
**SOUTH CENTRAL REGIONAL
LIBRARY**

FINANCIAL STATEMENTS

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the financial statements of South Central Regional Library, which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of changes in net financial assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

South Central Regional Library derives revenue from book sales, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the audit. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were unable to determine whether any adjustments might have been found necessary with respect to donation revenue, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2018 and December 31, 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 year ends. Our opinion on the financial statements as at and for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Matter

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Gislason Targownik Peters

CHARTERED PROFESSIONAL ACCOUNTANTS


Winkler, Manitoba
April 16, 2019


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SOUTH CENTRAL REGIONAL LIBRARY
Statement of Financial Position
As at December 31, 2018

	2018	2017
FINANCIAL ASSETS		
Cash	\$ 73,041	\$ 83,914
Government remittances refundable	7,462	7,439
	80,503	91,353
LIABILITIES		
Accounts payable and accrued liabilities	17,878	28,327
NET FINANCIAL ASSETS	62,625	63,026
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	73,517	58,752
Prepaid expenses	32,765	20,866
	106,282	79,618
ACCUMULATED SURPLUS (Note 4)	\$ 168,907	\$ 142,644

APPROVED ON BEHALF OF THE BOARD:

 Director
 MARION PLETT
 SCRL BOARD CHAIR

 Director
 Harry Dahl

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, 2018

	BUDGET	2018	2017
REVENUE (Page 13)	\$ 984,554	\$ 1,072,782	\$ 873,150
OPERATING EXPENSES			
Amortization	-	11,750	12,739
Audit fees	8,200	7,927	7,873
Automation support & supplies	25,168	20,276	27,685
Bank charges	-	178	63
Book sale expenses	2,500	4,434	6,029
Building maintenance	1,200	281	1,254
Car allowance	20,400	19,603	15,812
Equipment maintenance and rental	9,000	10,611	8,731
Insurance	3,400	4,052	2,511
Library acquisitions (Note 5)	182,143	177,483	185,354
Memberships, licenses and fees	1,075	891	902
Minor equipment and furniture	11,000	8,784	6,046
Office & library supplies	16,170	15,292	12,311
Office administration	2,600	2,766	2,571
Public relations	4,625	3,956	1,408
Rent and leases	52,208	52,325	42,612
Staff development	5,800	6,594	5,140
Summer reading club	3,000	3,984	9,291
Telephone and communications	8,400	7,779	6,871
Wages and benefits	627,489	687,553	585,493
	984,378	1,046,519	940,696
ANNUAL SURPLUS (DEFICIT)	176	26,263	(67,546)
ACCUMULATED SURPLUS - Beginning		142,644	210,190
ACCUMULATED SURPLUS - Ending		\$ 168,907	\$ 142,644

See accompanying Notes to Financial Statements and Auditor's Report

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SOUTH CENTRAL REGIONAL LIBRARY
Statement of Changes in Net Financial Assets
For the year ended December 31, 2018

	2018	2017
ANNUAL SURPLUS (DEFICIT)	\$ 26,263	\$ (67,546)
Acquisition of tangible capital assets	(26,516)	(7,794)
Amortization of tangible capital assets	11,750	12,739
	(14,766)	4,945
Acquisition of prepaid expense	(32,765)	(20,866)
Use of prepaid expense	20,867	29,370
	(11,898)	8,504
CHANGE IN NET FINANCIAL ASSETS	(401)	(54,097)
NET FINANCIAL ASSETS - Beginning	63,026	117,123
NET FINANCIAL ASSETS - Ending	\$ 62,625	\$ 63,026

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, 2018

	2018	2017
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ 26,263	\$ (67,546)
Non-cash items affecting operations:		
Amortization	11,750	12,739
Prepaid expenses	(11,899)	8,504
Accounts payable and accrued liabilities	(10,425)	9,297
Government remittances	(46)	(2,342)
	15,643	(39,348)
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(26,516)	(7,794)
DECREASE IN CASH AND EQUIVALENTS	(10,873)	(47,142)
CASH AND EQUIVALENTS - Beginning	83,914	131,056
CASH AND EQUIVALENTS - Ending	\$ 73,041	\$ 83,914

See accompanying Notes to Financial Statements and Auditor's Report

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SOUTH CENTRAL REGIONAL LIBRARY
Notes to the Financial Statements
For the year ended December 31, 2018

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, Rhineland and Pembina 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 Sport, Culture and Heritage. 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.

