)	(2,367)
FINANCING ACTIVITIES		
Debt retirement - building lease	-	(200)
Cash applied to financing activities	-	(200)
Increase in cash and cash equivalents	1,418	853
Cash and cash equivalents, beginning of year	11,462	10,609
Cash and cash equivalents, end of year	\$ 12,880	\$ 11,462

See accompanying notes

REGINA PUBLIC LIBRARY BOARD

Notes to the Consolidated Financial Statements

Year ended December 31, 2015

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 21.78% (2014 – 21.72%). 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 multiemployer 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, 2015

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, 2015

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, 2015

3. CASH

	2015	2014
	(000's)	(000's)
Unrestricted cash	\$ 12,378	\$ 7,677
SILS cash	362	378
Capital project reserve cash	-	3,225
Capital donation reserve cash	-	32
Dunlop art projects reserve cash	140	130
Fine arts reserve cash	-	20
	\$ 12,880	\$ 11,462

The Library has an authorized line of credit available to a maximum amount of \$500,000 (2014 - \$500,000) with an assignment of accounts receivable as collateral. The Library did not draw on these funds during the year (2014 - \$nil).

Funds are invested in interest bearing accounts earning interest at a rate of 1.05% (2014 - 1.35%).

The Capital project reserve cash, Capital donation reserve cash, and Fine arts reserve cash accounts were closed in 2015 and balances transferred to the Unrestricted cash account. Separate bank accounts are not necessary to track reserve balances.

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 2.2% (2014- 2.4%). Compensation rates for In-scope employees are assumed to increase at an average rate of 3.0% per annum for 2016 and 2107, and 2.5% per annum thereafter, while compensation rates for Out-of-scope employees are assumed to increase at an average rate of 3.5% per annum.

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2015

4. EMPLOYEE BENEFITS OBLIGATIONS (continued)

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

Accrued benefits liability	2015	2014
	<u>(000's)</u>	<u>(000's)</u>
Accrued benefits obligation, beginning of year	\$ 1,039	\$ 1,056
Current period benefit cost	84	81
Interest on accrued benefit obligation	26	32
Experience (gain) loss	(58)	(8)
Less: benefits paid	(82)	(122)
Accrued benefit obligation, end of year	1,009	1,039
Unamortized net actuarial gain	87	34
Accrued benefits liability, end of year	\$ 1,096	\$ 1,073

The obligation amount of \$1,009,000 (2014 - \$1,039,000) is unfunded and will be paid from future revenues.

Employee benefits related expense	2015	2014
	<u>(000's)</u>	<u>(000's)</u>
Benefit expense		
Current period benefit cost	\$ 84	\$ 81
Amortization of net actuarial gains	(5)	(4)
Total benefit expense	79	77
Interest expense		
Interest cost on accrued benefit obligations	26	32
Total benefit plan related expense	\$ 105	\$ 109

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2015

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2015	2014
	(000's)	(000's)
Buildings and leasehold improvements	\$ 3,038	\$ 3,219
Construction in progress	790	90
Furnishings and information technology	1,708	1,701
Land	331	331
Land improvements	139	144
Library Materials	5,828	5,783
Shelving	248	186
Vehicles	94	80
	\$ 12,176	\$ 11,534

Tangible capital asset cost:

	Beginning of		Disposals and	
	Year	Additions	Write Downs	End of Year
	(000's)	(000's)	(000's)	(000's)
2015				
Buildings and leasehold improvements	\$ 10,743	\$ 25	\$ -	10,768
Construction in progress	90	700	-	790
Furnishings and information technology	3,683	577	255	4,005
Land	331	-	-	331
Land improvements	169	3	-	172
Library Materials (Note 12)	11,149	1,451	1,253	11,347
Shelving	687	75	-	762
Vehicles	145	28	-	173
2015 Totals	\$ 26,997	\$ 2,859	\$ 1,508	\$ 28,348
2014 Totals	\$ 26,173	\$ 2,380	\$ 1,556	\$ 26,997

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2015

5. TANGIBLE CAPITAL ASSETS (continued)

Accumulated amortization:

	Beginning of Year (000's)	Amortization Expense (000's)	Disposals and Write Downs (000's)	End of Year (000's)
2015				
Buildings and leasehold improvements	\$ 7,524	\$ 206	\$ -	\$ 7,730
Furnishings and information technology	1,982	570	255	2,297
Land improvements	25	8	-	33
Library Materials	5,366	1,406	1,253	5,519
Shelving	501	13	-	514
Vehicles	65	14	-	79
2015 Totals	\$ 15,463	\$ 2,217	\$ 1,508	\$ 16,172
2014 Totals	\$ 14,713	\$ 2,295	\$ 1,545	\$ 15,463

The Library purchased and expensed works of art of \$14,623 during the year (2014 - \$7,180).

