



⇒ 2017

**CONSOLIDATED  
FINANCIAL  
STATEMENTS**



**December 31, 2017**

.....  
Box 3333 – 6250 Hammond Bay Road  
Nanaimo, BC Canada V9R 5N3  
w: [virl.bc.ca](http://virl.bc.ca)



## Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Vancouver Island Regional Library, which comprise the consolidated statement of financial position, and related schedule III, as at December 31, 2017, and the consolidated statements of operations, and related schedules I and II, changes in net debt and cash flows and internally restricted fund balances for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vancouver Island Regional Library as at December 31, 2017 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Nanaimo, British Columbia

April 27, 2018

*MNP* LLP

Chartered Professional Accountants



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To the Board of Directors of Vancouver Island Regional Library

## Management's Responsibility

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian Public Sector Accounting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors is composed entirely of members who are neither management nor employees of the Library. The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board of Directors fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board of Directors is also responsible for appointing the Library's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board of Directors to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically with, both the Board of Directors and management to discuss their audit findings.

April 27, 2018

A handwritten signature in black ink, reading "Rosemary Bonanno".

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Rosemary Bonanno, BA, MLS  
Executive Director

Strong Libraries ■ Strong Communities

Bella Coola Bowser Campbell River Chemainus Comox Cortes Island Courtenay Cowichan Cowichan Lake Cumberland Gabriola Island Gold River Hornby Island Ladysmith Masset Nanaimo Harbourfront Nanaimo North Nanaimo Wellington Parksville Port Alberni Port Alice Port Clements Port Hardy Port McNeill Port Renfrew Quadra Island Qualicum Beach Queen Charlotte Sandspit Sayward Sidney/North Saanich Sointula Sooke South Cowichan Tahsis Tofino Ucluelet Union Bay Woss

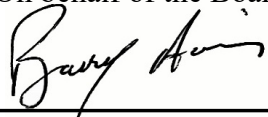
Statement "A"

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As at December 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>Financial Assets</b>		
Cash - Note 3	\$ 5,818,609	\$ 5,636,836
Short Term Investments - Note 4	1,048,398	1,038,996
Accounts Receivable	93,097	125,671
Deposits - Note 16	<u>18,978</u>	<u>18,978</u>
	<u>6,979,082</u>	<u>6,820,481</u>
<b>Liabilities</b>		
Trade Accounts Payable	680,387	625,778
Wages Payable	437,329	670,753
Accumulated Sick Payable - Note 9	425,658	404,415
Deferred Revenue - Note 2.b	7,875	-
Accrued Benefit Obligation - Note 8	434,342	452,019
Long Term Debt - Note 14	<u>15,689,367</u>	<u>16,116,328</u>
	<u>17,674,958</u>	<u>18,269,293</u>
<b>Net Debt</b>	<b><u>\$ (10,695,876)</u></b>	<b><u>\$ (11,448,812)</u></b>
<b>Non Financial Assets</b>		
Tangible Capital Assets - Note 5 & Schedule III	26,073,610	26,018,106
Prepaid Expenses	<u>402,875</u>	<u>496,962</u>
	<u>26,476,485</u>	<u>26,515,068</u>
<b>Accumulated Surplus - Note 13</b>	<b><u>\$ 15,780,609</u></b>	<b><u>\$ 15,066,256</u></b>
<b>Commitments - Note 10</b>		
<b>Outstanding Claims - Note 18</b>		

On behalf of the Board:



Chair of the Board



Executive Director

The accompanying notes are an integral part of these financial statements

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**For the Year Ended December 31, 2017**

