

LAKELAND LIBRARY REGION
Consolidated Financial Statements
Year Ended December 31, 2019

Draft for discussion purposes only

LAKELAND LIBRARY REGION
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Year Ended December 31, 2019

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Lakeland Library Region have been prepared in accordance with Canadian public sector accounting standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Lakeland Library Region's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Audit Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Audit Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited on behalf of the members by Grant Thornton LLP, in accordance with Canadian public sector accounting standards.

Dennis Taylor, Chair

Darrell Yates, Library Director and
CEO

North Battleford, Saskatchewan

Independent auditor's report

To the Members of Lakeland Library Region

Qualified Opinion

We have audited the consolidated financial statements of Lakeland Library Region ("the Library"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of operations, accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes to the consolidated 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 consolidated financial statements of Lakeland Library Region for the year ended December 31, 2019 are prepared, in all material respects, in accordance with public sector accounting standards as further described in Note 2.

Basis for Qualified Opinion

The Library offers a sick leave benefit that does not vest over time, is not paid out when the employee terminates but can be used for an indeterminate period from the date the sick leave is earned. The Library has not recorded an estimate of this accrued benefit obligation which constitutes a departure from Canadian public sector accounting standards, which require the accrued sick leave benefit obligation to be accrued as the employee renders the service that give rise to the sick leave benefit. The impact of this departure from Canadian public sector accounting standards has not been determined and therefore, we were not able to determine whether any adjustments might be necessary to the surplus of revenues over expenses and cash flows for the year ended December 31, 2019, accrued sick leave liabilities as at December 31, 2019 and net financial assets as at January 1 and December 31, 2019.

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 Library in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 audit opinion.

Emphasis of Matters

Basis of Accounting and Restriction on Use

We draw attention to Note 2 to the consolidated financial statements, which describes the basis of accounting. The consolidated financial statements are prepared to assist Lakeland Library Region in complying with the financial reporting provisions of the Public Library System Financial Reporting Policy Manual. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for Lakeland Library Region and the Provincial Library and Literacy Office and should not be used by parties other than Lakeland Library Region and the Provincial Library and Literacy Office. Our opinion is not modified in respect of this matter.

Restated Comparative Information

We draw attention to Note 14 to the consolidated financial statements, which explains that certain comparative information for the year ended December 31, 2018 has been restated. The consolidated financial statements for the year ended December 31, 2018 (prior to the adjustments that were applied to restate certain comparative information explained in Note 14) were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on May 11, 2019. Our opinion is not modified in respect of this matter.

Other Matter

Supplemental Information

Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements taken as a whole. Schedules 1 through 8 are presented for purposes of additional information and are not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the consolidated financial statements taken as a whole.

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

Management is responsible for the preparation of the financial statements in accordance with 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.

Those charged with governance are responsible for overseeing Lakeland Library Region'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 Lakeland Library Region'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 cast significant doubt on Lakeland Library Region'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 disclosures 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 Lakeland Library Region to cease to continue as a going concern.

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.

Saskatoon, Canada
Date

Chartered Professional Accountants

LAKELAND LIBRARY REGION
Consolidated Statement of Financial Position
December 31, 2019

	2019	2018 (Restated - Note 14)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 1,126,658	\$ 969,903
Accounts receivable (Note 4)	34,662	39,883
Goods and services tax recoverable	-	1,532
Long term deposits	113,123	107,450
Patronage equity (Note 5)	5,258	4,635
	<u>1,279,701</u>	<u>1,123,403</u>
LIABILITIES		
Accounts payable (Note 6)	78,052	68,001
Employee deductions payable	32,782	(306)
Vacation pay payable	46,149	34,801
Goods and services tax payable	4,658	-
Provincial sales tax payable	543	422
Consolidated deferred grants (SILS) (Note 7)	2,519	3,608
Consolidated member deposits (SILS)	30,050	30,700
	<u>194,753</u>	<u>137,226</u>
NET FINANCIAL ASSETS	<u>1,084,948</u>	<u>986,177</u>
NON-FINANCIAL ASSETS		
Prepaid expenses (Note 8)	20,753	21,333
Tangible capital assets (Note 9)	776,474	713,135
	<u>797,227</u>	<u>734,468</u>
ACCUMULATED SURPLUS	<u>\$ 1,882,175</u>	<u>\$ 1,720,645</u>

