

PALLISER REGIONAL LIBRARY

FINANCIAL STATEMENTS

DECEMBER 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Palliser Regional Library:

We have audited the accompanying consolidated financial statements of Palliser Regional Library, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, 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 public sector accounting standards, 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 organization'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 organization'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 Palliser Regional Library as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants, LLP

Swift Current, Saskatchewan
April 2, 2015

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The library board is composed of appointed officials who are not employees of the Library. The board is responsible for overseeing management in the performance of its financial reporting responsibilities. The board fulfils these responsibilities by reviewing the financial information prepared by the administration and discussing relevant matters with external auditors. The board is also responsible for recommending the appointment of the Library's external auditors.

Stark & Marsh, Chartered Accountants, LLP, an independent firm of Chartered Accountants, is appointed by the board to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the board and administration to discuss their audit findings.

Board Chairperson

Library Director

**Palliser Regional Library
Consolidated Statement of Financial Position
As at December 31, 2014**

Statement 1

	2014	2013
ASSETS		
Financial Assets		
Cash	\$ 841,751	\$ 744,516
Investments	308,199	336,246
Accounts Receivable	38,453	32,458
Member Deposits	47,470	47,210
	<u>1,235,873</u>	<u>1,160,430</u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	126,974	127,228
Vacation Pay	105,232	102,974
Unearned Revenue	589,792	544,165
Total Liabilities	<u>821,998</u>	<u>774,367</u>
NET FINANCIAL ASSETS	413,875	386,063
Non-Financial Assets		
Tangible Capital Assets (Schedule 1)	1,541,509	1,599,978
Prepaid Expenses	16,274	710
Total Non-Financial Assets	<u>1,557,783</u>	<u>1,600,688</u>
Accumulated Surplus	<u>\$ 1,971,658</u>	<u>\$ 1,986,751</u>

Director

Director

Palliser Regional Library
Consolidated Statement of Operations and Accumulated Surplus (Deficit)
As at December 31, 2014

Statement 2

	2014 Budget (unaudited)	2014	2013
Revenues			
Provincial Operating Grant	\$ 685,708	687,086	\$ 680,117
Municipal Grants	1,363,337	1,376,833	1,364,458
Other Grants	4,500	17,676	73,233
Donations	1,700	28,398	15,541
Special contracts	22,845	15,050	22,575
Interest		6,198	10,168
SILS Revenues (Note 6)	61,896	59,008	65,464
Other	3,500	17,288	17,098
	<u>2,143,486</u>	<u>2,207,536</u>	<u>2,248,654</u>
Expenses			
Governance (Schedule 2-1)	16,676	15,779	14,969
Administration (Schedule 2-1)	188,021	518,061	504,639
Services to Branches (Schedule 2-1)	409,304	383,473	385,529
Regional Resource Centre (Schedule 2-1)	1,001,580	801,988	803,020
Area Branch Services (Schedule 2-2)	81,186	72,314	69,814
Local Branch Services (Schedule 2-2)	384,822	328,516	315,345
SILS Expenses (Note 6)	72,372	88,833	78,461
	<u>2,153,962</u>	<u>2,208,965</u>	<u>2,171,776</u>
Surplus (Deficit) for the Year from Operations	(10,476)	(1,429)	76,877
Accumulated Surplus, Beginning of Year		1,986,751	1,910,008
Change in ownership of SILS (Note 2a)		(12,864)	-
Prior period adjustment		(801)	(134)
		<u>(13,665)</u>	<u>(134)</u>
Accumulated Surplus, End of Year	<u>\$ (10,476)</u>	<u>1,971,658</u>	<u>\$ 1,986,751</u>

**Palliser Regional Library
Consolidated Statement of Remeasurement Gains and Losses
As at December 31, 2014**

Statement 3

There are no remeasurement gains or losses for the Library.

Palliser Regional Library
Consolidated Statement of Change in Net Financial Assets (Net Debt)
As at December 31, 2014

Statement 4

	2014 Budget (unaudited)	2014	2013
Net Financial Assets (Net Debt), Beginning of Year	\$ 386,063	386,063	\$ 278,668
Surplus (Deficit) for the Year from Operations	(10,476)	(1,429)	87,097
Change in ownership of SILS		(7,296)	
Acquisition of Tangible Capital Assets	-	(294,907)	(369,503)
Capital Assets - other		20,467	
Amortization of Tangible Capital Assets		327,341	311,002
(Acquisition)/Use of Prepaid Expenses		(15,564)	1,286
Prior period adjustment		(801)	(134)
SILS consolidation			77,647
Change in Net Financial Assets	(10,476)	27,811	107,395
Net Financial Assets (Net Debt) - End of Year	\$ 375,587	413,875	\$ 386,063