	<b>Budget</b> (Note 11)	<b>2017</b> <b>Actual</b>	<b>2016</b> <b>Actual</b>
<b>Revenues</b>			
Municipal Levies	\$ 14,678,173	\$ 14,678,164	\$ 14,036,645
Rural Levies	6,569,322	6,569,326	6,335,806
Government and Other Grants - Note 6	1,307,232	1,289,317	1,306,887
Fines and Other Income	407,156	445,980	466,257
Interest Earned	<u>55,000</u>	<u>68,619</u>	<u>64,456</u>
	<u>23,016,883</u>	<u>23,051,406</u>	<u>22,210,051</u>
<b>Expenses</b>			
Wages and Benefits - Schedule I	13,140,919	12,441,124	12,167,973
Branch Costs	3,436,498	3,342,050	3,231,038
Miscellaneous Library Materials	94,100	75,638	113,903
Administration Costs - Schedule II	2,166,506	2,830,184	2,441,428
Retirement Benefit Accrual	11,000	122	96,927
Amortization Expense	<u>3,647,935</u>	<u>3,647,935</u>	<u>3,531,236</u>
	<u>22,496,958</u>	<u>22,337,053</u>	<u>21,582,505</u>
<b>Annual Surplus</b>	<b>519,925</b>	<b>714,353</b>	<b>627,546</b>
<b>Accumulated Surplus, Beginning of Year</b>	<b><u>15,066,256</u></b>	<b><u>15,066,256</u></b>	<b><u>14,438,710</u></b>
<b>Accumulated Surplus, End of Year</b>	<b><u>\$ 15,586,181</u></b>	<b><u>\$ 15,780,609</u></b>	<b><u>\$ 15,066,256</u></b>

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT**  
**For the Year Ended December 31, 2017**

	<b>Budget</b> (Note 11)	<b>2017</b> <b>Actual</b>	<b>2016</b> <b>Actual</b>
<b>Annual Surplus</b>	\$ 519,925	\$ 714,353	\$ 627,546
Acquisition of Tangible Capital Assets	(9,955,617)	(3,703,439)	(3,325,384)
Loss on Disposal of Tangible Capital Assets	-	-	-
Amortization of Tangible Capital Assets	<u>3,647,935</u> <u>(5,787,757)</u>	<u>3,647,935</u> <u>658,849</u>	<u>3,531,236</u> <u>833,398</u>
Acquisition of Prepaid Expenses	-	(402,874)	(496,961)
Use of Prepaid Expenses	<u>-</u> <u>-</u>	<u>496,961</u> <u>94,087</u>	<u>385,269</u> <u>(111,692)</u>
<b>(Increase) Decrease in Net Debt</b>	<b>(5,787,757)</b>	<b>752,936</b>	<b>721,706</b>
<b>Net Debt, Beginning of Year</b>	<b><u>(11,448,812)</u></b>	<b><u>(11,448,812)</u></b>	<b><u>(12,170,518)</u></b>
<b>Net Debt, End of Year</b>	<b>\$ <u>(17,236,569)</u></b>	<b>\$ <u>(10,695,876)</u></b>	<b>\$ <u>(11,448,812)</u></b>

Statement "D"

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2017**

	<b>2017</b>	<b>2016</b>
<b>Cash Provided (Used):</b>		
<b>Operating Activities:</b>		
Annual Surplus	\$ 714,353	\$ 627,546
Amortization Expense	3,647,935	3,531,236
Actuarial Adjustments	(59,746)	(43,325)
<b>Changes in non-cash operating accounts:</b>		
Decrease (Increase) in accounts receivables	32,573	(66,262)
Decrease (Increase) in prepaid expenses	94,087	(111,693)
Increase in trade accounts payable	54,609	78,076
Increase in accumulated sick payable	21,243	61,215
Increase (Decrease) in accrued benefit obligation	(17,677)	61,168
Increase (Decrease) in wages payable	(233,424)	(39,385)
Increase in deferred revenue	7,875	-
Decrease in deposits	-	53,254
	<u>4,261,828</u>	<u>4,151,830</u>
<b>Investing Activities:</b>		
Increase in Short Term Investments	<u>(9,402)</u>	<u>(12,827)</u>
<b>Capital Activities:</b>		
Acquisition of Tangible Capital Assets	<u>(3,703,439)</u>	<u>(3,325,384)</u>
<b>Financing Activities:</b>		
Principal Repayments	<u>(367,214)</u>	<u>(367,214)</u>
<b>Increase In Cash</b>	<b>181,773</b>	<b>446,405</b>
<b>Cash, Beginning of Year</b>	<b><u>5,636,836</u></b>	<b><u>5,190,431</u></b>
<b>Cash, End of Year</b>	<b><u>\$ 5,818,609</u></b>	<b><u>\$ 5,636,836</u></b>

