

# 2008

Strong Libraries Strong Communities



*Vancouver Island Regional Library*



**CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2008

Partners

John A. Annesley, C.A.\*

Lorana LaPorte, C.A., CFP\*

Grant McDonald, C.A.\*

\* incorporated



Church Pickard

Chartered Accountants

*"Your Success is our Focus"*

## AUDITORS' REPORT

Board of Directors  
Vancouver Island Regional Library

We have audited the consolidated statement of financial position of the **Vancouver Island Regional Library** as at **December 31, 2008** and the consolidated statements of operations, changes in net debt, cash flows, and schedules of general fund expenditures for the year then ended. These financial statements and schedules are the responsibility of the Library's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. These 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 statement presentation.

The Library derives part of its revenue from the general public in the form of donations, fines, and fees, which are not susceptible to complete audit verification. Accordingly, our verification of these revenues was limited to accounting for the amounts recorded in the records of the Library and we were not able to determine whether any adjustments might be necessary to revenue for donations, fines, and fees.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to verify the completeness of donations, fines, and fees, these financial statements present fairly, in all material respects, the financial position of the Library as at **December 31, 2008** and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Church Pickard*

**CHURCH PICKARD**  
Chartered Accountants

Nanaimo, B.C.  
March 28, 2009

(1)

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Statement "A"

**VANCOUVER ISLAND REGIONAL LIBRARY**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2008

	<u>2008</u>	<u>2007</u>
<b>Financial Assets</b>		
Cash and short-term investments - Note 3	\$ 5,158,071	\$ 4,471,318
Accounts receivable	82,022	297,130
	<u>5,240,093</u>	<u>4,768,448</u>
<b>Liabilities</b>		
Trade accounts payable	370,411	300,024
Wages payable	471,103	390,921
Deferred revenue	161,951	473,185
Accrued benefit obligation - Note 7	258,603	255,718
	<u>1,262,068</u>	<u>1,419,848</u>
<b>Net Assets (Debt)</b>	<b>\$ 3,978,025</b>	<b>\$ 3,348,600</b>
<b>Non Financial Assets</b>		
Tangible Capital Assets - Note 4	5,413,301	5,284,775
Prepaid expenses	178,771	382,757
	<u>5,592,072</u>	<u>5,667,532</u>
<b>Accumulated Surplus</b>	<b><u>\$ 9,570,097</u></b>	<b><u>\$ 9,016,132</u></b>
Which is composed of:		
Internally restricted - Statement "E"	2,818,736	2,666,483
Unrestricted	1,338,060	1,064,874
Investment in property and equipment	5,413,301	5,284,775
	<u>\$ 9,570,097</u>	<u>\$ 9,016,132</u>

On behalf of the Board:



Chair of the Board

## Statement "B"

**VANCOUVER ISLAND REGIONAL LIBRARY**

## CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2008

	<b>Budget</b>	<b>2008</b>	<b>2007</b>
	(Unaudited)		
<b>Revenues</b>			
Municipal levies	\$ 9,315,620	\$ 9,315,621	\$ 9,005,414
Rural levies	4,455,312	4,455,313	4,364,207
Government grants - Note 5	1,475,450	1,927,661	1,427,633
Fines and other income	620,450	626,181	645,271
Interest earned	150,000	157,051	184,788
	<u>16,016,832</u>	<u>16,481,827</u>	<u>15,627,313</u>
<b>Expenditures</b>			
Wages and benefits - Schedule I	8,951,478	9,074,038	8,387,542
Branch costs	2,802,921	2,533,987	2,390,766
Miscellaneous Library materials	200,000	159,116	101,739
Administration costs - Schedule II	1,950,018	1,822,768	1,600,667
Retirement benefit accrual - Note 7	50,000	60,164	51,072
Amortization Expense	2,277,789	2,277,789	2,221,615
	<u>16,232,206</u>	<u>15,927,862</u>	<u>14,753,401</u>
<b>Operating surplus (deficit)</b>	(215,374)	553,965	873,912
<b>Surplus beginning of Year</b>	<u>9,016,132</u>	<u>9,016,132</u>	<u>8,142,220</u>
<b>Accumulated surplus End of Year</b>	<u>\$ 8,800,758</u>	<u>\$ 9,570,097</u>	<u>\$ 9,016,132</u>

Statement "C"