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2015

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:

	2015	2014
	(000's)	(000's)
Appropriated surplus:		
Capital project reserve	\$ 6,611	\$ 4,694
Capital donation reserve	-	(179)
North Central Shared Facility reserve	1,661	1,281
Operating reserve	1,705	1,705
Technology reserve	950	950
Dunlop art projects reserve	109	164
Fine arts reserve	11	7
SILS	297	315
	11,344	8,937
Obligations to be funded from future revenues:		
Employee benefits obligations	(1,009)	(1,039)
	(1,009)	(1,039)
Investment in tangible capital assets	12,176	11,534
Unappropriated surplus	718	1,606
Accumulated surplus	\$ 23,229	\$ 21,038

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2015

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 (000's)	Regent Place Branch lease (000's)	Other (000's)	Total (000's)
2016	\$ 243	\$ 151	\$ 31	\$ 425
2017	325	169	25	519
2018	325	186	20	531
2019	325	186	8	519
2020	325	186	-	511
Total payments	\$ 1,543	\$ 878	\$ 84	\$ 2,505

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 began in 2015 and will be completed in 2017. As of the end of the year, \$761,000 (2014 - \$90,000) was contributed to the project and was used for project design, management of the facility and construction. It was capitalized in the Library's financial statements. The total commitment to the project is estimated at \$2,500,000 (2014 - \$2,500,000).

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2015

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:

	2015	2014
	(000's)	(000's)
Statement of Financial Position		
Financial assets	\$ 1,881	\$ 2,044
Financial liabilities	671	767
Net financial assets	1,210	1,277
Non-financial assets:		
Tangible capital assets	3	339
Prepaid expenses	317	320
	320	659
Accumulated surplus	\$ 1,530	\$ 1,936
Statement of Operations		
Revenue	\$ 1,377	\$ 1,208
Expenses	1,783	1,746
(Deficit)	\$ (406)	\$ (538)

REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2015

8. INVESTMENT IN GOVERNMENT PARTNERSHIPS (continued)

The financial statements shown are proportionately consolidated with the Library financial statements at 21.78% (2014 – 21.72%) representing the Library’s interest in SILS. After eliminating inter-company transactions, the following amounts have been included in the consolidated financial statements:

	2015	2014
	(000's)	(000's)
Statement of Financial Position		
Financial assets	\$ 398	\$ 433
Financial liabilities	135	155
Net financial assets	263	278
Non-financial assets:		
Tangible capital assets	-	74
Prepaid expenses	69	70
	69	144
Accumulated surplus	\$ 332	\$ 422
Statement of Operations		
Revenue	\$ 250	\$ 214
Expenses	338	334
(Deficit)	\$ (88)	\$ (120)

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, 2015, 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 multiemployer 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% (2014 - 9.42%) of their earnings below the CPP maximum and 13.96% (2014 - 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, 2015

9. PENSION AND BENEFIT PLANS (continued)

The financial statements 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 multiemployer 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 \$914,000 (2014 - \$832,000) 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"). The financial statements 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 multiemployer 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 (2014 - 0.92%). The Library recorded disability premium costs of \$82,000 for the year (2014 - \$75,000).

11. EXPENSES BY OBJECT

	2015		
	Budget	2015	2014
	(000's)	(000's)	(000's)
	<hr/>	<hr/>	<hr/>
Wages, benefits and honoraria	\$ 12,563	\$ 11,983	\$ 11,650
Purchased goods and services	5,485	5,082	5,278
Interest	40	26	42
Amortization	2,447	2,217	2,295
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	\$ 20,535	\$ 19,308	\$ 19,265
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REGINA PUBLIC LIBRARY BOARD
Notes to the Consolidated Financial Statements
Year ended December 31, 2015

12. LIBRARY MATERIALS

	2015 Budget (000's)	2015 (000's)	2014 (000's)
Books	\$ 1,000	\$ 962	\$ 1,009
E-audio & E-books	170	201	196
DVDs	198	202	194
Sound recordings	82	86	96
	\$ 1,450	\$ 1,451	\$ 1,495

Purchases of serials/periodicals of \$129,000 (2014 - \$125,000) and electronic information of \$307,000 (2014 - \$277,000) were expensed during the year.