The accompanying notes are an integral part of these financial statements



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

**For the Year Ended December 31, 2017**

	2017	2016	2015	2014	2013
<b>Internally Restricted Funds</b>					
Outfitting & New/Expanded Facilities	\$ 2,330,838	\$ 2,556,885	\$ 2,570,963	\$ 2,468,476	\$ 1,459,184
Long-Term Maintenance	1,944,216	1,347,941	753,200	820,214	469,484
Integrated Library System Replacement	22,841	22,724	85,261	327,009	287,579
Books	10,340	10,340	10,340	10,340	304,340
Accrued Sick Reserve	279,752	278,322	276,278	274,068	271,112
Fundraising	215,530	167,457	122,404	117,853	111,871
Computer Equipment	32,966	95,389	278,573	349,493	199,993
Prior Years General Reserve	2,487	2,487	11,773	80,084	80,084
Human Resources Issues	68,606	68,237	62,758	61,445	60,782
Friends Reserve	16,921	16,327	16,838	16,709	11,354
Furnishings and Equipment	115,760	114,550	55,627	86,594	65,714
Vehicles	47,023	87,982	97,928	76,675	55,404
Summer Employment	3,230	3,213	3,190	3,152	16,494
BCGEU Continuing Education	-	-	4,673	-	7,570
Website Redevelopment	-	55,000	-	-	-
<b>Total Internally Restricted Funds</b>	<b>\$ 5,090,510</b>	<b>\$ 4,826,854</b>	<b>\$ 4,349,806</b>	<b>\$ 4,692,112</b>	<b>\$ 3,400,965</b>

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, 2017**

**1 Organization**

The Vancouver Island Regional Library is a regional library with administrative offices located in Nanaimo, BC. It serves customers in 39 locations, as well as 2 volunteer book stations and books by mail services, on Vancouver Island, Haida Gwaii (The Queen Charlotte Islands) and the Central Coast of BC. Card holders can borrow materials from any location. The Library was established in 1936 under the Library Act of British Columbia. The Library is a registered charity and is exempt from income taxes as long as certain conditions are met.

**2 Significant Accounting Policies**

The consolidated financial statements of the Library have been prepared in accordance with Canadian Public Sector Accounting Standards with significant policies adopted by the Library as noted below:

**2.a Tangible Capital Assets**

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, with a half year adjustment in the year of acquisition, commencing the year the asset is put into service. Assets are initially recorded at cost based on a single item purchase threshold and group purchase thresholds. Contributed tangible capital assets are recorded at their fair value on the date of contribution. Estimated useful lives are 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	-	-

In accordance with PSAB3150 Tangible Capital Assets the Library has adopted a policy of expensing interest related to construction projects.

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2017**

**2 Significant Accounting Policies (continued)**

**2.b Deferred Revenue**

Non-government grants 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 2017 are as follows:

	<u>2017</u>	<u>2016</u>
Opening Deferred Revenue	\$ -	\$ -
Total of New Grants Received	12,000	-
Less: Recognized as Revenue	<u>(4,125)</u>	<u>-</u>
Ending Balance of Deferred Revenue	<u>\$ 7,875</u>	<u>\$ -</u>

**2.c Use of estimates**

The preparation of the consolidated financial statements of the Vancouver Island Regional Library, in accordance with Canadian Public Sector Accounting Standards, 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 collectibility and an appropriate allowance for doubtful accounts.
- v) Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the Vancouver Island Regional Library is responsible for.

These estimates and assumptions are reviewed periodically and as adjustment becomes necessary they are reported in operating surplus in the year they become known.

**2.d Revenue Recognition**

Revenue is recorded in the period in which the transactions or events that gave rise to the revenue occur. Non-government grants that have been received in advance of services being rendered are recorded as deferred revenue until the Library discharges the obligations that led to the collection of funds. Following are the types of revenue received and a description of their recognition:

- i) Municipal and rural levies are recognized in the year levied
- ii) Interest earned, fines received and other income are recorded in the year they are earned

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2017**

**2 Significant Accounting Policies (continued)**

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

**2.e Liability for Contaminated Sites**

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the Vancouver Island Regional Library is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at December 31, 2017.

At each financial reporting date, the Vancouver Island Regional Library reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Vancouver Island Regional Library continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. As at December 31, 2017 the Library has not recorded any liability for contaminated sites as no sites exist.

**2.f Recent Accounting Pronouncements**

***PS 2200 Related Party Disclosures***

In March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the Public Sector Accounting Board (PSAB) issued a new standard, PS 2200 Related Party Disclosures.

This new Section defines related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the consolidated financial statements.