**VANCOUVER ISLAND REGIONAL LIBRARY**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (DEBT)

For the year ended December 31, 2008

	<b>Budget</b>	<b>2008</b>	<b>2007</b>
<b>Operating Surplus (Deficit)</b>	\$ (215,374)	\$ 553,965	\$ 873,912
Acquisition of Tangible Capital Assets	(2,864,872)	(2,406,314)	(2,395,184)
Amortization of Tangible Capital Assets	<u>2,277,790</u>	<u>2,277,790</u>	<u>2,221,615</u>
<b>Annual surplus</b>	<u>(802,456)</u>	<u>425,441</u>	<u>700,343</u>
<b>Acquisition of Prepaid Expenses</b>		(178,771)	(382,757)
<b>Use of Prepaid Expenses</b>		<u>382,757</u>	<u>365,042</u>
	-	203,986	(17,715)
(Increase) decrease in net financial assets/net debt	(802,456)	629,425	682,628
Net Financial Assets (net debt) beginning of year		<u>3,348,600</u>	<u>2,665,972</u>
<b>Net Financial Assets (net debt) end of year</b>	<u><b>\$ (802,456)</b></u>	<u><b>\$ 3,978,025</b></u>	<u><b>\$ 3,348,600</b></u>

Statement "D"

**VANCOUVER ISLAND REGIONAL LIBRARY**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the year ended December 31, 2008**

	<b>2008</b>	<b>2007</b>
<b>Cash provided (used):</b>		
<b>Operating activities</b>		
Annual surplus (deficit)	\$ 425,441	\$ 700,343
<b>Changes in non-cash operating accounts</b>		
(Increase) decrease in accounts receivables	215,107	(55,087)
(Increase) decrease in prepaid expenses	203,985	(17,716)
Increase (decrease) in trade accounts payable	70,387	(209,182)
Increase in accrued benefit obligation	2,886	32,632
Increase in wages payable	80,181	117,536
Increase (decrease) in deferred revenue	(311,234)	95,802
	<u>261,312</u>	<u>(36,015)</u>
<b>Increase in cash</b>	686,753	664,328
<b>Cash, beginning of the year</b>	<u>4,471,318</u>	<u>3,806,990</u>
<b>Cash, end of the year</b>	<u><u>\$ 5,158,071</u></u>	<u><u>\$ 4,471,318</u></u>

## Statement "E"

**VANCOUVER ISLAND REGIONAL LIBRARY**CONSOLIDATED STATEMENT OF  
INTERNALLY RESTRICTED FUND BALANCES

For the year ended December 31, 2008

	2008	2007	2006	2005	2004
<b>Internally-restricted Funds</b>					
New branches / refurbishments	\$ 959,813	\$ 842,255	\$ 751,717	\$ 671,352	\$ 626,066
Books	471,828	614,656	689,178	685,900	424,330
Computer equipment	406,541	387,505	366,096	388,233	351,991
Long-term maintenance	184,793	178,389	89,181	36,181	-
General	169,627	153,824	172,963	171,152	176,528
Vehicles	163,994	138,029	111,684	111,684	69,274
Furnishings and equipment	136,598	158,767	106,736	104,369	20,486
Sick time - Note 7	114,897	39,914	23,101	23,101	-
Fundraising	88,897	25,615	19,234	12,058	4,637
Human resource issues	65,346	75,853	66,819	112,647	43,197
Summer employment	24,617	23,764	22,758	14,457	14,326
Insurance deductibles	20,000	20,000	20,000	20,000	-
BCGEU Continuing Ed	11,145	-	-	-	-
First Nations	640	640	-	-	-
Dental	-	-	11,137	14,892	27,018
Literacy	-	7,272	7,272	11,000	-
Contingencies	-	-	-	247,271	365,945
ILS replacement	-	-	-	392,675	420,856
Computer system	-	-	-	-	3,078
<b>Total Internally Restricted Funds</b>	<b>\$ 2,818,736</b>	<b>\$ 2,666,483</b>	<b>\$ 2,457,876</b>	<b>\$ 3,016,972</b>	<b>\$ 2,547,732</b>

# VANCOUVER ISLAND REGIONAL LIBRARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2008

### 1 Organization

The Vancouver Island Regional Library is a regional library with administrative offices located in Nanaimo, B.C. It serves customers in 38 locations, as well as 2 volunteer book stations and books by mail service, on Vancouver Island, the Queen Charlotte Islands, and the Central Coast. Card holders can borrow materials from any location.