See notes to consolidated financial statements

LAKELAND LIBRARY REGION
Consolidated Statement of Operations
Year Ended December 31, 2019

	Budget (unaudited)	2019	2018 (Restated - Note 14)
REVENUES			
Provincial Grants	\$ 814,120	\$ 842,946	\$ 820,980
Municipal Grants	1,053,830	1,350,946	1,379,460
Other Grants and Fundraising Activities	30,000	26,435	10,835
Fundraising and donations	-	17,084	14,521
Fees earned	-	1,153	2,131
Evergreen revenue	-	8,500	8,650
Interest and investment income	6,500	23,263	16,420
Other income	-	10,455	38,647
SILS revenue	-	68,779	71,117
	<u>1,904,450</u>	<u>2,349,561</u>	<u>2,362,761</u>
EXPENSES			
Schedule of Administrative Expenditures (Schedule 1)	269,845	205,073	194,814
Schedule of Governance Expenditures (Schedule 2)	19,950	23,435	18,698
Consolidated Schedule of Headquarters Services to Branches Expenditures (Schedule 3)	435,048	403,790	413,533
Schedule of Regional Resource Center Expenditures (Schedule 4)	390,624	624,610	608,137
Schedule of Local Branch Expenditures (Schedule 5)	435,395	390,985	370,629
Schedule of Area Resource Center Expenditures (Schedule 6)	133,834	137,174	122,873
Schedule of Materials Expenditures (Schedule 7)	240,514	2,987	983
Schedule of Building Expenditures (Schedule 8)	34,240	20,180	21,327
SILS expenses	-	64,205	61,457
Amortization	257,398	315,592	257,398
	<u>2,216,848</u>	<u>2,188,031</u>	<u>2,069,849</u>
ANNUAL SURPLUS FOR THE YEAR	<u>\$ (312,398)</u>	<u>\$ 161,530</u>	<u>\$ 292,912</u>

See notes to consolidated financial statements

LAKELAND LIBRARY REGION
Consolidated Statement of Changes in Annual Surplus (Deficit)
Year Ended December 31, 2019

	2019	2018 (Restated - Note 14)
ACCUMULATED SURPLUS - BEGINNING OF YEAR		
As previously reported	1,721,976	1,394,810
Prior period adjustment - SILS Consolidation (Note 14)	(34,254)	-
Prior period adjustment - Accumulated Amortization (Note 14)	32,923	32,923
As restated	1,720,645	1,427,733
SURPLUS (DEFICIT) FOR THE YEAR	161,530	292,912
ACCUMULATED SURPLUS (DEFICIT) - END OF YEAR	\$ 1,882,175	\$ 1,720,645

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LAKELAND LIBRARY REGION
Consolidated Statement of Changes in Net Financial Assets
Year Ended December 31, 2019

	Budget (Unaudited)	2019	2018 (Restated - Note 14)
ANNUAL SURPLUS	\$ (312,398)	\$ 161,530	\$ 292,912
Amortization of tangible capital assets	257,398	315,592	257,398
Purchase of tangible capital assets	-	(378,932)	(289,838)
Decrease (increase) in prepaid expenses	-	581	(8,791)
	257,398	(62,759)	(41,231)
INCREASE IN NET FINANCIAL ASSETS	(55,000)	98,771	251,681
NET FINANCIAL ASSETS - BEGINNING OF YEAR	986,353	986,177	734,496
NET FINANCIAL ASSETS - END OF YEAR	\$ 931,353	\$ 1,084,948	\$ 986,177

Draft for discussion purposes only

LAKELAND LIBRARY REGION
Consolidated Statement of Cash Flows
Year Ended December 31, 2019

