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**SOUTH CENTRAL REGIONAL  
LIBRARY**

**FINANCIAL STATEMENTS**

**December 31, 2015**

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## **INDEPENDENT AUDITOR'S REPORT**

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To the Board of Directors of **South Central Regional Library**,

We have audited the accompanying financial statements of South Central Regional Library, which comprise the statement of financial position as at December 31, 2015, and the statements of operations, changes in net financial assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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 auditors' 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.

### **Basis for qualified opinion**

The South Central Regional Library derives revenue from book sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these cash receipts was limited to the amounts recorded in the records of the organization. We were unable to determine whether any adjustments might be necessary to book sales, annual surplus and accumulated surplus.

### **Qualified opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of South Central Regional Library as at December 31, 2015, and the results of its operations, change in net financial assets, and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

**Other matters**

The financial statements of South Central Regional Library for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on March 11, 2015.

The budget figures presented have not been audited and are presented for informational purposes only.

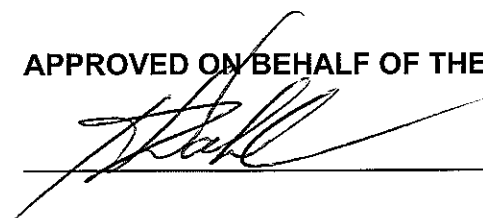
*Gislason Targownik Peters*  
**CHARTERED PROFESSIONAL ACCOUNTANTS**


Winkler, Manitoba  
March 17, 2016

**SOUTH CENTRAL REGIONAL LIBRARY**  
**Statement of Financial Position**  
**As at December 31, 2015**

	2015	2014
<b>FINANCIAL ASSETS</b>		
Cash	\$ 183,963	\$ 161,211
Government remittances refundable	6,934	7,009
	<b>190,897</b>	<b>168,220</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	41,494	47,170
<b>NET FINANCIAL ASSETS</b>	<b>149,403</b>	<b>121,050</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 3)	34,437	41,876
Prepaid expenses	29,352	15,659
	<b>63,789</b>	<b>57,535</b>
<b>ACCUMULATED SURPLUS (Note 4)</b>	<b>\$ 213,192</b>	<b>\$ 178,585</b>

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

See accompanying Notes to Financial Statements and Auditor's Report

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# **SOUTH CENTRAL REGIONAL LIBRARY**

## **Statement of Operations**

**For the year ended December 31, 2015**

	<b>BUDGET</b>	<b>2015</b>	<b>2014</b>
<b>REVENUE</b> (Page 13)	<b>\$ 826,774</b>	<b>\$ 854,507</b>	<b>\$ 838,372</b>
<b>OPERATING EXPENSES</b>			
Acquisitions program	-	-	2,118
Amortization	-	8,479	11,577
Audit fees	10,000	12,633	9,936
Automation support & supplies	15,900	11,137	13,090
Bank charges	-	62	45
Book sale expenses	3,500	4,283	4,170
Building maintenance	1,500	1,165	1,179
Car allowance	12,000	13,535	11,785
Equipment maintenance and rental	9,100	7,702	8,983
Insurance	2,100	2,366	2,070
Library acquisitions (Note 5)	178,742	168,883	176,758
Memberships, licenses and fees	985	955	740
Minor equipment and furniture	18,000	6,669	19,312
Office & library supplies	9,600	10,992	11,832
Office administration	2,600	2,076	2,553
Public relations	1,500	1,851	1,250
Rent and leases	42,634	42,498	42,612
Staff development	7,500	3,220	7,410
Summer reading club	4,000	4,149	4,128
Telephone and communications	6,500	6,941	6,611
Wages and benefits	500,613	510,304	507,340
	<b>826,774</b>	<b>819,900</b>	<b>845,499</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>		<b>34,607</b>	<b>(7,127)</b>
<b>ACCUMULATED SURPLUS - Beginning</b>		<b>178,585</b>	<b>185,712</b>
<b>ACCUMULATED SURPLUS - Ending</b>		<b>\$ 213,192</b>	<b>\$ 178,585</b>

See accompanying Notes to Financial Statements and Auditor's Report

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**Gislason Targownik Peters**

*Chartered Professional Accountants*

**SOUTH CENTRAL REGIONAL LIBRARY**  
**Statement of Changes in Net Financial Assets**  
**For the year ended December 31, 2015**

	<b>2015</b>	<b>2014</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ 34,607</b>	<b>\$ (7,127)</b>
Acquisition of tangible capital assets	<b>(1,040)</b>	(1,134)
Amortization of tangible capital assets	<b>8,479</b>	11,577
	<b>7,439</b>	10,443
Acquisition of prepaid expense	<b>(29,353)</b>	(15,660)
Use of prepaid expense	<b>15,660</b>	4,533
	<b>(13,693)</b>	(11,127)
<b>CHANGE IN NET FINANCIAL ASSETS</b>	<b>28,353</b>	(7,811)
<b>NET FINANCIAL ASSETS - Beginning</b>	<b>121,050</b>	128,861
<b>NET FINANCIAL ASSETS - Ending</b>	<b>\$ 149,403</b>	<b>\$ 121,050</b>