SOUTH CENTRAL REGIONAL LIBRARY

Notes to the Financial Statements

For the year ended December 31, 2018

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 for 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.

SOUTH CENTRAL REGIONAL LIBRARY
Notes to the Financial Statements
For the year ended December 31, 2018

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 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, 2018

3. TANGIBLE CAPITAL ASSETS

	Opening Cost	Additions	Disposals	Closing Cost	Opening	Current Amortization	Accumulated Amortization Disposals	Closing Accumulated Amortization	2018	2017
Furniture and fixtures	\$ 380,941	\$ 25,302		\$ 406,243	\$ (330,016)	\$ (10,185)		\$ (340,201)	\$ 66,041	\$ 50,923
Automation	59,110	1,214		60,324	(51,282)	(1,566)		(52,847)	7,476	7,829
	\$ 440,051	\$ 26,516	\$ -	\$ 466,567	\$ (381,298)	\$ (11,750)	\$ -	\$ (393,048)	\$ 73,517	\$ 58,752

SOUTH CENTRAL REGIONAL LIBRARY
Notes to the Financial Statements
For the year ended December 31, 2018

4. ACCUMULATED SURPLUS

The accumulated surplus consists of the following:

	2018	2017
Invested in Tangible Capital Assets	\$ 73,517	\$ 58,751
Internally Restricted Funds		
General Reserve	39,689	48,445
Computer Reserve	18,786	20,000
Book Acquisition Reserve	3,134	5,680
Winkler Furniture Reserve	5,452	3,452
Morden Furniture Reserve	5,622	3,622
Miami Furniture Reserve	1,927	(73)
Altona Furniture Reserve	1,278	1,767
Office Furniture Reserve	931	1,000
Manitou Furniture Reserve	18,571	-
	\$ 168,907	\$ 142,644

5. LIBRARY ACQUISITIONS

	2018	2017
Library materials	\$ 159,220	\$ 158,397
Online resources	18,263	26,957
	\$ 177,483	\$ 185,354

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 \$52,325 (2017 - \$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.

SOUTH CENTRAL REGIONAL LIBRARY
Notes to the Financial Statements
For the year ended December 31, 2018

7. COMMITMENTS

The organization has operating leases for its premises in the City of Winkler, Town of Altona, City of Morden, RM of Thompson and RM of Pembina 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 2018, the pension expense was \$31,730 (2017 - \$33,747).

SOUTH CENTRAL REGIONAL LIBRARY
Supplementary Statement of Revenue
For the year ended December 31, 2018

	2018	2017
OPERATING		
Local government		
City of Winkler	\$ 154,072	\$ 133,588
Town of Altona	51,260	51,182
City of Morden	105,490	97,806
Rural Municipality of Pembina	33,563	-
Rural Municipality of Rhineland	50,532	51,082
Rural Municipality of Stanley	78,479	76,040
Rural Municipality of Thompson	21,306	20,990
Provincial government		
General	375,896	345,808
Collection development	27,500	-
Rural library technological sustainability	21,751	19,112
Rural library cooperative technology	9,094	-
Federal government	29,614	11,737
Library generated revenue		
Book sales	18,669	18,437
Fines	19,669	19,825
Internet user fees	4	403
Lost/damaged books	2,135	2,519
Non-resident fees	1,640	2,785
Photocopies	6,955	7,263
Rental income	4,926	4,819
Miscellaneous revenue		
Interest	716	1,366
Other	5,711	3,621
Donations	53,800	4,767
TOTAL REVENUE	\$ 1,072,782	\$ 873,150