This section is effective for fiscal years beginning on or after April 1, 2017. Early adoption is permitted.

The Vancouver Island Regional Library does not expect application of the new Standard to have a material effect on the consolidated financial statements.

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2017**

**2 Significant Accounting Policies (continued)**

***PS 3210 Assets***

In June 2015, new PS 3210 Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section provides guidance for applying the definition of assets set out in PS 1000 Financial Statement Concepts. The main features of this standard are as follows:

Assets are defined as economic resources controlled by a government as a result of past transactions or events and from which future economic benefits are expected to be obtained.

Economic resources can arise from such events as agreements, contracts, other government's legislation, the government's own legislation, and voluntary contributions.

The public is often the beneficiary of goods and services provided by a public sector entity. Such assets benefit public sector entities as they assist in achieving the entity's primary objective of providing public goods and services.

A public sector entity's ability to regulate an economic resource does not, in and of itself, constitute control of an asset, if the interest extends only to the regulatory use of the economic resource and does not include the ability to control access to future economic benefits.

A public sector entity acting as a trustee on behalf of beneficiaries specified in an agreement or statute is merely administering the assets, and does not control the assets, as future economic benefits flow to the beneficiaries.

An economic resource may meet the definition of an asset, but would not be recognized if there is no appropriate basis for measurement and a reasonable estimate cannot be made, or if another Handbook Section prohibits its recognition. Information about assets not recognized should be disclosed in the notes.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

The Vancouver Island Regional Library does not expect application of the new Standard to have a material effect on the consolidated financial statements.

***PS 3320 Contingent Assets***

In June 2015, new PS 3320 Contingent Assets was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the public sector entity's control occurs or fails to occur. Resolution of the uncertainty will confirm the existence or non-existence of an asset.

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2017**

**2 Significant Accounting Policies (continued)**

Passing legislation that has retroactive application after the financial statement date cannot create an existing condition or situation at the financial statement date.

Elected or public sector entity officials announcing public sector entity intentions after the financial statement date cannot create an existing condition or situation at the financial statement date.

Disclosures should include existence, nature, and extent of contingent assets, as well as the reasons for any non-disclosure of extent, and the bases for any estimates of extent made.

When a reasonable estimate can be made, disclosure should include a best estimate and a range of possible amounts (or a narrower range of more likely amounts), unless such a disclosure would have an adverse impact on the outcome.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

The Vancouver Island Regional Library does not expect application of the new Standard to have a material effect on the consolidated financial statements.

***PS 3380 Contractual Rights***

In June 2015, new PS 3380 Contractual Rights was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). This new Section establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.

Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

Disclosures should include descriptions about nature, extent, and timing.

The standard is effective for fiscal years beginning on or after April 1, 2017. Earlier adoption is permitted.

The Vancouver Island Regional Library does not expect application of the new Standard to have a material effect on the consolidated financial statements.

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2017**

**2 Significant Accounting Policies (continued)**

***PS 3430 Restructuring Transactions***

In June 2015, new PS 3430 Restructuring Transactions was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on contingent assets. The main features of this Standard are as follows:

A restructuring transaction is defined separately from an acquisition. The key distinction between the two is the absence of an exchange of consideration in a restructuring transaction.

A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration.

Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at their carrying amount with applicable adjustments.

The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors, and transferred to all recipients in a restructuring transaction, is recognized as revenue or as an expense.

Restructuring-related costs are recognized as expenses when incurred.

Individual assets and liabilities received in a restructuring transaction are initially classified based on the accounting policies and circumstances of the recipient at the restructuring date.

The financial position and results of operations prior to the restructuring date are not restated.

Disclosure of information about the transferred assets, liabilities and related operations prior to the restructuring date by the recipient is encouraged but not required.

The Section is effective for new restructuring transactions that occur in fiscal periods beginning on or after April 1, 2018.

Earlier application is encouraged.

The Vancouver Island Regional Library does not expect application of the new Standard to have a material effect on the consolidated financial statements.

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2017**

**3 Cash**

Cash includes 409,205 (2016 - 426,349) units of Municipal Finance Authority of British Columbia Money Market Fund, and 103,410 (2016 - 101,334) units of Municipal Finance Authority of British Columbia Bond Fund. The rates of return vary depending on the rates of return of the items held.