### 2 Significant accounting policies

The Financial statements of the Library have been prepared in accordance with Canadian generally accepted accounting principles using guidelines developed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants with significant policies adopted by the Library where alternatives are available as noted below:

#### a) Fund accounting

The General Fund accounts for the Library's program delivery and administrative services. This Fund reports all assessments, grants, other income, and expenditures. Property and equipment are expensed in the operating Fund in the year of purchase and are recorded as assets in the capital fund.

The Capital Fund records assets under capital lease at full value as assets and lease payments are expensed in the operating fund as lease payments are made. The capital fund reports all assets and liabilities related to the Library's capital assets.

#### b) Capital Assets

Budgeted provisions for property and equipment acquisitions are transferred to internally-restricted funds. The building, furniture, equipment, system computers, vehicles, and books are stated at Net Book Value as amortization has been recorded. Amortization is recorded on a straight-line basis over the estimated useful life of the asset commencing the year the asset is put into service. Assets are recorded at cost based on single item purchase thresholds, and group purchase thresholds. Estimated Useful lives as follows:

		Single Purchase Threshold	Group Purchase Threshold
Buildings	40 years	\$5,000	\$5,000
Leasehold Improvements	5 years	\$5,000	\$5,000
Furniture and Equipment	10 years	\$1,000	\$10,000
Vehicles	10 years	\$5,000	\$5,000
Computer Equipment	3 years	\$3,000	\$15,000
Books	5 years	none	none

#### c) Internally-restricted funds

Included in internally-restricted funds are amounts set aside from past and current operations for future operating and capital expenditures.



**d) Deferred revenues**

Grant revenues received in advance are deferred and recognized as revenue in the period in which the corresponding expenditures are incurred.

**e) Use of estimates**

The preparation of the financial statements of the Vancouver Island Regional Library, in accordance with Canadian generally accepted accounting principles, requires management to make estimates and assumptions of values which affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. Amounts are based on best estimates, but actual amounts may vary from the amounts recorded. Adjustments, if any, will be reflected in the period of settlement.

**f) Contingent Liabilities**

The Vancouver Island Regional Library is currently engaged in certain legal actions, the outcome of which is not determinable at this time. Accordingly, no provision has been made in the accounts for these actions. The amount of loss, if any, arising from these contingent liabilities will be recorded in the accounts in the period in which the loss is realized.

**3 Cash and short-term investments**

Short-term investments include 4,865 (2007 - 4,343) units of Municipal Finance Authority of British Columbia money market fund. This fund contains T-bills, corporate bonds, commercial paper, and banker's acceptance notes. The rates of return vary depending on the rates of return of the items held. Cash and short term investments are recorded at their cost which is equal to their fair market value and include:

	2008	2007
Cash	\$ 292,619	\$ 128,520
Municipal Finance Authority of British Columbia - money market fund	<u>4,865,452</u>	<u>4,342,798</u>
	<u>\$ 5,158,071</u>	<u>\$ 4,471,318</u>

The general bank account has an overdraft limit up to \$30,000 and carries interest at prime.

**4 Capital Assets**

The central services building is located on land owned by the Province of British Columbia.

For Additional Information, see Consolidated Schedule of Capital Assets (Schedule 3)

The Library also owns certain donated artworks which have not been capitalized due to the uncertainty of the value.

<b>Description</b>	<b>Location</b>	<b>Estimated Value</b>
Totem Pole	Cowichan	\$ 50,000

<b>5 Government grants</b>	2008	2007
Incorporated areas @ \$2.20 per capita	\$ 633,096	\$ 633,096
Rural areas @ \$3.90 - \$4.10 per capita	545,960	545,960
Other grants	748,605	248,577
	<u>\$ 1,927,661</u>	<u>\$ 1,427,633</u>

## **6 Pension obligations**

Vancouver Island Regional Library and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee pension plan. The Board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 150,000 active members and approximately 54,000 retired members. Active members include approximately 32,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the surplus to individual employers. Vancouver Island Regional Library paid \$531,276 for employer contributions to the plan in fiscal 2008.

## **7 Accrued benefit obligation**

This liability represents an estimate of the amount of accumulated termination benefits. The following data is a result of applying an actuarial method in valuating the liability at December 31, 2007. Significant assumptions used in the valuation include a discount rate of 3.5% and inflation of 3.5%. There are no unamortized gains or losses. Prior to 2005, an actuarial method was not used for the accrued benefit obligation.

