

**THE REGINA PUBLIC
LIBRARY BOARD**

FINANCIAL STATEMENTS

December 31, 2005

Deloitte & Touche LLP
900 - 2103 11th Ave
Bank of Montreal Building
Regina SK S4P 3Z8
Canada

Tel: (306) 565-5200
Fax: (306) 757-4753
www.deloitte.ca

Auditors' Report

To the Chairperson and Members of
The Regina Public Library Board

We have audited the statement of financial position of **The Regina Public Library Board** as at December 31, 2005 and the statements of financial activities and changes in net assets and changes in financial position for the year then ended. These financial statements are the responsibility of the Library's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles for the public sector recommended by The Canadian Institute of Chartered Accountants.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
February 10, 2006

THE REGINA PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2005

	<u>2005</u> <u>(000's)</u>	<u>2004</u> <u>(000's)</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 5,476	\$ 5,627
Accounts receivable and prepaid expenses	306	304
Total financial assets	5,782	5,931
FINANCIAL LIABILITIES		
Accounts payable and accrued charges (Note 4)	1,866	2,069
Deferred revenue	41	130
Building lease obligation (Note 5)	1,308	1,387
Employee benefits payable (Note 6)	903	882
Total financial liabilities	4,118	4,468
Net financial assets	1,664	1,463
CAPITAL ASSETS (Note 7)	20,246	20,007
Total net assets	\$ 21,910	\$ 21,470
COMPONENTS OF NET ASSETS (Schedule 4)		
General Fund	\$ 236	\$ 95
Capital Fund	-	-
Appropriated reserves (Schedule 3)	3,639	3,637
Unfunded employee benefits to be recovered from future revenues (Note 6)	(903)	(882)
Net investment in capital assets (Schedule 7)	18,938	18,620
Total net assets	\$ 21,910	\$ 21,470

See accompanying notes

APPROVED BY THE BOARD

..... Director

..... Director

THE REGINA PUBLIC LIBRARY BOARD
Statement of Financial Activities and Changes in Net Assets
Year ended December 31, 2005

	2005	2005	2004
	Budget	Actual	Actual
	(000's)	(000's)	(000's)
	(Unaudited)		
REVENUE			
City of Regina tax levy (Note 4)	\$ 10,876	\$ 10,759	\$ 10,133
Grants-in-lieu of taxes	777	817	798
Provincial services agreement	498	508	498
Capital donations	7	17	200
Other grants	521	440	472
Other revenue	563	546	497
	13,242	13,087	12,598
EXPENDITURES - Schedule 5			
Public services	7,243	6,807	6,380
Support services	2,972	2,733	2,565
Governance	117	112	124
Administration	1,100	1,267	1,142
Capital expenditures (Schedule 2)	1,821	1,805	1,791
Interest expense on building lease obligation (Schedule 2)	159	162	160
	13,412	12,886	12,162
Excess (deficiency) of revenue over expenditures	(170)	201	436
Increase in net investment in capital assets (Schedule 4)		239	662
Change in net assets		440	1,098
Net assets, beginning of year (Schedule 4)		21,470	20,372
Net assets, end of year (Schedule 4)		\$ 21,910	\$ 21,470

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD
Statement of Changes in Financial Position
Year ended December 31, 2005

	2005		2004
	(000's)		(000's)
OPERATING ACTIVITIES			
Excess of revenue over expenditures	\$ 201	\$	436
Net change in non-cash financial assets and liabilities			
Accounts receivable	(2)		(17)
Accounts payable and accrued charges	(203)		149
Deferred revenue	(89)		(95)
Employee benefits payable	21		87
Cash provided by (used by) operating activities	(72)		560
FINANCING ACTIVITIES			
Repayment of building lease obligations	(79)		(59)
Net increase (decrease) in cash and cash equivalents	(151)		501
Cash and cash equivalents, beginning of year	5,627		5,126
Cash and cash equivalents, end of year	\$ 5,476	\$	5,627

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2005

1. PURPOSE OF THE ORGANIZATION

The Regina Public Library (the "Library") is established under the Public Libraries Act 1996 to facilitate equitable access to basic library services by all residents of Saskatchewan (Section (3) (2) (a)). For this purpose the Library has adopted the following mission:

Mission – The Regina Public Library enhances the quality of life in Regina by providing access to information for cultural, economic, educational and recreational development.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Library are the representation of management and have been prepared in accordance with generally accepted public sector accounting principles, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. These financial statements are included in the consolidated financial statements of the City of Regina. The significant accounting policies are as follow:

a) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for the public sector as recommended by The Canadian Institute of Chartered Accountants requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimations.

b) Basis of accounting

These financial statements combine the assets and liabilities and revenues and expenditures of several self-balancing funds through which the Regina Public Library Board records its financial transactions. All interfund transactions have been eliminated upon consolidation. The following funds are currently in use:

General Fund

This fund records the operating activities of the Library.

Capital Fund

This fund records as an expenditure the purchase of all capital assets acquired by the Library. It also accounts for the building lease obligation in respect of capital assets acquired under a long term lease.

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of accounting (continued)

Appropriated Reserves

i) Operating Reserve

The Library maintains a reserve for operating contingencies that could result from fluctuations in anticipated revenue or unanticipated expenditures.

ii) Capital Project Reserve

This reserve consists of amounts appropriated from the General Fund or the Capital Fund to fund the expansion of library facilities, renovation of existing branches, and purchases of computer hardware, software and major equipment.

iii) Capital Donation Reserve

This reserve has been created to accumulate fundraising proceeds especially of the planned capital campaign.

iv) Other Appropriated Reserves

Other appropriated reserves include those that have been established by resolution of the Regina Public Library Board for defined purposes and appropriated from the General Fund.

Unfunded employee benefits to be recovered from future revenues

The Library has post-employment benefit obligations earned by employees and expected to be provided to them upon termination or retirement. This liability for sick leave and severance payments has been determined on an actuarial basis.

The amount included in net assets represents the total of these future benefits for which budgetary funding has not yet been requested through the tax levy.

Net Investment in Capital Assets

Capital asset acquisitions are initially reflected as expenditures in the Capital Fund. The net investment in capital assets is reflected net of related debt obligations. Proceeds on the sale of assets are credited to the fund through which they were purchased. Disposals of capital assets including expiration of capitalized leases are accounted for by relieving the asset accounts of the associated cost of assets and charging this cost against investment in capital assets.

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) *Capital assets and capitalized leases*

To provide information about the Library's physical assets, capital assets are included in the Statement of Financial Position with a corresponding increase in the net investment in capital assets. Capital assets are recorded at cost. Capitalized leases are recorded at the present value of future minimum lease payments. No depreciation or amortization is provided on capital assets or capitalized leases.

d) *Revenue and Expenditure Recognition*

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Funds from external parties restricted by agreement or legislation are initially accounted for as deferred revenue. Amounts received for qualifying projects are recorded as revenue in the fiscal period in which they are expended. Expenditures are accounted for in the period goods and services are acquired and a liability is incurred.

e) *Superannuation and Benefit Plans*

The Library is a member of the City of Regina Civic Employee's Superannuation and Benefit Plan and the Regina Civic Employee's Long Term Disability Plan, which are considered multi-employer plans. The Library follows defined contribution accounting under which pension and disability expense is limited to the Library's contribution to the plans.

3. CASH AND CASH EQUIVALENTS

	2005	2004
	(000's)	(000's)
General Fund cash and cash equivalents	\$ 2,911	\$ 3,364
Capital Project Reserve cash	2,160	1,964
Capital Donation cash	232	-
Dunlop Art Projects Reserve cash	152	272
Fine Arts Reserve cash	21	27
	\$ 5,476	\$ 5,627

The Library has an authorized line of credit available to a maximum amount of \$500,000 with an assignment of accounts receivable as collateral. The Library has not drawn on these funds at December 31, 2005.

Funds are invested in interest bearing accounts earning interest at the rate of prime minus 1.65%.

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2005

4. CITY OF REGINA TAX LEVY

The City of Regina issues property tax billings based on assessed value in accordance with legislation and the Saskatchewan Assessment Manual. The assessed values are multiplied by the mill rate factors for property classes, and by the Library mill rate in order to arrive at the Library's gross taxation revenue for the year. The City of Regina collects taxation revenues on behalf of the Library, net of refunds as a result of tax appeals.