**Palliser Regional Library
Consolidated Statement of Cash Flows
As at December 31, 2014**

Statement 5

	2014	2013
Cash provided by (used for) the following activities		
Operating Activities		
Surplus for the Year from Operations	\$ (1,429)	\$ 87,097
Prior period adjustment	(801)	(134)
Change in ownership of SILS	(7,296)	
Non-Cash Items Included in Surplus / Deficit		
Amortization of Tangible Capital Assets	327,341	311,002
Capital Assets - other	20,467	-
	<u>338,282</u>	<u>397,965</u>
Changes in Non-Cash Working Capital:		
Decrease (Increase) in Accounts Receivable	(5,995)	8,130
Decrease (Increase) in Member Deposits	(260)	
Increase (Decrease) in Accounts Payable and Accrued Liabilities	2,004	6,810
Increase (Decrease) in Deferred Revenue	45,627	(27,703)
Decrease (Increase) in Prepaid Expenses	(15,564)	1,286
Effect of consolidation on 2013 balances		118,337
Cash Provided (Used) by Operating Activities	<u>364,094</u>	<u>504,825</u>
Capital Activities		
Cash Used to Acquire Tangible Capital Assets	(294,907)	(369,503)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided (Used) by Capital Activities	<u>(294,907)</u>	<u>(369,503)</u>
Investing Activities		
Cash Used to Acquire Investments	-	(46,132)
Proceeds on Disposal of Investments	28,047	-
Cash Provided (Used) by Investing Activities	<u>28,047</u>	<u>(46,132)</u>
Increase (Decrease) in Cash and Cash Equivalents	97,234	89,190
Cash and Cash Equivalents, Beginning of Year	<u>744,516</u>	<u>655,326</u>
Cash and Cash Equivalents, End of Year	<u>\$ 841,751</u>	<u>\$ 744,516</u>

Palliser Regional Library
Notes to the Consolidated Financial Statements
As at December 31, 2014

1. Purpose and Authority

Palliser Regional Library (the "Library") offers services and programs under the authority of The Public Libraries Act, 1996. The Library's Board of Directors (The "Board") plays an integral part in the Library's strategic direction and management guidance. The purpose of the Library is to ensure the provision of library services as set out in the Act, within the boundaries of the Library's region as established by regulation.

The Library is a registered charity and is therefore exempt from the payment of income tax pursuant to Section 149 of The Income Tax Act.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards, as recommended by the Chartered Professional Accountants of Canada (CPA Canada)

Significant accounting policies are as follows:

- a) **Basis of Consolidation:** These consolidated financial statements include the Library's interest in the Saskatchewan Information & Library Services Consortium ("SILS") which has been proportionately consolidated. In the current year, the Library's share of SILS was 5.06% (2013 - 5.58%). All inter-entity transactions have been eliminated. Information on this Government Partnership can be found in Note 6 - Note
- b) **Revenue Recognition:** Levy revenue is recognized in the period for which the levy was assessed. Grant
- c) **Expenditure Recognition:** Expenditures are accounted for in the period in which the goods and services are acquired and a liability is incurred.
- d) **Capital Assets:** All capital asset acquisitions or betterments made throughout the year are recorded at their acquisition cost. Donated capital assets received are recorded at their fair market value at the date of contribution. Capital assets individually costing less than \$500 are expensed in the current year, except for library books and other resource materials that are capitalized as a group each year. Capital assets are amortized on a straight line basis over their estimated useful lives. The library's tangible capital asset useful lives are estimated as follows:

<u>Asset</u>	<u>Useful Life</u>
Land	Indefinite
Buildings	30 Yrs
Vehicles & Equipment	
Vehicles	4-5 Yrs
Office furniture and equipme	8 Yrs
Computer equipment	5 Yrs
Library Collection	10 Yrs
SILS Assets	3-8 years

Palliser Regional Library
Notes to the Consolidated Financial Statements
As at December 31, 2014

2. Significant accounting policies - continued

- e) **Cash and cash equivalents:** Cash and cash equivalents are represented by cash on hand and temporary investments with original maturities of three months or less.
- f) **Investments:** Portfolio investments are valued at the lower of cost and market value.
- g) **Non-financial assets:** Tangible capital and other non-financial assets are accounted for as assets by the Library
- h) **Appropriated Reserves:** Reserves are established at the discretion of the Board to designate surplus for future operating and capital transactions. Amounts so designated are described on Schedule 4.
- i) **Government contributions:** Government contributions for the acquisition of capital assets are reported as revenue and do not reduce the cost of the related asset.
- j) **Risk management:** Other than the risks noted below, it is management's opinion that the organization is not exposed to any significant risks arising from the financial instruments presented as of December 31, 2014.

