

2009

Strong Libraries ■ Strong Communities



Vancouver Island Regional Library



CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

To the Members of the Board of the Vancouver Island Regional Library:

We have audited the consolidated statement of financial position of the Vancouver Island Regional Library (the "Regional Library") as at December 31, 2009 and the consolidated statements of operations, changes in net assets (debt), cash flows, internally restricted fund balances and related schedules for the year then ended. These financial statements are the responsibility of the management of the Regional Library. Our responsibility is to express an opinion on these 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. 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 statement presentation.

In common with many not for profit organizations, the Regional Library derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Regional Library and we were not able to determine whether any adjustments might be necessary to fines and other income, operating surplus (deficit), financial assets, net assets (debt) and accumulated surplus.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Regional Library as at December 31, 2009 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

The prior year comparatives were audited by another firm of Chartered Accountants.

Nanaimo, British Columbia

February 26, 2010

Meyers Norris Penny LLP

Chartered Accountants

Statement "A"


VANCOUVER ISLAND REGIONAL LIBRARY


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2009

	2009	2008
		(Restated - Note 10)
Financial Assets		
Cash and short-term investments - Note 3	\$ 5,281,773	\$ 5,158,071
Accounts receivable	70,089	82,022
	<u>5,351,862</u>	<u>5,240,093</u>
Liabilities		
Trade accounts payable	412,807	370,411
Wages payable	406,373	471,103
Accumulated sick payable - Note 8 & 10	266,139	114,897
Deferred revenue - Note 2 (b)	252,258	161,951
Accrued benefit obligation - Note 7	325,287	258,603
	<u>1,662,864</u>	<u>1,376,965</u>
Net Assets	<u>\$ 3,688,998</u>	<u>\$ 3,863,128</u>
Non Financial Assets		
Tangible capital assets - Note 4 & Schedule III	6,175,453	5,661,177
Prepaid expenses	153,016	178,771
	<u>6,328,469</u>	<u>5,839,948</u>
Accumulated Surplus - Note 10 & 13	<u><u>\$ 10,017,467</u></u>	<u><u>\$ 9,703,076</u></u>

On behalf of the Board:


Chair of the Board


Director of Finance
A. J. MAAS C.G.A.

"The accompanying notes are an integral part of these financial statements."

Statement "B"

VANCOUVER ISLAND REGIONAL LIBRARY

CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2009

	Budget (Unaudited)	2009	2008 (Restated - Note 10)
Revenues			
Municipal levies	\$ 9,605,556	\$ 9,605,556	\$ 9,315,621
Rural levies	4,593,335	4,593,352	4,455,313
Government grants - Note 5	1,599,900	1,478,940	1,927,661
Fines and other income	577,850	734,472	626,181
Interest earned	210,000	47,246	157,051
	<u>16,586,641</u>	<u>16,459,566</u>	<u>16,481,827</u>
Expenses			
Wages and benefits - Schedule I	9,474,800	9,066,893	9,149,021
Branch costs	2,857,353	2,753,179	2,533,987
Miscellaneous Library materials	19,009	2,415	159,116
Administration costs - Schedule II	1,850,328	2,094,516	1,822,768
Retirement benefit accrual - Note 7	40,000	69,648	60,164
Amortization Expense	2,158,521	2,158,524	2,029,913
	<u>16,400,011</u>	<u>16,145,175</u>	<u>15,754,969</u>
Operating surplus (deficit)	<u>186,630</u>	<u>314,391</u>	<u>726,858</u>
Surplus beginning of the year, as previously stated		9,570,097	9,016,132
Prior period adjustment (Note 10)		132,979	(39,914)
Surplus beginning of Year, Restated	<u>9,703,076</u>	<u>9,703,076</u>	<u>8,976,218</u>
Accumulated surplus End of Year	<u><u>\$ 9,889,706</u></u>	<u><u>\$ 10,017,467</u></u>	<u><u>\$ 9,703,076</u></u>

"The accompanying notes are an integral part of these financial statements."

Statement "C"

VANCOUVER ISLAND REGIONAL LIBRARY
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (DEBT)

For the year ended December 31, 2009

	Budget	2009	2008
	(Unaudited)		(Restated - Note 10)
Operating Surplus (deficit)	\$ 186,630	\$ 314,391	\$ 726,858
Acquisition of Tangible Capital Assets	(2,859,171)	(2,672,800)	(2,406,315)
Amortization of Tangible Capital Assets	<u>2,158,521</u>	<u>2,158,524</u>	<u>2,029,913</u>
Annual surplus (deficit)	<u>(514,020)</u>	<u>(199,885)</u>	<u>350,456</u>
Acquisition of Prepaid Expenses		(153,016)	(178,771)
Use of Prepaid Expenses		<u>178,771</u>	<u>382,757</u>
		<u>25,755</u>	<u>203,986</u>
Increase (decrease) in net financial assets	(514,020)	(174,130)	554,442
Net Financial Assets beginning of year	<u>3,863,128</u>	<u>3,863,128</u>	<u>3,308,686</u>
Net Financial Assets end of year	<u><u>\$ 3,349,108</u></u>	<u><u>\$ 3,688,998</u></u>	<u><u>\$ 3,863,128</u></u>

"The accompanying notes are an integral part of these financial statements."

