
**SOUTH CENTRAL REGIONAL
LIBRARY**

FINANCIAL STATEMENTS

December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of South Central Regional Library, which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of South Central Regional Library as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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 entity 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 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:

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- 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, 2020

SOUTH CENTRAL REGIONAL LIBRARY

Statement of Financial Position

As at December 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 20,067	\$ 73,041
Accounts receivable	10,725	-
Government remittances refundable	6,734	7,462
	37,526	80,503
LIABILITIES		
Accounts payable and accrued liabilities	40,646	17,878
NET FINANCIAL ASSETS	(3,120)	62,625
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	68,484	73,517
Prepaid expenses	15,596	32,765
	84,080	106,282
ACCUMULATED SURPLUS (Note 4)	\$ 80,960	\$ 168,907

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, 2019

	BUDGET	2019	2018
REVENUE (Page 13)	\$ 1,030,585	\$ 1,060,724	\$ 1,072,782
OPERATING EXPENSES			
Amortization	-	14,703	11,750
Audit fees	8,460	7,884	7,927
Automation support & supplies	16,425	20,729	22,322
Bank charges	-	470	178
Book sale expenses	4,275	3,969	4,434
Building maintenance	350	356	281
Car allowance & courier	20,400	19,639	19,603
Equipment maintenance and rental	10,860	8,793	10,611
Insurance	4,227	4,829	4,052
Library acquisitions (Note 5)	181,427	212,151	175,437
Memberships, licenses and fees	2,346	2,561	1,276
Minor equipment and furniture	12,200	21,580	8,784
Office & library supplies	16,700	10,470	14,063
Payroll administration	2,950	3,587	2,766
Public relations	4,300	2,858	3,956
Rent and leases	52,325	52,325	52,325
Staff & board development	6,205	5,308	6,594
Summer reading club, programs & tours	3,850	5,694	4,828
Telephone and communications	8,100	7,542	7,779
Wages and benefits	667,428	743,223	687,553
	1,022,828	1,148,671	1,046,519
ANNUAL SURPLUS (DEFICIT)	7,757	(87,947)	26,263
ACCUMULATED SURPLUS - Beginning		168,907	142,644
ACCUMULATED SURPLUS - Ending		\$ 80,960	\$ 168,907

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, 2019

	2019	2018
ANNUAL SURPLUS (DEFICIT)	\$ (87,947)	\$ 26,263
Acquisition of tangible capital assets	(9,671)	(26,516)
Amortization of tangible capital assets	14,703	11,750
	5,032	(14,766)
Acquisition of prepaid expense	(15,595)	(32,765)
Use of prepaid expense	32,765	20,867
	17,170	(11,898)
CHANGE IN NET FINANCIAL ASSETS	(65,745)	(401)
NET FINANCIAL ASSETS - Beginning	62,625	63,026
NET FINANCIAL ASSETS - Ending	\$ (3,120)	\$ 62,625

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, 2019

	2019	2018
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ (87,947)	\$ 26,263
Non-cash items affecting operations:		
Amortization	14,703	11,750
Accounts receivable	(10,725)	-
Prepaid expenses	17,170	(11,899)
Accounts payable and accrued liabilities	22,775	(10,425)
Government remittances	721	(46)
	(43,303)	15,643
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(9,671)	(26,516)
DECREASE IN CASH AND EQUIVALENTS	(52,974)	(10,873)
CASH AND EQUIVALENTS - Beginning	73,041	83,914
CASH AND EQUIVALENTS - Ending	\$ 20,067	\$ 73,041

See accompanying Notes to Financial Statements and Auditor's Report

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Gislason Targownik Peters

Chartered Professional Accountants

SOUTH CENTRAL REGIONAL LIBRARY

Notes to the Financial Statements

For the year ended December 31, 2019

1. PURPOSE OF THE ORGANIZATION

The South Central Regional Library is a government partnership operated by the communities of Winkler, Morden, Altona and the 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

The organization considers cash equivalents to be highly liquid investments with original maturities of three months or less.

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, 2019

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, 2019

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, 2019

3. TANGIBLE CAPITAL ASSETS

	Opening Cost	Additions	Disposals	Closing Cost	Opening	Current Amortization	Accumulated Amortization Disposals	Closing Accumulated Amortization	2019	2018
Furniture and fixtures	\$ 406,243	\$ 9,670		\$ 415,913	\$ (340,201)	\$ (13,208)		\$ (353,409)	\$ 62,503	\$ 66,041
Automation	60,324			60,324	(52,847)	(1,495)		(54,343)	5,981	7,476
	\$ 466,567	\$ 9,670	\$ -	\$ 476,237	\$ (393,048)	\$ (14,703)	\$ -	\$ (407,752)	\$ 68,484	\$ 73,517

SOUTH CENTRAL REGIONAL LIBRARY

Notes to the Financial Statements

For the year ended December 31, 2019

4. ACCUMULATED SURPLUS

The accumulated surplus consists of the following:

	2019	2018
Invested in Tangible Capital Assets	\$ 68,484	\$ 73,517
Internally Restricted Funds		
General Reserve	(39,362)	38,009
Computer Reserve	19,192	18,786
Book Acquisition Reserve	8,176	3,134
Winkler Furniture Reserve	(605)	5,452
Morden Furniture Reserve	1,400	5,622
Miami Furniture Reserve	1,915	1,927
Altona Furniture Reserve	2,039	1,278
Office Furniture Reserve	1,499	931
Manitou Furniture Reserve	(63)	(163)
Manitou Capital Reserve	11,945	17,244
Useful Reserve	6,340	3,170
	\$ 80,960	\$ 168,907

5. LIBRARY ACQUISITIONS

	2019	2018
Library materials	\$ 172,902	\$ 157,174
Online resources	39,249	18,263
	\$ 212,151	\$ 175,437

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 (2018 - \$52,325). 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, 2019

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 2019, the pension expense was \$36,130 (2018 - \$31,730).

9. COMPARATIVE FIGURES

Comparative figures are for the year ended December 31, 2018 and have been reclassified where necessary to conform with the current year's financial statement presentation.

SOUTH CENTRAL REGIONAL LIBRARY
Supplementary Statement of Revenue
For the year ended December 31, 2019

	2019	2018
OPERATING		
Local government		
City of Winkler	\$ 166,732	\$ 154,072
Town of Altona	55,472	51,260
City of Morden	114,158	105,490
Municipality of Pembina	30,910	33,563
Municipality of Rhineland	60,936	50,532
Rural Municipality of Stanley	91,932	78,479
Rural Municipality of Thompson	20,728	21,306
Provincial government		
General	375,896	375,896
Collection development	27,500	27,500
Rural library technological sustainability	21,589	21,751
Rural library cooperative technology	4,862	9,094
Federal government	29,155	29,614
Library generated revenue		
Book sales	20,973	18,669
Fines	18,877	19,669
Internet user fees	-	4
Lost/damaged books	1,575	2,135
Non-resident fees	2,088	1,640
Photocopies	6,372	6,955
Rental income	4,908	4,926
Miscellaneous revenue		
Interest	580	716
Other	3,774	5,711
Donations	1,707	53,800
TOTAL REVENUE	\$ 1,060,724	\$ 1,072,782