Individual and corporate taxpayers have the right to appeal their assessments initially to a local Board of Revision, then to the Saskatchewan Municipal Board Assessment Committee and ultimately to the Provincial Appeals Court. Based on the risk analysis provided by the City of Regina the reported tax levy revenue for the Library has been reduced to allow for potential tax refunds from assessment appeals.

While the final outcome of the appeals cannot be accurately predicted at this time, the Library has made a provision of \$689,000 (2004 - \$1,221,000) for potentially refundable taxes related to commercial appeals for the years 2001 through 2005 (2004 - 1999 through 2004). Of the \$689,000, an allowance of \$192,000 has been set aside for potential 2005 tax refunds. The total allowance has been provided for in accounts payable.

5. BUILDING LEASE OBLIGATION

The George Bothwell Branch is located in a purpose-built building in the Southland Mall. The lease commenced November 16, 1994 and expires December 31, 2014.

The following is a schedule of future minimum lease payments under the capital lease together with the balance of the obligation under capital lease:

	<u>(000's)</u>
2006	\$ 204
2007	205
2008	205
2009	208
2010	229
Thereafter	915
Total minimum lease payments	1,966
Less: amount representing interest at 9.25%	(658)
Balance of obligation	<u>\$ 1,308</u>

The Library is also committed to paying common area charges of \$37,000 per year, to be adjusted for inflation during the remainder of the term.

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2005

6. EMPLOYEE BENEFITS PAYABLE

The Collective Agreement 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 may receive severance payments on termination.

The annual change in employee benefits related expense is recorded in the General Fund expenditures with the related payable recorded as a liability on the Statement of Financial Position.

An actuarial extrapolation of vested sick leave and severance payments was completed using the projected benefit method at December 31, 2005. The last valuation was conducted at December 31, 2004. 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 5.5%, while compensation rates are assumed to increase at 5% per year.

The Library's recorded employee benefits and pension/interest expense are disclosed below:

Employee Benefits Payable

	<u>2005</u> <u>(000's)</u>	<u>2004</u> <u>(000's)</u>
Accrued benefit obligation, end of year	\$ 774	\$ 744
Unamortized net actuarial gain	* 129	138
Employee benefits payable, end of year	<u>\$ 903</u>	<u>\$ 882</u>

* The net unamortized actuarial gain is being amortized over the expected average remaining service life of the employee group (15 years). Amortization of \$9,000 per year commenced in 2005. The benefits amount of \$774,000 (2004 - \$744,000) is unfunded and will be paid from future revenues.

Employee Benefits Related Expense

	<u>2005</u> <u>(000's)</u>	<u>2004</u> <u>(000's)</u>
Benefit expense		
Current period benefit cost	\$ 52	\$ 53
Amortization of actuarial gains	(9)	-
Total benefit expense	<u>43</u>	<u>53</u>
Interest expense		
Interest cost on accrued benefit payable	<u>42</u>	<u>46</u>
Total benefit plan related expense	<u>\$ 85</u>	<u>\$ 99</u>

Actual benefits payments/payables for 2005 were \$64,000 (2004 - \$13,000).

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2005

7. CAPITAL ASSETS

Capital assets are comprised of:

	2005	2004
	(000's)	(000's)
		(Reclassified)
Buildings and leasehold improvements	\$ 8,889	\$ 8,866
Books, films, sound recordings and works of art	4,086	4,128
Furniture and equipment	2,643	2,567
Computer hardware and software	2,692	2,510
Building - under capital lease	1,706	1,706
Land	172	172
Vehicles	58	58
	\$ 20,246	\$ 20,007

Purchases of electronic information (annual licenses for access to databases) and serials/periodicals are written off in the year of acquisition as they are considered to have a useful life of one year. As a result, the costs of serials/periodicals of \$116,000 (2004 - \$129,000) are reflected in the Schedule of General Fund Operations (Schedule 1).