Statement "D"

VANCOUVER ISLAND REGIONAL LIBRARY

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2009

	<u>2009</u>	<u>2008</u>
		(Restated - Note 10)
Cash provided (used):		
Operating activities:		
Annual surplus (deficit)	\$ 314,391	\$ 726,858
Amortization expense	2,158,524	2,029,913
	<u>2,472,915</u>	<u>2,756,771</u>
Capital activities:		
Acquisition of tangible Capital Assets	<u>(2,672,800)</u>	<u>(2,406,314)</u>
Changes in non-cash operating accounts:		
(Increase) decrease in accounts receivables	11,933	215,107
(Increase) decrease in prepaid expenses	25,756	203,985
Increase (decrease) in trade accounts payable	42,396	70,387
Increase (decrease) in sick accrual	151,241	74,983
Increase in accrued benefit obligation	66,684	2,886
Increase (decrease) in wages payable	(64,730)	80,182
Increase (decrease) in deferred revenue	90,307	(311,234)
	<u>323,587</u>	<u>336,296</u>
Increase in cash	123,702	686,753
Cash, beginning of the year	<u>5,158,071</u>	<u>4,471,318</u>
Cash, end of the year	<u>\$ 5,281,773</u>	<u>\$ 5,158,071</u>

"The accompanying notes are an integral part of these financial statements."

Statement "E"

VANCOUVER ISLAND REGIONAL LIBRARY

CONSOLIDATED STATEMENT OF
INTERNALLY RESTRICTED FUND BALANCES

For the year ended December 31, 2009

	2009	2008	2007	2006	2005
	(Restated - Note 10)				
Internally-restricted Funds					
New branches / refurbishments	\$ 1,511,133	\$ 959,813	\$ 842,255	\$ 751,717	\$ 671,352
Computer equipment	383,888	406,541	387,505	366,096	388,233
Books	237,340	471,828	614,656	689,178	685,900
Long-term maintenance	201,863	184,793	178,389	89,181	36,181
Vehicles	186,366	163,994	138,029	111,684	111,684
Furnishings and equipment	153,217	136,598	158,767	106,736	104,369
ILS replacement	135,046	-	-	-	392,675
General	123,794	169,627	153,824	172,963	171,152
Fundraising	98,455	88,897	25,615	19,234	12,058
Human resource issues	58,547	65,346	75,853	66,819	112,647
Summer employment	24,883	24,617	23,764	22,758	14,457
Insurance deductibles	20,000	20,000	20,000	20,000	20,000
BCGEU Continuing Ed	3,136	11,145	-	-	-
Friends Reserve	39,757				
First Nations	-	640	640	-	-
Dental	-	-	-	11,137	14,892
Literacy	-	-	7,272	7,272	11,000
Contingencies	-	-	-	-	247,271
Total Internally Restricted Funds	\$ 3,177,425	\$ 2,703,839	\$ 2,626,569	\$ 2,434,775	\$ 2,993,871

"The accompanying notes are an integral part of these financial statements."

VANCOUVER ISLAND REGIONAL LIBRARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2009

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) Tangible 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

b) Deferred revenues

Grant amounts with external restrictions are deferred and recognized as revenue in the period in which the corresponding expenditures are incurred. Changes to the deferred revenues for 2009 are as follows:

	2009	2008
Opening Deferred Grant Revenue	\$ 161,951	\$ 473,185
Total of New Grants Received	292,643	739,925
Less recognized as Revenue	(202,336)	(1,051,159)
Ending Balance of Deferred Grant Revenue	<u>252,258</u>	<u>161,951</u>

c) 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.

- i) Amortization is based on the estimated useful lives of tangible capital assets.
- ii) Accrued benefit obligation is based on an estimate of accumulated termination benefits.
- iii) Accumulated sick payable is based on an estimate of future sick time usage.
- iv) Accounts Receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

d) 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, a \$70,000 provision has been made for defence of 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 5,017 (2008 - 4,865) 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:

	2009	2008
Cash	\$ 264,228	\$ 292,619
Municipal Finance Authority of British Columbia - money market fund	<u>5,017,545</u>	<u>4,865,452</u>
	<u><u>5,281,773</u></u>	<u><u>5,158,071</u></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.