	2008	2007
Provision for accrued benefit obligation, beginning of the year	\$ 255,718	\$ 223,086
Payments during the year	(18,494)	(18,440)
Transfer to Reserve for Sick time	(38,785)	
Interest earned	10,164	11,072
Budgeted Contribution to provision during the year	50,000	40,000
Provision for accrued benefit obligation, end of the year	<u>\$ 258,603</u>	<u>\$ 255,718</u>

## **8 Sick leave**

The maximum balance in accrued sick time for all employees is approximately \$1,500,000. Employees are entitled to draw from this bank while sick, but this entitlement does not vest prior to retirement or leaving the employment of the Library. Management estimates the liability's range from nil to \$1,500,000. Sick leave usage is funded in the annual budget and is recorded when paid.

## 9 Commitments

The Library is committed under several lease agreements for building rentals and shared common costs which, for each of the next five years and in total, are as follows:

2009	1,980,783
2010	1,741,336
2011	1,544,261
2012	1,306,157
2013	1,107,642
	<b>7,680,179</b>

The Library is also committed to an annual license agreement for the integrated Library system in the amount of \$56,381 which will continue indefinitely so long as the base software is in use.

## 10 Restated Figures/ Prior Period Adjustments

Where applicable prior year's figures have been restated to provide comparability to 2008 statements and to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook which requires governments to record and amortize their tangible capital assets on their financial statements. Historical costs were used and the statements have been restated to provide comparability as follows.

	2007 Before Restatement	Addition of Assets not previously capitalized but expensed	Write down of Assets Previously capitalized	2007 Asset Value based on cost
Library Materials	\$ -	\$ 9,677,963	\$ -	\$ 9,677,963
Furniture, equipment, and computer systems	3,501,871	1,260,558	-	4,762,429
Vehicles	183,493	-	-	183,493
Building	1,335,080	-	(20,980)	1,314,100
	\$ 5,020,444	\$ 10,938,521	\$ (20,980)	\$ 15,937,985

And accumulated amortization including 2007 was recorded as follows.

	Prior Years Amortization	2007 Amortization	Accumulated Amortization	2007 Net Book Value after restatement
Library Materials	\$ 3,592,170	\$ 1,935,533	\$ 5,527,703	\$ 4,150,260
Furniture, equipment, and computer systems	3,947,630	239,677	4,187,307	575,122
Vehicles	105,150	13,553	118,703	64,790
Building	786,645	32,852	819,497	494,603
	\$ 8,431,595	\$ 2,221,615	\$ 10,653,210	\$ 5,284,775
Summary of Adjustments to 2007:	Before restatement			After restatement
Equity in Investment in Assets	\$ 5,020,444			\$ 5,284,775
Internally Restricted Surplus	2,666,483			2,666,483
Unrestricted Surplus	1,064,874			1,064,874
Total Accumulated Surplus	\$ 8,751,801			\$ 9,016,132

## **11 Annual budget**

The financial statements include the un-audited annual budget as approved by the Library Board on December 1, 2007.

## **12 Financial instruments**

Financial risk and fair market values

Financial instruments consist of cash, short-term investments, accounts receivable, trade accounts payable, wages payable and capital lease obligations. The financial risk is the risk to the Library's earnings that arises from fluctuations in interest rates, foreign exchange rates, and the degree of volatility of these rates. The Library does not use derivative instruments to reduce its exposure to interest risk or foreign exchange risk as management does not consider them to be material. The carrying values for cash, short-term investments, accounts receivable, trade accounts payable and wages payable approximate their fair values due to their short-term maturity and capacity for prompt liquidation.

## **13 Credit risk**

The Library does not believe it is subject to any significant concentration of credit risk. Cash and short-term investments are held with major financial institutions. Accounts receivable mainly consist of government receivables.