	2019	2018 (Restated - Note 14)
OPERATING ACTIVITIES		
Annual Surplus	\$ 161,530	\$ 292,912
Item not affecting cash:		
Amortization of tangible capital assets	<u>315,592</u>	<u>257,398</u>
	<u>477,122</u>	<u>550,310</u>
Changes in non-cash working capital:		
Accounts receivable	5,223	(8,371)
Accounts payable	10,050	34,935
Prepaid expenses	580	(8,793)
Goods and services tax payable	6,190	34,236
PST payable (receivable)	121	2,180
Vacation pay payable	11,348	-
Employee deductions payable	33,088	(681)
Consolidated deferred grants (SILS)	(1,089)	(41)
Consolidated member deposits (SILS)	<u>(650)</u>	<u>30,700</u>
	<u>64,861</u>	<u>84,165</u>
Cash flow from operating activities	<u>541,983</u>	<u>634,475</u>
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(378,932)	(289,838)
Patronage equity	<u>(623)</u>	<u>(472)</u>
Cash flow used by investing activities	<u>(379,555)</u>	<u>(290,310)</u>
INCREASE IN CASH FLOW	162,428	344,165
Cash - beginning of year	<u>1,077,353</u>	<u>733,188</u>
CASH - END OF YEAR	\$ 1,239,781	\$ 1,077,353
CASH CONSISTS OF:		
Cash	\$ 1,126,658	\$ 969,903
Long term deposits	<u>113,123</u>	<u>107,450</u>
	<u>\$ 1,239,781</u>	<u>\$ 1,077,353</u>

See notes to consolidated financial statements

LAKELAND LIBRARY REGION
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

1. NATURE OF OPERATIONS

Lakeland Library Region (the "Library") is a not-for-profit organization incorporated provincially under the Non-profit Corporations Act of Saskatchewan. As a registered charity the Library is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

The purpose of the Lakeland Library Region is to ensure the provision of library services as set out in the Act, within the boundaries of the Lakeland Library Region as established by regulation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements were prepared in accordance with the financial reporting provisions of the Public Library System Financial Reporting Policy Manual Revised November 2015 as prepared by the Provincial Library and Literary Office of the Ministry of Education of the Province of Saskatchewan, which requires the consolidated financial statements be prepared in accordance with Canadian Public Sector Accounting Standards and requires that the Library's investment in the Single Integrated Library System Consortium ("SILS") be accounted for as a non-business government partnership using the proportionate consolidation method of accounting.

The significant accounting policies used in the preparation of these consolidated financial statements are summarized below:

(a) Accumulated Surplus

The components of Accumulated Surplus as detailed in Note 10 reflect the following purposes and usages:

i) Current Fund

The current fund accounts for the Library's program delivery, service and administrative activities.

ii) Library Materials Fund

The library materials fund expenses the net original purchase cost of the materials not limited to but including: audio-visual; serials/periodicals; and electronic information databases. Books and resource collection materials are capitalized as noted in item 2 d below. A transfer is made to the capital fund equal to the amount capitalized.

iii) Invested in Tangible Capital Assets

Invested in Tangible Capital Assets reflects the net original purchase cost less accumulated amortization to date of all capital assets of the Library after taking into consideration any associated long-term debt. Also included are the appropriations for future capital expenditures and amortization of capital assets.

iv) Internally Restricted Reserves

Internally Restricted Reserves reflect the amount of accumulated surplus that has been designated for particular future purposes. Allocations to the reserve fund come primarily through surplus transfers from the current fund. Reserves may be used to offset expenditures in the current fund, the capital fund and the materials fund.

(continues)

LAKELAND LIBRARY REGION
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Internally Restricted Reserves consist of Specified and Unspecified Reserves. Specified Reserves reflect appropriations towards Automation, Automobile, Interlibrary, Equipment, Evergreen (computer replacement), and Materials. Unspecified Reserves include Contingency funds for the Library and Building.

In all cases such uses of reserve funds are shown as inter-fund transfers and they are not considered to be revenues or expenses.

(b) Revenue Recognition

Lakeland Library Region follows accrual accounting for the reporting of contributions.

Taxation revenue is recognized in the fiscal period the tax assessment was levied against property owners. The local municipalities administer the assessment and collection of the Library mill rate and remits tax revenues to the Library.

Unless the grant is restricted, grant revenue is recognized when the funds are received. If the grant is restricted by the contributor, the revenue is deferred and recognized when the conditions of the funding have been met.

Donation revenue is recognized in the period in which the funds are received unless the donation is restricted. If the donation is restricted by the contributor, the revenue is deferred and recognized when the conditions of the donation have been met.

Other revenue, such as fines and interest, is recognized when received or when goods or services have been provided.

(c) Expenditure Recognition

The public library system uses the accrual method of accounting for expenditures whereby the cost of goods and services acquired in the period, or a liability is incurred, are recorded regardless of whether payment has been made or invoices received.