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

Cash is recorded at cost which is equal to its fair market value and includes:

	<u>2017</u>	<u>2016</u>
Cash	\$ 691,138	\$ 358,201
Municipal Finance Authority of British Columbia		
- Money Market Fund	4,092,048	4,263,693
- Bond Fund	<u>1,035,423</u>	<u>1,014,942</u>
	<u>\$ 5,818,609</u>	<u>\$ 5,636,836</u>

**4 Short Term Investments**

Short Term Investments consist of a GIC with CIBC, purchased in March 2017, with an interest rate of 0.8% and maturing March 2018.

**5 Tangible Capital Assets**

The land at 6250 Hammond Bay Road in Nanaimo, BC was acquired by way of a crown grant from the Province of BC (valued in 1994 by BCAA at \$167,831). Should the Library ever wish to dispose of it, it is likely that a repayment amount would have to be negotiated with the Province of BC.

Work in Progress is for construction or renovation of buildings owned by the Library that had begun during the year but was not completed and put into service by the fiscal year end.

For additional information, see Consolidated Schedule of Tangible Capital Assets (Schedule III).

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



**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2017**

**6 Government and Other Grants**

		<b>2017</b>	
	<b>Budget</b>	<b>Actual</b>	<b>2016 Actual</b>
Provincial Per Capita Operating Grants	\$ 1,229,808	\$ 1,190,211	\$ 1,179,056
Other Provincial Grants	77,424	75,586	77,201
Federal Grants	-	8,800	5,200
Other Grants	-	14,720	45,430
	<u>\$ 1,307,232</u>	<u>\$ 1,289,317</u>	<u>\$ 1,306,887</u>

Annual per capita operating grants are provided by the Ministry of Education to all library systems in BC. For a regional library system such as VIRL, grants are calculated for municipal areas at \$1.78 - \$2.20 per capita, and for rural areas at \$3.90 - \$4.10 per capita.

**7 Pension Obligations**

The employer and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2016 the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2.224 billion funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1.927 billion was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The Library paid \$825,854 (2016 - \$841,821 ) for employer contributions to the plan in fiscal 2017.

The next valuation will be as at December 31, 2018, with results available in 2019.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2017**

**8 Accrued Benefit Obligation**

The 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, 2017. Significant assumptions used in the valuation include a discount rate of 3.15% (2016 - 2.10%) and inflation of 2% (2016 - 2%). There are no unamortized gains or losses. Prior to 2005, an actuarial method was not used for the accrued benefit obligation.

The severance calculation is based on the current contractual obligation that states that permanent full time employees who have ten (10) years of consecutive service and who retire on the Municipal Pension Plan after their sixtieth (60th) birthday will be awarded two (2) months' pay at the rate that prevailed at the time of retirement. Permanent part-time employees severance calculation varies in that employees with ten (10) years continuous service who retire after their sixtieth (60th) birthday will receive an award of two (2) months of their average monthly earnings based on the previous six (6) months earnings.

	<u>2017</u>	<u>2016</u>
Provision for accrued benefit obligation, beginning of the year	\$ 452,019	\$ 390,851
Payments during the year	(17,799)	(35,760)
Interest earned	2,129	2,906
Contribution (reduction) to provision during the year	<u>(2,007)</u>	<u>94,022</u>
Provision for accrued benefit obligation, end of the year	<u>\$ 434,342</u>	<u>\$ 452,019</u>

**9 Accumulated Sick Payable**

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 earnings 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 accumulated sick payable as at December 31, 2017 is \$425,658 (2016 - \$404,415 ).

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2017**

**10 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 disclosed below. The Library has also entered into a five year operating lease for a phocopier at an annual cost of \$5,025 expiring in October 2020.

	<u>Rental</u>	<u>Photocopier</u>	<u>Total</u>
2018	1,827,529	5,025	1,832,554
2019	1,286,590	5,025	1,291,615
2020	1,139,081	4,188	1,143,269
2021	925,997	-	925,997
2022	484,334	-	484,334
	<u>\$ 5,663,531</u>	<u>\$ 14,238</u>	<u>\$ 5,677,769</u>

The rental 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.

**11 Annual Budget**

The consolidated financial statements include the unaudited annual budget as approved by the Library Board on September 17, 2016.