Description	Location	Estimated Value
Totem Pole	Cowichan	\$ 50,000

5 Government grants

	2009	2008
Incorporated areas @\$1.89 - \$2.20 per capita	\$ 628,271	\$ 633,096
Rural areas @ \$3.90 - \$4.10 per capita	540,557	545,960
Other grants	310,112	748,605
	<u>\$ 1,478,940</u>	<u>\$1,927,661</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 158,000 active members and approximately 57,000 retired members. Active members include approximately 33,000 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 \$554,407 (2008 - \$531,276) for employer contributions to the plan in fiscal 2009.

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 1% 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.

	2009	2008
Provision for accrued benefit obligation, beginning of the year	\$ 258,603	\$ 255,718
Payments during the year	(2,964)	(18,494)
Transfer from (to) Reserve for Sick time		(38,785)
Interest earned	2,962	10,164
Contribution to provision during the year	66,686	50,000
Provision for accrued benefit obligation, end of the year	<u>\$ 325,287</u>	<u>\$ 258,603</u>

8 Sick leave

The Vancouver Island Regional Library provides for sick leave under the following conditions:

- (a) All CUPE, BCGEU, and Exempt full time accumulate one and one half days of sick leave per month.
- (b) CUPE staff are limited to accumulate the equivalent of 120 working days pay, while BCGEU and Exempt employees are limited to accumulate 130 working days pay.
- (c) Regular Part Time CUPE, BCGEU, and Exempt employees are allowed the same earning rates and limits with the exceptions that the amounts are prorated to an equivalent amount based on their regular appointed schedules.
- (d) Sick leave can only be used for paid time off for illness of the employee. Sick leave taken is paid at the employee's normal rate of pay at the time.
- (e) There is no provision for payment of any unused sick bank balance on termination of employment.

The estimate for the total accumulated liability is \$1.4 million, while the accrued balance is \$266,139. VIRL budgets a portion of the liability each year based on historical usage. The amount of sick time used and expensed in 2009 was \$287,923 (2008 - \$285,268), and an additional \$150,000 was charged to operational accounts and credited directly to the accrual in 2009.

In Managements' estimation in order to provide for a severe pandemic or catastrophe the annual accrual should be augmented by a reserve such that 40-50% of the total potential liability is on hand. This will be accomplished by utilizing under expenditures in the wages and benefits until this objective is achieved. The proposed level of funding is reinforced by an analysis done in 2009 that showed that of the annual entitlement granted during an employee's career that approximately 70% of earned time was consumed by the time of retirement. A reasonable reserve of 50% of the accrued benefit, together with a reasonable amount of annual funding to cover annual consumption will protect the organization from excessive exposure to unusual events such as pandemic or catastrophe.

In 2005 VIRL adopted accrual accounting for the sick leave plan. Prior to that date the government recognized benefit expenses equal to its payments for the actual payouts and no liability for accumulated sick leave was recorded in the statement of financial position.

Management has not conducted an actuarial valuation as VIRL has historically budgeted for annual consumption, however, over time the accrued benefit has risen and management now feels it imperative that the reserve be increased to provide protection against pandemic and catastrophe.

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:

2010	1,993,037
2011	1,767,456
2012	1,476,179
2013	1,115,142
2014	933,592
	<u>7,285,406</u>

These lease agreements are all expected to be renewed as they reach expiry and the resultant liability in the future is expected to escalate rather than decline.

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

The prior year figures have been restated to correct the presentation of sick pay payable and amortization expense. Previously sick pay payable was recorded as part of internally restricted accumulated surplus. Canadian Generally Accepted Accounting Principles required that it be recorded as a liability. Amortization Expense has been adjusted to reflect one half years amortization in the year of acquisition rather than a full years amortization. These corrections have been made with retroactive effect and the 2008 comparative figures have been restated as follows:

Opening accumulated surplus decreased by	39,914
Wages and Benefits expense increased by	74,983
Closing accumulated surplus increased by	132,979
Accumulated sick payable increased by	114,897
Operating surplus increased by	192,891
Internally restricted fund balances decreased by	114,897
Amortization expense decreased by	247,876
Tangible capital assets increased by	247,876

11 Annual budget

The financial statements include the un-audited annual budget as approved by the Library Board on November 28, 2009.

12 Economic Dependence

The Vancouver Island Regional Library is economically dependent on Government per-capita grants in order to continue to provide the current level of services.

13 Accumulated Surplus

Which is composed of:	2009	2008
Internally restricted - Statement "E"	3,177,425	2,703,839
Unrestricted	664,589	1,338,060
Investment in tangible capital assets - Schedule III	6,175,453	5,661,177
	<u>\$ 10,017,467</u>	<u>\$ 9,703,076</u>

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.