See accompanying Notes to Financial Statements and Auditor's Report

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**SOUTH CENTRAL REGIONAL LIBRARY**  
**Statement of Cash Flow**  
**For the year ended December 31, 2015**

	<b>2015</b>	<b>2014</b>
<b>OPERATING TRANSACTIONS</b>		
Annual surplus (deficit)	\$ 34,607	\$ (7,127)
Non-cash items affecting operations:		
Amortization	8,479	11,577
Prepaid expenses	(13,693)	(11,127)
Accounts payable and accrued liabilities	(5,626)	(9,294)
Government remittances	25	(389)
	<b>23,792</b>	<b>(16,360)</b>
<b>CAPITAL TRANSACTIONS</b>		
Acquisition of tangible capital assets	(1,040)	(1,135)
<b>INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	<b>22,752</b>	<b>(17,495)</b>
<b>CASH AND EQUIVALENTS - Beginning</b>	<b>161,211</b>	<b>178,706</b>
<b>CASH AND EQUIVALENTS - Ending</b>	<b>\$ 183,963</b>	<b>\$ 161,211</b>

See accompanying Notes to Financial Statements and Auditor's Report

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**Gislason Targownik Peters**

*Chartered Professional Accountants*

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# **SOUTH CENTRAL REGIONAL LIBRARY**

## **Notes to the Financial Statements**

**For the year ended December 31, 2015**

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### **1. PURPOSE OF THE ORGANIZATION**

The South Central Regional Library is a government partnership operated by the communities of Winkler, Morden, Altona and the Rural Municipalities of Stanley, Thompson and Rhineland that provides library resources and services to these communities. The operations of the library are subject to review by the Province of Manitoba - Department of Culture, Heritage and Citizenship. The organization is a registered charity and is exempt from income taxes under Section 149 of the Income Tax Act.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation**

The financial statements of the organization have been prepared in accordance with Canadian public sector accounting standards established by the Canadian Public Sector Accounting Board.

#### **Cash and cash equivalents**

Cash and cash equivalents include bank deposits and short-term highly liquid investments in money market instruments that are readily convertible to cash and that are subject to insignificant risk of change in value. These short-term investments generally have a maturity of three months or less at acquisition and are held for the purposes of meeting short-term cash commitments rather than for investing.

#### **Tangible capital assets**

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Contributed tangible capital assets are recorded at fair value at the date of donation, with a corresponding amount recorded in revenue.

Amortization is recorded on automation equipment on a straight-line basis at the rate of 20% and on furniture and fixtures on a diminishing balance basis at the rate of 20%. No amortization is recorded in the year the tangible capital asset is purchased.

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**SOUTH CENTRAL REGIONAL LIBRARY**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2015**

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Tangible capital assets are written down when conditions indicate that they no longer contribute to the organization's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

**Deferred revenue**

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used or the specified purpose.

**Revenue recognition**

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Grants for the acquisition of tangible capital assets are recognized in the period in which eligible expenditures are made.

**Government transfers**

Government transfers, which include federal, provincial and municipal grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met except when, and to the extent that, the transfer gives rise to an obligation that meets the definition of a liability.

**Use of estimates**

The preparation of the financial statements in conformity with Canadian public sector accounting standards established by the Canadian Public Sector Accounting Board requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. These estimates are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates in future periods could be significant.

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**SOUTH CENTRAL REGIONAL LIBRARY**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2015**

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**Contributed materials and services**

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair market value, contributed services are not recognized in the financial statements.

Contributed materials and services which are used in the normal course of operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

**Financial instruments**

Financial assets and liabilities are initially measured at fair value. Subsequent measurement of financial assets and liabilities are at amortized cost unless otherwise noted. Financial assets and liabilities measured at amortized cost consist of cash, prepaid expenses, and accounts payable.

It is management's opinion that the organization is not exposed to significant credit, currency, interest rate, liquidity or market risks arising from these financial instruments, unless otherwise noted.

The company is exposed to the following significant risks:

**Credit risk**

The organization is exposed to credit risk through the possibility of non-collection of its accounts receivable. The majority of the organization's receivables are from government entities which minimizes the risk of non-collection. The entity measures impairment based on how long the amounts have been outstanding.