(d) Tangible Capital Assets

Tangible capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at their fair value at the date of contribution. Tangible capital assets are amortized over their estimated useful lives on a straight-line basis as follows:

Buildings	30 years
Automotive	3-5 years
Furniture	6 years
Equipment	4 years
Library books & resource material	5 years

The Library regularly reviews its tangible capital assets to eliminate obsolete items.

Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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LAKELAND LIBRARY REGION
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Impairment of Long-Lived Assets

The Library tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

(f) Cash and Cash Equivalents

Cash is represented by cash on hand and balances with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

(g) Portfolio Investments and Other Non-Cash Assets

All investments currently held are reported at their acquisition cost, which is equivalent to their fair market value at the year-end reporting date.

All gains and losses from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the function that owned the assets. Ordinary income from investments, receivables, and similar assets is accounted for in the function owning the assets.

(h) Pension

Employees of the Regional Library participate in a multi-employer defined benefit pension plan. The Regional Library follows defined contribution accounting for its participation in the plan. Accordingly, the Regional Library expenses all contributions it is required to make in the year.

(i) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Examples of significant estimates include:

- Providing for amortization of tangible capital assets;
- The estimated useful lives of assets;
- The recoverability of tangible assets.

(j) Appropriated Reserves

The reserves of the Library are maintained in accordance with internal and external restrictions and for reporting purposes, resources are classified by specified activities or objectives. Each reserve reflects the amount of accumulated surplus that has been designated for particular future purposes. Allocations to the reserves come primarily through transfers from unappropriated surplus.

(continues)

LAKELAND LIBRARY REGION
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Reporting Entity

These consolidated financial statements include the accounts of the Library and the Library's proportionate share of the Saskatchewan Information & Library Services Consortium Inc. ("SILS"). In the current year, the Library's share of the SILS was 6.01% (2018 - 6.14%). Intercompany transactions have been eliminated.

In the event that SILS is dissolved, the Library is responsible for its share of any costs in excess of the net assets in SILS. As at December 31, 2019, SILS plans to continue operations for the foreseeable future.

(l) Basis of Segmentation/Segment Report

The library follows the Public Sector Accounting Board's recommendations requiring financial information to be provided on a segmented basis. Library services have been segmented by grouping activities that have similar service objectives (by function). Revenues that are directly related to the costs of the function have been attributed to each segment. Interest is allocated to functions based on the purpose of specific borrowings.

The segments (functions) are as follows:

Administrative: Provides for the administration of the Library and its branches and is primarily funded by the Province of Saskatchewan.

Governance: The local library board, overseen by the executive committee, governs the operations of its library system through policies and is primarily funded by the Province of Saskatchewan.

Headquarters Services to Branches: Provides centralized services to the branch network and facilitates resource sharing both within and outside of the Regional Library and is primarily funded by the Province of Saskatchewan.

Regional Resource Center: Provides de-centralized services to the Lloydminster and North Battleford area branches and facilitates resource sharing both within and outside of the Regional Library and is primarily funded by municipal levies.

Local Branch: Provides de-centralized services to the branch network and facilitates resource sharing both within and outside of the Regional Library and is primarily funded by municipal levies.

Area Resource Center: Provides de-centralized services to the branch network and facilitates resource sharing both within and outside of the Regional Library and is primarily funded by municipal levies.

(m) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return. Government transfers are recognized as revenue in the period that the events giving rise to the transfer occur, providing:

- a) The transfers are authorized;
- b) Any eligibility criteria and stipulation have been met; and
- c) Reasonable estimates of the amounts can be made.

(continues)

LAKELAND LIBRARY REGION
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Unearned government transfer amounts will be recorded as deferred revenue until eligibility criteria or stipulations are met.

Earned government transfer amounts not received will be recorded as an amount receivable.

Government transfers to individuals and other entities are recognized as an expense when the transfers are authorized and all eligibility criteria have been met.

