

**THE REGINA PUBLIC
LIBRARY BOARD**

FINANCIAL STATEMENTS

December 31, 2006

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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, 2006 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, 2006 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
March 9, 2007

THE REGINA PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2006

	<u>2006</u>	<u>2005</u>
	(000's)	(000's)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 5,902	\$ 5,476
Accounts receivable and prepaid expenses	386	306
Total financial assets	6,288	5,782
FINANCIAL LIABILITIES		
Accounts payable and accrued charges (Note 4)	1,418	1,866
Deferred revenue	34	41
Building lease obligation (Note 5)	1,221	1,308
Employee benefits obligations (Note 6)	902	903
Total financial liabilities	3,575	4,118
Net financial assets	2,713	1,664
CAPITAL ASSETS (Note 7)	20,271	20,246
Total net assets	\$ 22,984	\$ 21,910

COMPONENTS OF NET ASSETS (Schedule 4)

Unappropriated net assets		
General Fund	\$ 47	\$ 236
Capital Fund	-	-
Appropriated reserves (Schedule 3)	4,789	3,639
Obligations to be recovered from future revenues		
Employee benefits obligations (Note 6)	(902)	(903)
Net investment in capital assets (Schedule 7)	19,050	18,938
Total net assets	\$ 22,984	\$ 21,910

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, 2006

	2006 Budget (000's) (Unaudited)	2006 Actual (000's)	2005 Actual (000's)
REVENUE			
City of Regina tax levy (Note 4)	\$ 11,452	\$ 11,644	\$ 10,759
Grants-in-lieu of taxes	815	818	817
Provincial services agreement	515	518	508
Home lottery 2006	614	646	-
Capital donations	2	47	17
Other grants	367	359	440
Other revenue	569	663	546
	14,334	14,695	13,087
EXPENDITURES (Schedule 5)			
Public services	7,710	7,197	7,026
Support services	2,956	2,784	2,514
Governance	180	89	112
Administration	1,083	869	1,267
Capital expenditures (Schedule 2)	1,906	1,912	1,805
Interest expense on building lease obligation (Schedule 2)	151	158	162
Home lottery 2006 (Schedule 2)	614	613	-
Home lottery 2007 (Schedule 2)	-	24	-
	14,600	13,646	12,886
Excess (deficiency) of revenue over expenditures	(266)	1,049	201
Increase in net investment in capital assets (Schedule 4)		25	239
Change in net assets		1,074	440
Net assets, beginning of year (Schedule 4)		21,910	21,470
Net assets, end of year (Schedule 4)		\$ 22,984	\$ 21,910

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD
Statement of Changes in Financial Position
Year ended December 31, 2006

	2006	2005
	(000's)	(000's)
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 1,049	\$ 201
Net change in non-cash financial assets and liabilities		
Accounts receivable and prepaid expenses	(80)	(2)
Accounts payable and accrued charges	(448)	(203)
Deferred revenue	(7)	(89)
Employee benefits payable	(1)	21
Cash provided by (used by) operating activities	513	(72)
FINANCING ACTIVITIES		
Repayment of building lease obligations	(87)	(79)
Net increase (decrease) in cash and cash equivalents	426	(151)
Cash and cash equivalents, beginning of year	5,476	5,627
Cash and cash equivalents, end of year	\$ 5,902	\$ 5,476

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2006

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 responsibility 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.

Net Assets represent the equity of the organization. In determining Net Assets, revenues and expenditures are recognized as they are earned and incurred according to generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) and the Canadian Institute of Chartered Accountants.

Unappropriated Net Assets represent equity that has not been designated for a specific use. Appropriations for Capital Projects and Reserves represent amounts that have been internally restricted for specific purposes.

The Library Board may fund certain amounts on a basis that differs from the expenditure recognition basis as prescribed by PSAB

Obligations to be recovered from future revenues represent amounts that have been recognized as expenditures according to generally accepted accounting principles, but will be funded from future revenues.

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of accounting (continued)

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. In addition, the fund records the revenues and expenditures for the annual home lottery, established to raise funds for upgrading the branch libraries.

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, each annual home lottery, and net proceeds from bequests.

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.

Employee benefits obligations 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.

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2006

3. CASH AND CASH EQUIVALENTS

	2006	2005
	(000's)	(000's)
General Fund cash and cash equivalents	\$ 3,345	\$ 2,911
Capital Project Reserve cash	2,096	2,160
Capital Donation cash	323	232
Dunlop Art Projects Reserve cash	110	152
Fine Arts Reserve cash	28	21
	\$ 5,902	\$ 5,476

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, 2006.

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

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 \$663,000 (2005 - \$689,000) for potentially refundable taxes related to commercial appeals for the years 2001 through 2006 (2005 - 2001 through 2005). Of the \$663,000, an allowance of \$42,000 has been set aside for potential 2006 tax refunds. The total allowance has been provided for in accounts payable.

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2006

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>
2007	\$ 205
2008	205
2009	208
2010	229
2011	229
Thereafter	686
Total minimum lease payments	1,762
Less: amount representing interest at 9.25%	(541)
Balance of obligation	<u>\$ 1,221</u>

The Library is also committed to paying common area charges of \$38,000 per year, to be adjusted for inflation during the remainder of the term.