**Liquidity risk**

Liquidity risk is the risk that the organization will not be able to meet its financial obligations as they come due. The organization has a planning and budgeting process in place to help determine the funds required to support the organization's normal operating requirements on an ongoing basis. The organization ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

# **SOUTH CENTRAL REGIONAL LIBRARY**

Notes to the Financial Statements  
For the year ended December 31, 2015

## **3. TANGIBLE CAPITAL ASSETS**

	Opening Cost	Additions	Disposals	Closing Cost	Opening	Current Amortization	Accumulated Amortization Disposals	Closing Accumulated Amortization	2015	2014
Furniture and fixtures	\$ 344,404	\$ 1,040	\$ (800)	\$ 344,644	\$ (302,594)	\$ (8,466)	\$ 800	\$ (310,260)	\$ 34,384	\$ 41,810
Automation	51,316			51,316	(51,250)	(13)		(51,263)	53	66
	\$ 395,720	\$ 1,040	\$ (800)	\$ 395,960	\$ (353,844)	\$ (8,479)	\$ 800	\$ (361,523)	\$ 34,437	\$ 41,876

**SOUTH CENTRAL REGIONAL LIBRARY**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2015**

**4. ACCUMULATED SURPLUS**

The accumulated surplus consists of the following:

	2015	2014
Invested in Tangible Capital Assets	\$ 34,437	\$ 41,876
Internally Restricted Funds		
General Reserve	113,173	88,813
Computer Reserve	30,000	32,559
Book Acquisition Reserve	6,455	4,028
Winkler Furniture Reserve	1,690	1,624
Morden Furniture Reserve	4,568	2,038
Miami Furniture Reserve	21,336	7,000
Altona Furniture Reserve	1,533	647
	\$ 213,192	\$ 178,585

**5. LIBRARY ACQUISITIONS**

	2015	2014
Library materials	\$ 155,579	\$ 159,774
Online resources	13,304	16,984
	\$ 168,883	\$ 176,758

**6. RELATED PARTY TRANSACTIONS**

During the year, the organization entered into transactions with its municipality partners who exercise significant influence over the organization through directorship positions and funding arrangements. The only related party transactions other than the grant revenue disclosed in the statement of operations is the rent paid to these municipalities of \$42,498 (2014 - \$42,612). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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**SOUTH CENTRAL REGIONAL LIBRARY**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2015**

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**7. COMMITMENTS**

The organization has entered into an operating lease for the use of equipment. The equipment is leased at \$299 per month under a lease expiring in 2016.

The organization has operating leases for its premises in the City of Winkler, Town of Altona, City of Morden and RM of Thompson with each of the respective municipalities. The rent is calculated at \$1.70 per capita per annum.

**8. PENSION PLANS**

The majority of the permanent employees of the library are members of the Municipal Employees' Benefit Program (MEBP), which is a multi-employer defined benefit pension plan. MEBP members will receive benefits based on 1.5% of their final average yearly Canada Pension Plan (CPP) earnings times years of pensionable service, plus 2% of their final average yearly non-CPP earnings times years of pensionable service. The costs of the retirement plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Chartered Professional Accountants Handbook section PS3250. The expense for these plans is equal to the organization's required contributions for the year. In 2015, the pension expense was \$35,029 (2014 - \$29,391).

**SOUTH CENTRAL REGIONAL LIBRARY**  
**Supplementary Statement of Revenue**  
**For the year ended December 31, 2015**

	2015	2014
<b>OPERATING</b>		
Local government		
City of Winkler	\$ 129,854	\$ 129,854
Town of Altona	49,751	49,751
Town of Gretna	-	4,726
City of Morden	95,072	95,072
Town of Plum Coulee	-	7,166
Rural Municipality of Rhineland	49,062	37,171
Rural Municipality of Stanley	71,026	71,026
Rural Municipality of Thompson	17,001	17,001
Provincial government		
General	323,808	323,808
Collection development	22,000	22,000
Rural library technological sustainability	19,374	18,333
Federal government		
Canada Summer Jobs grant	2,172	5,016
Library generated revenue		
Book bag revenues	-	67
Book Sales	19,971	17,720
Fines	19,877	19,805
Internet user fees	542	571
Lost/damaged books	2,783	2,479
Non-resident fees	2,215	2,325
Photocopies	6,932	5,969
Rental income	2,075	2,475
Miscellaneous revenue		
Interest	1,016	1,513
Other	2,430	1,472
Donations	17,546	3,052
<b>TOTAL REVENUE</b>	<b>\$ 854,507</b>	<b>\$ 838,372</b>

**SOUTH CENTRAL REGIONAL LIBRARY**  
**Supplementary Statement of Expenses**  
**For the year ended December 31, 2015**

	2015	2014
<b>EXPENSE</b>		
Personnel		
Salaries	\$ 510,304	\$ 507,340
Professional development	3,220	7,410
Travel allowance	13,535	11,785
Building		
Rent	42,498	42,612
Repairs and maintenance	1,165	1,179
Other Costs		
Insurance	2,366	2,070
Office & library supplies	10,992	11,832
Telephone	6,941	6,611
Association memberships or subscriptions	955	740
Professional fees	12,633	9,936
Bank charges	62	48
Equipment maintenance and rental	7,702	8,983
Miscellaneous	12,359	12,101
Minor furniture and equipment	7,167	3,989
Capital Equipment		
Furniture	1,040	1,135
Materials		
Books	111,319	138,972
Audio and/or visual formats	22,847	10,719
Magazines/periodicals	10,834	10,084
Digital/electronic	13,304	16,984
Technology		
Automation support & supplies	11,137	13,090
Computer purchases	1,322	17,441
<b>TOTAL EXPENDITURES</b>	<b>\$ 803,702</b>	<b>\$ 835,061</b>