3. CASH AND CASH EQUIVALENTS

	2019	2018
Innovation Credit Union - operating account	\$ 944,855	\$ 792,289
Credential Securities - cash equivalents	145,914	145,145
Petty cash	454	270
Innovation Credit Union - equity account	5	5
Subtotal	1,091,228	937,709
Consolidated cash (SILS)	35,430	32,194
	\$ 1,126,658	\$ 969,903

4. ACCOUNTS RECEIVABLE

	2019	2018
Accrued interest receivable	\$ 9,877	\$ 7,360
Trade receivables	12,030	16,308
Subtotal	21,907	23,668
Consolidated receivables (SILS)	12,755	16,215
	\$ 34,662	\$ 39,883

5. PATRONAGE EQUITY

	2019	2018
Discovery Co-op	\$ 1,174	\$ 1,372
Innovation Credit Union	3,945	3,160
Subtotal	5,119	4,532
Consolidated patronage investments (SILS)	139	103
	\$ 5,258	\$ 4,635

LAKELAND LIBRARY REGION
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

6. ACCOUNTS PAYABLE

	2019	2018
Trade payables	\$ 57,027	\$ 37,332
Accrued liabilities	13,000	13,000
Visa payable	1,214	-
Master Card payable	-	11,828
Provincial Sales Tax (recoverable) payable	(33)	1,066
Subtotal	71,208	63,226
Consolidated payables (SILS)	6,844	4,775
	\$ 78,052	\$ 68,001

7. DEFERRED REVENUE

	2019	2018
Consolidated deferred grants (SILS)	\$ 2,519	\$ 3,608

8. PREPAID EXPENSES

	2019	2018
Prepaid expenses	\$ 1,234	\$ 1,234
Consolidated prepaid expenses (SILS)	19,519	20,099
	\$ 20,753	\$ 21,333

9. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 29,613	\$ -	\$ 29,613	\$ 29,613
Buildings	175,985	97,102	78,883	84,750
Motor vehicles	209,308	202,322	6,986	21,806
Furniture and fixtures	233,827	163,668	70,159	4,518
Materials	2,878,089	2,287,256	590,833	572,448
	\$ 3,526,822	\$ 2,750,348	\$ 776,474	\$ 713,135

LAKELAND LIBRARY REGION
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

10. ACCUMULATED SURPLUS

	Opening Balance	Excess of revenue over expenditures	Net Contributions (Withdrawals)	2019
<u>2019 Accumulated Surplus</u>				
Current fund	\$ 334,174	\$ 472,725	\$ (366,096)	\$ 440,803
SILS	137,155	4,397	-	141,552
Materials fund	20,523	-	-	20,523
Invested in Tangible Capital Assets	713,136	(315,592)	378,930	776,474
	<u>1,204,988</u>	<u>161,530</u>	<u>12,834</u>	<u>1,379,352</u>
Specified reserves				
Automation	100,000	-	-	100,000
Automobile	35,451	-	10,000	45,451
Interlibrary	5,468	-	-	5,468
Equipment	10,181	-	-	10,181
Evergreen	29,055	-	(22,834)	6,221
Materials - replacement	33,355	-	-	33,355
	<u>213,510</u>	<u>-</u>	<u>(12,834)</u>	<u>200,676</u>
Unspecified reserves				
Contingency - Building	80,825	-	-	80,825
Contingency - Library	221,322	-	-	221,322
	<u>\$ 1,720,645</u>	<u>\$ 161,530</u>	<u>\$ -</u>	<u>\$ 1,882,175</u>
<u>2018 Accumulated Surplus</u>				
Current fund	\$ 124,009	\$ 510,003	\$ (299,838)	\$ 334,174
SILS	96,848	40,307	-	137,155
Materials fund	20,523	-	-	20,523
Invested in Tangible Capital Assets	680,696	(257,398)	289,838	713,136
	<u>922,076</u>	<u>292,912</u>	<u>(10,000)</u>	<u>1,204,988</u>
Specified reserves				
Automation	100,000	-	-	100,000
Automobile	25,451	-	10,000	35,451
Interlibrary	5,468	-	-	5,468
Equipment	10,181	-	-	10,181
Evergreen	29,055	-	-	29,055
Materials - replacement	33,355	-	-	33,355
	<u>203,510</u>	<u>-</u>	<u>10,000</u>	<u>213,510</u>
Unspecified reserves				
Contingency - building	80,825	-	-	80,825
Contingency - library	221,322	-	-	221,322
	<u>\$ 1,427,733</u>	<u>\$ 292,912</u>	<u>\$ -</u>	<u>\$ 1,720,645</u>

LAKELAND LIBRARY REGION
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

11. BUDGET AMOUNTS

The budget amounts were prepared by Lakeland Library Region management and were approved by the Board of Directors on November 24, 2018.