Liquidity risk: Liquidity risk is the risk that the organization will not be able to meet financial obligations as they become due. The staff on behalf of the Library manages liquidity risk by continually monitoring cash flow

Interest rate risk: Interest 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 Library is not exposed to significant interest rate

- k) **Financial instruments:** The organization has financial instruments consisting of accounts receivable, temporary investments, accounts payable, accrued liabilities and unearned revenue. The carrying value of these financial instruments approximates fair value due to their short term to maturity.
- l) **Measurement uncertainty:** The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period then ended. Actual amounts could differ from those estimates. Significant areas requiring the use of management estimates relate to the useful lives of buildings, furniture and equipment and the library collection (items with a definite life for amortization
- m) **Unearned revenue:** Unearned revenue consists of levy revenue received in advance, and certain restricted grants.

3. Budget Amounts

The budget amounts in these financial statements were prepared by library management and approved by the Board on November 14, 2013.

4. Unearned Revenue

	2014	2013
Levies	\$ 495,746	\$ 499,096
Per Capita	6,371	6,541
Open Hours	-	767
SILS	10,975	14,704
Carryforwards	76,700	23,057
Total purchases of library materials	\$ 589,792	\$ 544,165

Palliser Regional Library
Notes to the Consolidated Financial Statements
As at December 31, 2014

5. Library materials expenditure

The following is information on the Library's purchases of library materials for 2014 in comparison to 2013 and 2014

	2014	2014	2013
	Budget	Actual	Actual
Books	239,140	219,378	246,170
Audio-visual Materials	59,720	68,999	60,119
Serials/Periodicals	14,500	14,674	14,136
Electronic reference materials and info databa	16,458	29,015	24,197
Infotrac	11,083	10,092	7,442
Total purchases of library materials	340,901	342,159	352,064

Note: The books and audio visual materials amounts shown above were capitalized as Tangible Capital Assets.
The remaining amounts have been expensed.

6. Investment in Government Partnerships

The Saskatchewan Information & Library Service Consortium ("SILS") was incorporated in 2009 as a non-profit organization. The purpose of SILS is to develop and maintain a single integrated library information system for the Province, providing a common experience for library users throughout the Province. Each of the ten regional libraries made a \$50,000 deposit in 2009 to provide working capital otherwise SILS is funded by grants from the Ministry of Education and member libraries. The member libraries share in the annual operating expenses based on

The condensed supplementary financial information of SILS is as follows:

	2014	2013
	Actual	Actual
STATEMENT OF FINANCIAL POSITION		
Financial assets	\$ 2,043,837	\$ 2,225,117
Financial liabilities	(767,363)	(833,585)
Net Financial Assets	1,276,474	1,391,532
Non-Financial assets		
Tangible capital assets	339,121	1,070,658
Prepaid expenses	320,304	11,474
	659,425	1,082,132
Accumulated Surplus	1,935,899	2,473,664
STATEMENT OF OPERATIONS		
Revenue	1,217,831	1,222,958
Expenses	(1,755,596)	(1,406,115)
Surplus (Deficit)	\$ (537,765)	\$ (183,157)

Palliser Regional Library
Notes to the Consolidated Financial Statements
As at December 31, 2014

6. Investment in Government Partnerships cont'd

The SILS financial statements are proportionately consolidated with the Library financial statements at 5.06% (2013 - 5.58%) representing the Library's interest in SILS. After eliminating intercompany transactions, the following amounts have been included in the consolidated financial statements:

	2014 @ 5.06%	2013 @ 5.58%
STATEMENT OF FINANCIAL POSITION		
Financial assets	100,804	124,162
Financial liabilities	(36,299)	(43,724)
Net financial assets	64,506	80,437
Non-financial assets		
Tangible capital assets	17,160	59,743
Prepaid expenses	16,207	640
	33,367	60,383
Accumulated surplus	97,872	140,820
STATEMENT OF OPERATIONS		
Revenue	59,008	65,464
Expenses	(88,833)	(78,461)
Surplus (deficit)	\$ (29,825)	\$ (12,997)

7. Comparative figures

Certain of the prior year comparative figures have been reclassified to conform to the current year's

Palliser Regional Library
 Consolidated Schedule of Tangible Capital Assets by Object
 As at December 31, 2014