The capital fund reports all assets and liabilities related to the Library's tangible capital assets.

b) Internally-restricted funds

Included in internally-restricted funds are amounts set aside from past and current operations for future operating and capital expenditures. The money in these reserve funds, and interest earned thereon, must be expended only for the purpose for which the fund was established. If the amount in the reserve fund is greater than required, The Board may transfer all or part of the balance to another reserve fund.

Schedule I

VANCOUVER ISLAND REGIONAL LIBRARY

GENERAL FUND EXPENSE SCHEDULE

WAGES AND BENEFITS

For the year ended December 31, 2009

	Budget	2009	2008
	(Unaudited)		(restated - Note 10)
Library services			
Branch Services	\$ 5,251,141	\$ 4,694,708	\$ 4,654,298
Promotion & Fundraising	124,840	43,779	65,439
Technical Services	241,834	220,686	227,014
ILL	46,055	75,696	102,022
Programs	8,298	21,786	90,368
Wages Grants	56,000	62,340	96,690
Systems & Technology	94,585	97,130	95,365
Support Services	-	36,278	326,316
Information services and network support	277,701	276,989	241,848
Projects	-	2,154	9,002
	<u>6,100,454</u>	<u>5,531,546</u>	<u>5,908,362</u>
Corporate services			
Financial Services	311,439	284,749	347,993
Shipping & Receiving	198,049	150,961	158,362
Executive Director's office	238,037	171,402	198,750
Human Resources	363,024	323,348	318,394
Facility Management	71,672	42,032	-
Purchasing	122,175	94,190	95,988
	<u>1,304,396</u>	<u>1,066,682</u>	<u>1,119,487</u>
Total wages	<u>7,404,850</u>	<u>6,598,228</u>	<u>7,027,849</u>
Benefits	2,052,700	2,456,049	2,095,683
Hiring and training	<u>17,250</u>	<u>12,616</u>	<u>25,489</u>
Total wages and benefits	<u><u>\$ 9,474,800</u></u>	<u><u>\$ 9,066,893</u></u>	<u><u>\$ 9,149,021</u></u>

Schedule II

VANCOUVER ISLAND REGIONAL LIBRARY

GENERAL FUND EXPENSE SCHEDULE

ADMINISTRATIVE COSTS

For the year ended December 31, 2009

	Budget	2009	2008
	(Unaudited)		
Administration			
Utilities and communications	\$ 347,402	\$ 332,451	\$ 307,731
Office, photocopier, and postage	328,580	397,520	335,351
Central services' building and equipment maintenance	301,069	298,665	262,688
Furniture and equipment - small items expensed	262,170	142,300	361,765
Travel and vehicle operation	143,977	155,378	158,794
Professional fees	84,000	439,542	100,220
Insurance	97,000	91,418	94,893
Training and workshops	92,430	58,610	39,159
Board expenses	75,500	72,324	53,473
Promotion and advertising	51,200	42,427	39,462
Bank and payroll production charges	67,000	63,881	69,232
	<u>\$ 1,850,328</u>	<u>\$ 2,094,516</u>	<u>\$ 1,822,768</u>

Schedule III

VANCOUVER ISLAND REGIONAL LIBRARY

CONSOLIDATED SCHEDULE OF
TANGIBLE CAPITAL ASSETS
For the year ended December 31, 2009

	Library Materials	Furniture & Equipment	Computer Equipment	Vehicles	Building	Leasehold Improve-ments	2009 Total	2008 Total
Historical Cost:								
Opening Balance	\$ 11,699,454	\$ 2,787,664	\$ 2,359,589	\$ 183,493	\$ 1,314,100	\$ -	\$ 18,344,300	\$ 15,937,986
Additions	2,439,245	120,903	95,896	-	-	16,756	2,672,800	2,406,314
Disposals	1,708,255	-	-	-	-	-	1,708,255	-
Write Downs							-	
	12,430,444	2,908,567	2,455,485	183,493	1,314,100	16,756	19,308,845	18,344,300
Accumulated Amortization								
Opening Balance	7,323,793	2,204,315	2,170,408	132,257	852,350	-	12,683,123	10,653,210
Amortization Expense	1,891,248	125,614	91,646	13,553	32,852	3,611	2,158,524	2,029,913
Effects of Disposals and write down adjustments	1,708,255	-	-	-	-	-	1,708,255	-
	7,506,786	2,329,929	2,262,054	145,810	885,202	3,611	13,133,392	12,683,123
Net Book value for the year								
ended December 31, 2009	\$ 4,923,658	\$ 578,638	\$ 193,431	\$ 37,683	\$ 428,898	\$ 13,145	\$ 6,175,453	\$ 5,661,177



**VANCOUVER ISLAND
REGIONAL LIBRARY**

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