The reconciliation of the approved budget for the current year to the budget figures reported in these consolidated financial statements is as follows:

	<u>2019</u>
Approved budget	\$ -
Amortization expense	(257,398)
Transfer from Reserve	<u>(55,000)</u>
Budget Deficit per Statement of Operations	<u>\$ (312,398)</u>

12. FINANCIAL INSTRUMENTS

The Library is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Library's risk exposure and concentration as of December 31, 2019.

(a) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The organization is exposed to credit risk from customers. The Library has minimal credit risk since it has minimal accounts receivable and most of its funds are from the Province and local municipalities.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The staff on behalf of the Library manages liquidity risk by continually monitoring cash flow requirements to ensure that it has sufficient funds to meet obligations before they come due.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. There are no significant terms or conditions related to these financial instruments that may affect the amount, timing or certainty of future cash flows

(d) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates.

Unless otherwise noted, it is management's opinion that the Library is not exposed to significant other price risks arising from these financial instruments.

LAKELAND LIBRARY REGION
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

13. PENSION

Employees of the Library participate in the Municipal Employees Pension Plan ("MEPP"). MEPP is a multi-employer defined benefit pension plan established by the Municipal Employee's Pension Act on July 1, 1973. MEPP was created to provide retirement benefits to the members of school divisions, urban and rural municipalities, regional colleges, regional public libraries, and other local authorities based on length of service and pensionable earnings. Benefits under MEPP are funded by employer and employee contributions at rates set by the Municipal Employees' Pension Commission.

Contributions to MEPP by participating employers are not segregated in separate accounts or restricted to provide benefits to the employees of a particular employer. As a result, individual employers are not able to identify their share of the underlying assets and liabilities, and the net pension assets or liabilities are not recognized with these statements. In accordance with PSAB, the plan is accounted for as a defined contribution plan whereby the Library's contributions are expensed when due. During the year, the Library contributed \$91,858 (2018 - \$80,833).

In 2008, the Canadian Union of Public Employees (CUPE) had launched a legal action against the Pension Plan and the employers whose employees are members of the pension plan. The Library's liabilities resulting from this action remain undeterminable at this time.

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LAKELAND LIBRARY REGION
Notes to Consolidated Financial Statements
Year Ended December 31, 2019

14. PRIOR PERIOD ADJUSTMENT

During the 2019 year, it was determined that the prior year consolidation of the SILS Consortium included intercompany transactions that should have been eliminated on proportionate consolidation and certain calculations were done in error. The comparative 2018 figures were corrected to report these amounts correctly at Lakeland Library Region's 6.14% membership share less intercompany transactions.

During the 2019 year, a balance of materials additions were found to have been over-amortized in a fiscal period prior to 2018, and as such the \$32,923 in excess amortization was adjusted to 2018 accumulated surplus, beginning of year.

As a result of these errors, the following consolidated financial statement items have been adjusted as follows:

	2018 (Previously Reported)	Adjustments	2018 (Restated)
Consolidated Statement of Financial Position	\$ -	\$ -	\$ -
Cash and cash equivalents	970,087	(184)	969,903
Long term deposits	110,520	(3,070)	107,450
Accounts payable	(67,703)	(298)	(68,001)
Consolidated member deposits (SILS)	-	(30,700)	(30,700)
Tangible capital assets	680,212	32,923	713,135
Accumulated surplus, end of year	(1,721,976)	1,331	(1,720,645)
	-	-	-
Consolidated Statement of Operations	-	-	-
SILS revenue	(109,767)	38,650	(71,117)
SILS expenses	65,853	(4,396)	61,457
	-	-	-
Consolidated Statement of Changes in Net Financial Assets	-	-	-
Annual surplus	327,166	(34,254)	292,912
Net financial assets, end of year	1,015,794	(29,617)	986,177
	-	-	-
Consolidated Statement of Cash Flows	-	-	-
Annual surplus	327,166	(34,254)	292,912
Change in ownership of SILS	59,271	(59,271)	-
Consolidated member deposits (SILS)	-	(30,700)	(30,700)
Cash, end of year	1,080,607	(3,254)	1,077,353
Transfers to reserves	10,000	(10,000)	-

15. COMPARATIVE FIGURES

Some of the comparative figures may have been reclassified to conform to the current year's presentation.