6. EMPLOYEE BENEFITS OBLIGATIONS

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, 2006. 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 4% plus merit and promotion per year.

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2006

6. EMPLOYEE BENEFITS OBLIGATIONS (Continued)

The Library's recorded employee benefits and benefits plan expense are disclosed below:

Employee Benefits Obligations

	2006	2005
	(000's)	(000's)
Accrued benefits obligations, end of year	\$ 782	\$ 774
Unamortized net actuarial gain	* 120	129
Employee benefits obligations, end of year	\$ 902	\$ 903

* The net unamortized actuarial gain is being amortized over the expected average remaining service life of the employee group which is 15 years (2005 - 15 years). Amortization of \$9,000 per year commenced in 2005. The obligation amount of \$782,000 (2005 - \$774,000) is unfunded and will be paid from future revenues.

Employee Benefits Related Expense

	2006	2005
	(000's)	(000's)
Benefit expense		
Current period benefit cost	\$ 53	\$ 52
Amortization of actuarial gains	(9)	(9)
Total benefit expense	44	43
Interest expense		
Interest cost on accrued benefit obligations	43	42
Total benefit plan related expense	\$ 87	\$ 85

Actual benefits payments for 2006 were \$87,800 (2005 - \$64,000).

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2006

7. CAPITAL ASSETS

Capital assets are comprised of:

	2006	2005
	(000's)	(000's)
Buildings and leasehold improvements	\$ 9,052	\$ 8,889
Books, films, sound recordings and works of art	3,952	4,086
Furniture and equipment	2,731	2,643
Computer hardware and software	2,597	2,692
Building - under capital lease	1,709	1,706
Land	172	172
Vehicles	58	58
	\$ 20,271	\$ 20,246

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 \$111,000 (2005 - \$116,000) are reflected in the Schedule of General Fund Operations (Schedule 1).

8. INTERFUND TRANSFERS

The Library has made several interfund transfers during the course of the year all of which have been approved by the Board of Directors.

9. 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 their best three consecutive years of earnings. During 2006 employees contributed 9.48% (2005 - 9.48%) of their earnings below the CPP maximum and 14.05% (2005 - 14.05%) of earnings above the CPP maximum and the Library matched employee contributions.

An actuarial valuation of the Plan position was last completed as of December 31, 2005 subsequent to a plan amendment reducing termination benefits. Based on the projected benefit method on a going concern basis, the deficiency of net assets available for benefits was \$34,989,000 (2004 extrapolation - \$17,257,000). The valuation reported a solvency deficiency of \$3,657,000 representing 97.2% funding. 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. Accordingly, no portion of the deficiency has been recognized as a liability or expense on the financial statements. The Plan has been accounted for using the method

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2006

9. PENSION AND BENEFIT PLANS (Continued)

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 \$642,000 (2005 – \$560,000) based on employer contributions were expensed during 2006.

10. 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 extrapolation of disability benefits completed as of December 31, 2005 using the projected benefit method resulted in the surplus of net assets available for benefits of \$3,842,000. An actuarial valuation of the Disability Plan position was last completed as of December 31, 2004. The Disability Plan is a multi-employer plan and consequently, identification of individual employer's assets is not available from the Plan managers. Accordingly, no portion of the surplus has been recognized as an asset or expense reduction on the financial statements. 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 2006 were 1.04% for both employees and employers (1.28% January to June 2005; 1.04% July to December 2005). The Library recorded disability premium costs of \$65,000 for 2006 (2005 – \$67,000), excluding benefits accruals.

11. COMMITMENTS

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

	Regent Place Branch lease (000's)	Other (000's)	Total (000's)
2007	\$ 110	\$ 27	\$ 137
2008	107	20	127
2009	109	18	127
2010	109	7	116
Thereafter	123	-	123
Total lease payments	\$ 558	\$ 72	\$ 630

Prize and fee commitments for the 2007 Home Lottery of approximately \$517,000 were made prior to December 31, 2006. A contract for the replacement of the chiller and cooler tower at the Central library was signed on January 24, 2007 for \$429,000.

THE REGINA PUBLIC LIBRARY BOARD

Notes to the Financial Statements

December 31, 2006

12. RELATED PARTY TRANSACTIONS

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

	2006 (000's)	2005 (000's)
Accounts receivable	\$ 63	\$ -
Accounts payable and accrued liabilities	685	717
Expenditures	312	293

13. 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, 2006

	2006	2006	2005
	Budget	Actual	Actual
	(000's)	(000's)	(000's)
(Unaudited)			
REVENUE			
Taxes and grants			
City of Regina tax levy (Note 4)	\$ 11,452	\$ 11,644	\$ 10,759
Grants-in-lieu of taxes	815	818	817
Provincial services agreement	515	518	508
Other grants	367	359	439
	13,149	13,339	12,523
Other revenue			
Public services	209	169	184
Fines and lost charges	205	243	199
Donations	4	8	6
Interest	85	139	94
	503	559	483
	13,652	13,898	13,006
EXPENDITURES			
Public services	7,710	7,197	7,026
Support services	2,956	2,784	2,514
Governance	180	89	112
Administration	1,083	869	1,267
	11,929	10,939	10,919
Excess of revenue over expenditures	\$ 1,723	\$ 2,959	\$ 2,087