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**GENERAL FUND EXPENDITURES SCHEDULE**

**WAGES AND BENEFITS**

For the year ended December 31, 2008

	<b>Budget</b>	<b>2008</b>	<b>2007</b>
	(Unaudited)		
<b>Library services</b>			
Branch Services	\$ 4,567,257	\$ 4,654,298	\$ 4,374,625
Promotion & Fundraising	117,216	65,439	109,115
Technical Services	230,564	227,014	221,392
ILL	103,343	102,022	101,903
Programs	98,519	90,368	102,618
Wages Grants	125,450	96,690	141,287
Systems & Technology	94,583	95,365	92,278
Support Services	179,268	326,316	167,812
Information services and network support	252,840	241,848	195,294
Projects	-	9,002	-
	<u><b>5,769,040</b></u>	<u><b>5,908,362</b></u>	<u><b>5,506,324</b></u>
<b>Corporate services</b>			
Financial services	295,829	347,994	295,496
Shipping and receiving	183,315	158,362	153,647
Executive director's office	203,608	198,750	151,030
Human resources	484,955	318,394	268,263
Purchasing	105,233	95,987	94,494
	<u><b>1,272,940</b></u>	<u><b>1,119,487</b></u>	<u><b>962,930</b></u>
<b>Total wages</b>	7,041,980	7,027,849	6,469,254
<b>Benefits</b>	1,897,248	2,020,700	1,898,503
<b>Hiring and training</b>	<u>12,250</u>	<u>25,489</u>	<u>19,785</u>
<b>Total wages and benefits</b>	<u><b>\$ 8,951,478</b></u>	<u><b>\$ 9,074,038</b></u>	<u><b>\$ 8,387,542</b></u>

Schedule II

**VANCOUVER ISLAND REGIONAL LIBRARY  
GENERAL FUND EXPENDITURES SCHEDULE**

**ADMINISTRATIVE COSTS**

For the year ended December 31, 2008

	<b>Budget</b>	<b>2008</b>	<b>2007</b>
	(Unaudited)		
<b>Administration</b>			
Utilities and communications	\$ 388,294	\$ 307,731	\$ 307,821
Office, photocopier, and postage	425,848	335,351	340,547
Central services' building and equipment maintenance	239,483	262,688	202,066
Furniture and equipment expensed	310,555	287,342	180,699
Travel and vehicle operation	136,868	158,794	132,727
Professional fees	73,300	100,220	82,099
Insurance	97,000	94,893	94,037
Training and workshops	82,130	39,159	35,638
Board expenses	75,360	53,473	77,020
Promotion and advertising	33,180	39,462	88,729
Furniture and equipment capitalized	15,000	74,423	7,664
Bank and payroll production charges	73,000	69,232	51,620
	<u>\$ 1,950,018</u>	<u>\$ 1,822,768</u>	<u>\$ 1,600,667</u>

Schedule III

**VANCOUVER ISLAND REGIONAL LIBRARY**

CONSOLIDATED SCHEDULE OF  
CAPITAL ASSETS  
For the year ended December 31, 2008

	<b>Library Materials</b>	<b>Furniture &amp; Equipment</b>	<b>Computer Equipment</b>	<b>Vehicles</b>	<b>Building</b>	<b>2008 Total</b>	<b>2007 Total</b>
<b>Historical Cost:</b>							
Opening Balance	\$ 9,677,963	\$ 2,629,857	\$ 2,132,572	\$ 183,493	\$ 1,314,100	\$ 15,937,985	\$ 13,542,801
Additions	2,021,490	157,807	227,017	-	-	2,406,314	2,395,184
Disposals						-	
Write Downs						-	
	<b>11,699,453</b>	<b>2,787,664</b>	<b>2,359,589</b>	<b>183,493</b>	<b>1,314,100</b>	<b>18,344,299</b>	<b>15,937,985</b>
<b>Accumulated Amortization</b>							
Opening Balance	5,527,703	2,083,424	2,103,883	118,703	819,497	10,653,210	8,431,595
Amortization Expense	1,998,240	128,781	104,361	13,554	32,853	2,277,789	2,221,615
Effects of Disposals and write down adjustments							
	<b>7,525,943</b>	<b>2,212,205</b>	<b>2,208,244</b>	<b>132,257</b>	<b>852,350</b>	<b>12,930,999</b>	<b>10,653,210</b>
<b>Net Book value for the year</b>							
<b>ended December 31, 2008</b>	<b>\$ 4,173,511</b>	<b>\$ 575,459</b>	<b>\$ 151,345</b>	<b>\$ 51,236</b>	<b>\$ 461,750</b>	<b>\$ 5,413,301</b>	<b>\$ 5,284,775</b>

Note - rounding error to Financial statements of \$1.00 in 2008 Net Book Value



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