LAKELAND LIBRARY REGION
Schedule of Administrative Expenditures
Year Ended December 31, 2019

(Schedule 1)

	Budget (unaudited)	2019	2018
Salaries and Benefits			
Salaries	\$ 163,741	\$ 124,572	\$ 118,470
Employee Benefits	29,475	19,657	18,186
Workers Compensation	-	358	278
	<u>193,216</u>	<u>144,587</u>	<u>136,934</u>
Purchased Goods and Services			
Audit	8,000	8,337	7,941
Accounting & Payroll Support	1,500	863	1,378
Consulting Fees	7,000	5,936	-
Equipment	16,000	5,463	8,361
Fax	678	432	432
Evergreen	15,000	1,750	150
Insurance	1,500	770	714
Office Supplies	2,450	2,607	3,423
Photocopier rent	1,500	1,187	1,187
Photocopier service	3,000	2,634	1,225
Postage	3,000	2,010	2,127
Postage equipment	1,000	494	877
Promotion LLR	5,000	3,597	3,629
Travel - Admin Staff	5,100	2,448	1,749
Sundry	2,200	17,662	20,941
Telephone	3,700	4,296	3,746
	<u>\$ 269,844</u>	<u>\$ 205,073</u>	<u>\$ 194,814</u>

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LAKELAND LIBRARY REGION
Schedule of Governance Expenditures
Year Ended December 31, 2019

(Schedule 2)

	Budget (unaudited)	2019	2018
Salaries and Benefits			
Executive Indemnity	\$ 2,500	\$ 7,502	\$ 3,270
	2,500	7,502	3,270
Purchased Goods and Services			
Board Meeting Expenses	1,400	1,059	822
Board Travel	2,500	-	1,760
Executive Insurance	3,400	3,399	3,399
Executive Travel	6,500	7,925	5,931
SLTA Association Fees	2,700	2,389	2,379
Conference - Executive	950	1,161	1,137
	\$ 19,950	\$ 23,435	\$ 18,698

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LAKELAND LIBRARY REGION
Schedule of Headquarters Services to Branches Expenditures (Schedule 3)
Year Ended December 31, 2019

	Budget (unaudited)	2019	2018
Salaries and Benefits			
Staff Salaries	\$ 262,828	\$ 248,788	\$ 224,255
Employee Benefits	49,147	42,974	36,726
Workers Compensation	-	578	447
	<u>311,975</u>	<u>292,340</u>	<u>261,428</u>
Purchased Goods and Services			
Automobile			
Fuel	17,000	15,168	16,046
Insurance	-	3,470	4,760
Maintenance	15,000	7,405	40,039
Driver Expense	-	3,214	2,814
	<u>32,000</u>	<u>29,257</u>	<u>63,659</u>
SILS			
Service Fee	51,362	52,623	57,684
Membership	17,245	16,088	13,912
SILS Development Reserve	1,466	1,187	-
Library Supplies	2,800	3,327	4,385
Processing	3,200	2,110	2,735
Summer/Winter Reading, & Sask. Library Programs	8,000	3,799	9,028
Workshops & Conferences - librarians	7,000	3,059	702
	<u>91,073</u>	<u>82,193</u>	<u>88,446</u>
	<u>\$ 435,048</u>	<u>\$ 403,790</u>	<u>\$ 413,533</u>

LAKELAND LIBRARY REGION
Schedule of Regional Resource Center Expenditures (Schedule 4)
Year Ended December 31, 2019

	Budget (unaudited)	2019	2018
Salaries and Benefits			
Lloydminster	\$ 13,946	\$ 249,239	\$ 265,262
North Battleford	309,258	313,736	288,013
Employee Benefits	55,019	50,850	44,519
Workers Compensation	-	675	526
	<u>378,223</u>	<u>614,500</u>	<u>598,320</u>
Purchased Goods and Services			
Administration Lloydminster	8,901	8,901	8,901
Public Computer	3,500	1,209	916
	<u>\$ 390,624</u>	<u>\$ 624,610</u>	<u>\$ 608,137</u>

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LAKELAND LIBRARY REGION
Schedule of Local Branch Expenditures
Year Ended December 31, 2019

(Schedule 5)