8. PENSION AND BENEFIT PLANS

The Library is a member of the City of Regina Civic Employee's Superannuation and Benefit Plan (the "Plan") which is overseen by its own Administrative Board. All eligible permanent and probationary employees of the Library are members of the Plan. This multi-employer 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 the best three consecutive years of earnings. During 2005 employees contributed 9.48% (2004 - 9.48%) of their earnings below the CPP maximum and 14.05% (2004 - 14.05%) of earnings above the CPP maximum and the Library matched employee contributions.

An actuarial valuation of the Plan position was last completed December 31, 2002. Based on the projected benefit method, the deficiency of net assets available for benefits extrapolated to December 31, 2004 was \$17,257,000 (2003 - \$53,286,000). Preliminary actuarial projections to December 31, 2005 forecast a significant increase in liabilities leading to an anticipated solvency deficit. Contribution rates are forecast to increase following completion and filing of the December 31, 2005 valuation. The Plan is a multi-employer 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. 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 \$560,000 (2004 - \$566,000) based on employer contributions were expensed during 2005.

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2005

9. LONG TERM DISABILITY BENEFIT PLAN

The Library is a member of the Regina Civic Employee's Long Term Disability Plan ("the Disability Plan"). An actuarial valuation of the Disability Plan position was last completed as of December 31, 2003. Based on the project benefit method, the surplus of net assets available for benefits to December 31, 2004 was \$1,696,000. The Disability Plan is a multi-employer plan and consequently, identification of individual employer's assets is not available from the Plan managers. 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 2005 were 1.28% for both employees and employers. The Library recorded disability premium costs of \$67,000 for 2005 (2004 – \$75,000), excluding benefits accruals.

10. COMMITMENTS

The Board is committed to the following payments for operating leases.

	Regent Place Branch lease (000's)	Other (000's)	Total (000's)
2006	\$ 141	\$ 29	\$ 170
2007	11	16	27
2008	-	12	12
2009	-	12	12
Thereafter	-	9	9
Total lease payments	\$ 152	\$ 78	\$ 230

The Regina Public Library entered into a Lottery Management Agreement on December 20th, 2005 for operating a home lottery during 2006 in order to raise capital funds for upgrading the branch libraries. Prize and fee commitments of approximately \$200,000 were made prior to December 31, 2005. An agreement to purchase the lottery home for \$304,000 excluding GST was signed on January 9, 2006.

11. RELATED PARTY TRANSACTIONS

The following related party transactions with the City of Regina are included in the financial statements:

	2005 (000's)	2004 (000's)
Accounts payable and accrued liabilities	\$ 717	\$ 1,221
Expenditures	293	281

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2005

12. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

THE REGINA PUBLIC LIBRARY BOARD
Schedule of General Fund Operations - Schedule 1
Year ended December 31, 2005

	2005	2005	2004
	Budget	Actual	Actual
	(000's)	(000's)	(000's)
(Unaudited)			
REVENUE			
Taxes and grants			
City of Regina tax levy (Note 4)	\$ 10,876	\$ 10,759	\$ 10,133
Grants-in-lieu of taxes	777	817	798
Provincial services agreement	498	508	498
Other grants	521	439	387
	12,672	12,523	11,816
Other revenue			
Public services	229	184	174
Fines and lost charges	193	199	192
Donations	10	6	6
Interest	79	94	79
	511	483	451
	13,183	13,006	12,267
EXPENDITURES			
Public services	7,243	6,807	6,380
Support services	2,972	2,733	2,565
Governance	117	112	124
Administration	1,100	1,267	1,142
	11,432	10,919	10,211
Excess of revenue over expenditures	\$ 1,751	\$ 2,087	\$ 2,056

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD
Schedule of Capital Fund Operations - Schedule 2
Year ended December 31, 2005

	2005	2005	2004
	Budget	Actual	Actual
	(000's)	(000's)	(000's)
(Unaudited)			
REVENUE			
Capital donations	\$ 7	\$ 17	\$ 200
Grants	-	1	85
Interest earned	52	63	46
	59	81	331
EXPENDITURES			
Library materials (Schedule 6)	1,469	1,494	1,513
Computer hardware and software	200	199	197
Building and leasehold improvements	52	23	17
Furniture and equipment	100	89	64
Capital expenditures (Schedule 7)	1,821	1,805	1,791
Interest expense on building lease obligations	159	162	160
	1,980	1,967	1,951
Deficiency of revenue over expenditures	\$ (1,921)	\$ (1,886)	\$ (1,620)