2014

2013

	Land	Buildings	Furniture & Equipment	Computer Equipment	Vehicle	SILS	Library Collection	Total
Asset cost								
Opening Asset costs	\$ 29,250	319,141	239,297	119,937	71,201	159,293	2,852,298	3,790,417
Additions during the year			2,549	3,760			288,598	294,907
Disposals during the year				(68,264)			(280,337)	(348,601)
Transfers (from) assets under construction								-
Closing Asset Costs	29,250	319,141	241,846	55,434	71,201	159,293	2,860,559	3,736,724
Accumulated Amortization Cost								
Opening Accumulated Amortization Costs		229,456	215,034	110,991	48,758	105,118	1,486,650	2,196,007
Add: Amortization taken		10,638	3,192	8,701	16,253	16,548	272,009	327,341
Less: Accumulated amortization on disposals				(68,264)			(280,337)	(348,601)
Less: Other						20,467		20,467
Closing Accumulated Amortization Costs	-	240,094	218,226	51,429	65,011	142,133	1,478,323	2,195,215
Net Book Value	\$ 29,250	79,047	23,620	4,005	6,191	17,160	1,382,236	1,541,509
								\$ 1,599,978

Note: The difference between the 2013 closing figures, and the 2014 opening figures is due to the change in SILS ownership detailed in Note 2(a).

Palliser Regional Library
Supplementary Details of Expenses
As at December 31, 2014

Schedule 2 - 1

	2014	2013
Governance Expense		
Purchased services	\$ 15,779	\$ 14,969
Total Governance Expense	15,779	14,969
Administration Expense		
Salaries and wages	127,712	123,082
Employee benefits	24,468	23,687
Purchased services	53,299	43,849
Library materials	1,789	3,019
Amortization	310,793	311,002
Total Administration Expense	518,061	504,639
Service to Branches		
Salaries and wages	250,968	260,761
Employee benefits	31,822	33,905
Purchased services	51,632	42,639
SILS Fee	49,051	46,995
Library materials	0	1,229
Total Service to Branches Expense	383,473	385,529
Regional Resource Centre		
Salaries and wages	647,964	647,170
Employee benefits	90,226	94,185
Purchased services	20,397	26,108
Library materials	43,401	35,557
Total Regional Resource Centre Expense	\$ 801,988	\$ 803,020

Palliser Regional Library
Supplementary Details of Expenses
As at December 31, 2014

Schedule 2 - 2

	2014	2013
Area Branch Services		
Salaries and wages	\$ 59,729	\$ 59,018
Employee benefits	7,760	7,999
Purchased services	4,027	2,524
Library materials	798	273
Total Area Branch Services Expense	72,314	69,814
Local Branch Services		
Salaries and wages	260,526	257,608
Employee benefits	28,424	29,293
Purchased services	31,473	22,747
Library materials	8,094	5,697
Total Local Branch Services Expense	328,516	315,345
SILS Expenses (Note 6)	88,833	78,461
TOTAL EXPENSES FOR THE YEAR	\$ 2,208,965	\$ 2,171,776

**Palliser Regional Library
Consolidated Schedule of Expenses by Object
As at December 31, 2014**

Schedule 3

Governance	Administration	Services to Branches	Regional Resource Centre	Area Resource Services	Local Branch Services	SILS Expenses	2014 Budget	2014 Actual	2013 Actual
	152,180	282,790	738,190	67,489	288,950		1,541,599	1,529,599	\$ 1,536,708
15,779	53,299	51,632	20,397	4,027	31,473		140,493	176,607	152,835
	310,793	-	43,401	798	8,094		343,036	310,793	311,002
	1,789	49,051					56,462	54,082	45,775
						88,833		49,051	46,995
								88,833	78,461
\$ 15,779	518,061	383,473	801,988	72,314	328,516	88,833	2,081,590	2,208,965	\$ 2,171,776

Wages, Benefits, and Honoraria
Purchased Goods and Services
Amortization
Library Materials
SILS Fee
SILS Expenses

**Palliser Regional Library
Consolidated Schedule of Accumulated Surplus
As at December 31, 2014**

Schedule 4

	2013	Changes	2014
UNAPPROPRIATED SURPLUS	\$ (27,866)	-2,423	\$ (30,289)
APPROPRIATED RESERVES			
Automation	114,986		114,986
General Automation	17,824		17,824
Equipment	27,490		27,490
Vehicle	105,150	24,087	129,237
Building	23,627	14,449	38,076
Sick Pay Reserve - Local Branches	18,307		18,307
Sick Pay Reserve - Assiniboia	10,020		10,020
Evergreen Reserve	18,900	5,055	23,955
Public Access Computers	3,489	4,583	8,072
SILS Reserves	74,846	(1,573)	73,273
Total Appropriated	414,639	46,600	461,239
NET INVESTMENT IN TANGIBLE CAPITAL ASSETS			
Tangible capital assets (Schedule 1)	1,599,978	(58,468)	1,541,509
Less: Related debt			-
Net Investment in Tangible Capital Assets	1,599,978	(58,468)	1,541,509
Prior period adjustment			(801)
Total Accumulated Surplus	\$ 1,986,751	-14,291	\$ 1,971,658