	Budget (unaudited)	2019	2018
Salaries and Benefits			
Salaries	\$ 330,198	\$ 329,681	\$ 320,693
Benefits	61,697	44,091	40,890
Workers Compensations	-	726	561
	391,895	374,498	362,144
Purchased Goods and Services			
Public Computers	43,500	3,873	3,791
Local Donations	-	12,614	4,694
	\$ 435,395	\$ 390,985	\$ 370,629

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LAKELAND LIBRARY REGION
Schedule of Area Resource Center Expenditures (Schedule 6)
Year Ended December 31, 2019

	Budget (unaudited)	2019	2018
Salaries and Benefits			
Salaries	\$ 108,735	\$ 115,253	\$ 104,848
Employee Benefits	19,099	19,807	16,706
Workers Compensation	-	237	185
	<u>127,834</u>	<u>135,297</u>	<u>121,739</u>
Purchased Goods and Services			
Public Computer	6,000	1,877	1,134
	<u>\$ 133,834</u>	<u>\$ 137,174</u>	<u>\$ 122,873</u>

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LAKELAND LIBRARY REGION
Schedule of Materials Expenditures
Year Ended December 31, 2019

(Schedule 7)

	Budget (unaudited)	2019	2018
Library Materials			
Lloydminster	\$ 13,824	\$ 73,293	\$ 81,893
North Battleford	74,000	71,654	73,184
Local Branches	129,990	121,915	113,622
Meadow Lake	22,700	22,574	22,122
	<u>240,514</u>	<u>289,436</u>	<u>290,821</u>
Less capitalized portion	-	(286,449)	(289,838)
	<u>\$ 240,514</u>	<u>\$ 2,987</u>	<u>\$ 983</u>

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LAKELAND LIBRARY REGION
Schedule of Building Expenditures
Year Ended December 31, 2019

(Schedule 8)

	Budget (unaudited)	2019	2018
Purchased Goods and Services			
Building Improvements	\$ 11,500	\$ 1,522	\$ 1,653
Garbage Removal	900	864	812
Gas	2,000	1,782	1,933
Insurance	1,700	1,752	1,662
Maintenance & Repair	2,000	282	1,267
Power	7,200	6,512	6,497
Janitorial Services	5,140	4,676	4,800
Maintenance Supplies	1,200	1,078	991
Security System	400	392	392
Water	2,200	1,320	1,320
	\$ 34,240	\$ 20,180	\$ 21,327

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LAKELAND LIBRARY REGION
Consolidated Summary of Expenditures by Object (Schedule 9)
Year Ended December 31, 2019

	Budget (unaudited)	2019	2018
EXPENSES			
Wages, benefits, honoraria and other	\$ 1,405,643	\$ 1,591,860	\$ 1,496,675
Purchased goods and services	479,307	264,165	302,489
Amortization	257,398	315,592	257,398
Electronic database	74,500	16,414	17,682
	<u>\$ 2,216,848</u>	<u>\$ 2,188,031</u>	<u>\$ 2,074,244</u>

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LAKELAND LIBRARY REGION
Consolidated Schedule of Tangible Capital Assets by Object
Year Ended December 31, 2019

(Schedule 10)

	Land	Buildings	Motor Vehicles	Furniture and Fixtures	Materials	2019	2018
Asset Cost							
Opening Asset Costs	\$ 29,613	\$ 175,985	\$ 209,308	\$ 141,345	\$ 2,591,640	\$ 3,147,891	\$ 2,858,053
Additions during the year	-	-	-	92,483	286,449	378,932	289,838
Closing Asset Costs	29,613	175,985	209,308	233,828	2,878,089	3,526,823	3,147,891
Accumulated Amortization Cost							
Opening Accumulated Amortization Cost	-	91,235	187,502	136,827	2,019,192	2,434,756	2,177,358
Add: Amortization taken	-	5,867	14,820	26,842	268,064	315,593	257,398
Less: Accumulated amortization on disposals	-	-	-	-	-	-	-
Closing Accumulated Amortization Costs	-	97,102	202,322	163,669	2,287,256	2,750,349	2,434,756
Net Book Value	\$ 29,613	\$ 78,883	\$ 6,986	\$ 70,159	\$ 590,833	\$ 776,474	\$ 713,135

See notes to consolidated financial statements