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD
Schedule of Appropriated Reserves - Schedule 3
Year ended December 31, 2005

	2005	2005	2004
	Budget	Actual	Actual
	(000's)	(000's)	(000's)
(Unaudited)			
Appropriated reserves are comprised of:			
Operating Reserve	\$ 1,046	\$ 1,046	\$ 1,046
Capital Project Reserve	2,107	2,145	2,099
Capital Donation Reserve	214	232	200
Dunlop Art Projects Reserve	174	195	264
Fine Arts Reserve	24	21	28
Total appropriated reserves	\$ 3,565	\$ 3,639	\$ 3,637

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD
Schedule of Changes in Net Assets - Schedule 4
Year ended December 31, 2005

	General Fund (000's)	Capital Fund (000's)	Appropriated Reserves (000's)	Unfunded Employee Benefits to be Recovered from Future Revenues (000's)	Net Investment in Capital Assets (000's)	Total 2005 (000's)	Total 2004 (000's)
Net assets, beginning of year	\$ 95	\$ -	\$ 3,637	\$ (882)	\$ 18,620	\$ 21,470	\$ 20,372
Excess (deficiency) of revenues over expenditures	2,087	(1,886)	-	-	-	201	436
Transfers:						-	-
General Fund to Capital Fund	(2,032)	2,032	-	-	-	-	-
Capital Fund to Capital Reserve	-	(46)	46	-	-	-	-
Capital Fund to Capital Donation Reserve	-	(21)	21	-	-	-	-
General Fund to Capital Donation Reserve	(11)	-	11	-	-	-	-
General Fund to Other Reserves	76	-	(76)	-	-	-	-
Repayment of building lease obligations	-	(79)	-	-	79	-	-
Increase in unfunded employee benefits	21	-	-	(21)	-	-	-
Capital expenditures in year, net of assets withdrawn from service (Schedule 7)	-	-	-	-	239	239	662
Net change in year	141	-	2	(21)	318	440	1,098
Net assets, end of year	\$ 236	\$ -	\$ 3,639	\$ (903)	\$ 18,938	\$ 21,910	\$ 21,470

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD
Schedule of Expenditures by Object - Schedule 5
Year ended December 31, 2005

	2005	2005	2004
	Budget	Actual	Actual
	(000's)	(000's)	(000's)
	(Unaudited)		
Wages, benefits, honoraria and grants to people	\$ 8,130	\$ 7,895	\$ 7,610
Purchased goods and services	3,258	2,982	2,555
Interest	203	204	206
Capital assets other than library materials	352	311	278
Library materials (Schedule 6)	1,469	1,494	1,513
Net expenditures	\$ 13,412	\$ 12,886	\$ 12,162

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD
Schedule of Library Materials Expenditures - Schedule 6
Year ended December 31, 2005

	2005	2005	2004
	Budget	Actual	Actual
	(000's)	(000's)	(000's)
	(Unaudited)		
EXPENDITURES			
Books	\$ 1,029	\$ 954	\$ 1,024
Electronic information databases	178	172	190
Films and videos	99	193	185
Sound recordings	138	161	114
Works of art	25	14	-
Net expenditures	\$ 1,469	\$ 1,494	\$ 1,513

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD
Schedule of Net Investment in Capital Assets - Schedule 7
Year ended December 31, 2005

	2005	2004
	(000's)	(000's)
Balance, beginning of year	\$ 18,620	\$ 17,899
Capital expenditures (Schedule 2)	1,805	1,791
Repayment of building lease obligation	79	59
	20,504	19,749
Adjustment in respect of withdrawals of collection materials	-	467
Capital assets withdrawn from service	(1,566)	(1,596)
Investment in Capital Assets, end of year	\$ 18,938	\$ 18,620
Comprised of:		
Capital assets (Note 7)	\$ 20,246	\$ 20,007
Less: building lease obligation (Note 5)	(1,308)	(1,387)
	\$ 18,938	\$ 18,620

See accompanying notes