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD
Schedule of Capital Fund Operations - Schedule 2
Year ended December 31, 2006

	2006	2006	2005
	Budget	Actual	Actual
	(000's)	(000's)	(000's)
	(Unaudited)		
REVENUE			
Capital donations	\$ 2	\$ 47	\$ 17
Grants	-	-	1
Interest earned	66	104	63
Home lottery 2006	614	646	-
	682	797	81
EXPENDITURES			
Library materials (Schedule 6)	1,452	1,448	1,494
Computer hardware and software	200	186	199
Building and leasehold improvements	154	166	23
Furniture and equipment	100	112	89
Capital expenditures (Schedule 7)	1,906	1,912	1,805
Home lottery 2006	614	613	-
Home lottery 2007	-	24	-
Interest expense on building lease obligations	151	158	162
	2,671	2,707	1,967
Deficiency of revenue over expenditures	\$ (1,989)	\$ (1,910)	\$ (1,886)

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD
Schedule of Appropriated Reserves - Schedule 3
Year ended December 31, 2006

	2006	2006	2005
	Budget	Actual	Actual
	(000's)	(000's)	(000's)
(Unaudited)			
Appropriated reserves are comprised of:			
Operating Reserve	\$ 1,046	\$ 1,705	\$ 1,046
Capital Project Reserve	2,062	2,562	2,145
Capital Donation Reserve	243	329	232
Dunlop Art Projects Reserve	91	165	195
Fine Arts Reserve	22	28	21
Total appropriated reserves	\$ 3,464	\$ 4,789	\$ 3,639

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD
Schedule of Changes in Net Assets - Schedule 4
Year ended December 31, 2006

	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 2006 (000's)	Total 2005 (000's)
Net assets, beginning of year	\$ 236	\$ -	\$ 3,639	\$ (903)	\$ 18,938	\$ 21,910	\$ 21,470
Excess (deficiency) of revenues over expenditures	2,959	(1,910)	-	-	-	1,049	201
Transfers:						-	-
General Fund to Capital Fund	(2,510)	2,510	-	-	-	-	-
Capital Fund to Capital Reserve	-	(417)	417	-	-	-	-
Capital Fund to Capital Donation Reserve	-	(96)	96	-	-	-	-
General Fund to Capital Donation Reserve	(1)	-	1	-	-	-	-
General Fund to Other Appropriated Reserves	(636)	-	636	-	-	-	-
Repayment of building lease obligations	-	(87)	-	-	87	-	-
Decrease in unfunded employee benefits	(1)	-	-	1	-	-	-
Capital expenditures in year, net of assets withdrawn from service (Schedule 7)	-	-	-	-	25	25	239
Net change in year	(189)	-	1,150	1	112	1,074	440
Net assets, end of year	\$ 47	\$ -	\$ 4,789	\$ (902)	\$ 19,050	\$ 22,984	\$ 21,910

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD
Schedule of Expenditures by Object - Schedule 5
Year ended December 31, 2006

	2006	2006	2005
	Budget	Actual	Actual
	(000's)	(000's)	(000's)
	(Unaudited)		
Wages, benefits and honoraria	\$ 8,617	\$ 7,993	\$ 7,895
Purchased goods and services	3,882	3,540	2,982
Interest	195	201	204
Capital assets other than library materials	454	464	311
Library materials (Schedule 6)	1,452	1,448	1,494
	\$ 14,600	\$ 13,646	\$ 12,886

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD
Schedule of Library Materials Expenditures - Schedule 6
Year ended December 31, 2006

	2006	2006	2005
	Budget	Actual	Actual
	(000's)	(000's)	(000's)
(Unaudited)			
LIBRARY MATERIAL EXPENDITURES			
Books	\$ 1,029	\$ 933	\$ 954
Electronic information databases	178	191	172
Films and videos	99	192	193
Sound recordings	138	132	161
Works of art	8	-	14
	\$ 1,452	\$ 1,448	\$ 1,494

See accompanying notes

THE REGINA PUBLIC LIBRARY BOARD
Schedule of Net Investment in Capital Assets - Schedule 7
Year ended December 31, 2006

	2006	2005
	(000's)	(000's)
Balance, beginning of year	\$ 18,938	\$ 18,620
Capital expenditures (Schedule 2)	1,912	1,805
Repayment of building lease obligation	87	79
	20,937	20,504
Capital assets withdrawn from service	(1,887)	(1,566)
Investment in Capital Assets, end of year	\$ 19,050	\$ 18,938
Comprised of:		
Capital assets (Note 7)	\$ 20,271	\$ 20,246
Less: building lease obligation (Note 5)	(1,221)	(1,308)
	\$ 19,050	\$ 18,938

See accompanying notes