	<u>Budget</u>	<u>Capital Asset Acquisitions Budget</u>
Balanced Budget Amount	Nil	
Transfers from Restricted Reserves	(4,316,822)	
Transfers to Restricted Reserves	<u>2,763,916</u>	
Budgeted increase in Net Financial Assets	(1,552,906)	
MFA Debt Issue	(8,250,000)	
Repayments of Long Term Debt	367,214	
Purchase of Tangible Capital Assets	<u>9,955,617</u>	<u>9,955,617</u>
<b>Budgeted Operating Surplus</b>	<u><b>\$ 519,925</b></u>	

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2017**

**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 comprised of:

	<u>2017</u>	<u>2016</u>
Internally restricted - Statement "E"	\$ 5,090,510	\$ 4,826,854
Unrestricted	305,856	337,624
Net investment in tangible capital assets - Schedule III	<u>10,384,243</u>	<u>9,901,778</u>
	<u>\$ 15,780,609</u>	<u>\$ 15,066,256</u>

**13.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.

**13.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.

In addition to budgeted transfers to reserves, an evaluation of the unrestricted surplus is carried out annually to establish the minimum surplus retention. This is done by taking the total expenditures, less current assets and current liabilities and subtracting the designated reserves on hand. This total is multiplied by a factor of 5% to establish the minimum surplus to be retained. The amount transferred from unrestricted to restricted in 2017 was \$0 (2016 - \$0).

**14 Long Term Debt**

All Long Term Debt is borrowed from the Municipal Finance Authority of BC (MFA). Interest payments and actuarial earnings related to long-term debt obligations are recorded on an accrual basis. Actuarial revenue is investment earnings on the Library's principal payments made to, and invested by, the MFA, prior to the MFA using these funds to retire the related debt. The actuarial interest rate is set when the debt is issued to the Regional District and may be adjusted by MFA during the term of the debt as market conditions dictate that the rate can no longer be achieved. Actual actuarial earnings beyond the set rate are paid to the Regional District when the related debt has been retired. Actuarial revenue is recognized and compounded annually starting in the second year of the debt term.

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2017**

**14 Long Term Debt (continued)**

Interest has been accrued as an expense to December 31, 2017. Actuarial adjustments are treated as additional principal repayments per the schedules and advices received from the MFA. Principal payments are applied directly to loan balances in the period they accrue.

Two Debt issues have been secured by the Regional District of Nanaimo for the Nanaimo North Branch and the Nanaimo Harbourfront Branch, and one by the Cowichan Valley Regional District for the Lake Cowichan Branch.

	<b>Nanaimo North</b>	<b>Cowichan Lake</b>	<b>Nanaimo Harbourfront</b>	<b>Total</b>
MFA Debt Issue #	117	121	126	
Initial Borrowing	8,000,000	1,000,000	8,610,000	17,610,000
Term	30 Years	30 Years	25 Years	
Interest Rate	3.25%	3.25%	3.85%	
YTD Principal Payment	142,641	17,830	206,743	367,214
YTD Interest Payment	<u>229,096</u>	<u>25,971</u>	<u>305,670</u>	<u>560,737</u>
Total Annual Payments	<u><u>371,737</u></u>	<u><u>43,801</u></u>	<u><u>512,413</u></u>	<u><u>927,951</u></u>

Statement A

Beginning Balance January 1, 2017	7,227,411	924,285	7,964,631	16,116,327
Actuarial Adjustments during 2017	30,903	3,029	25,814	59,746
Principal Repayments	<u>142,641</u>	<u>17,830</u>	<u>206,743</u>	<u>367,214</u>
Ending Balance December 31, 2017	<u><u>7,053,867</u></u>	<u><u>903,426</u></u>	<u><u>7,732,074</u></u>	<u><u>15,689,367</u></u>

**Long Term Debt - Principal Payments (next 5 years)**

<b>Year</b>	<b>Nanaimo North</b>	<b>Cowichan Lake</b>	<b>Harbourfront</b>
2018	142,641	17,830	206,743
2019	142,641	17,830	206,743
2020	142,641	17,830	206,743
2021	142,641	17,830	206,743
2022	142,641	17,830	206,743

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2017**

**15 MFA Debt Reserve Fund**

The Library secures its long term borrowing through the Municipal Finance Authority. As a condition of these borrowings a portion of the debenture proceeds are retained by the Authority as a debt reserve fund. These funds are not reported in the consolidated financial statements as they are eliminated on consolidation. As at December 31, 2017 the Library had debt reserve funds of \$205,900 (2016 - \$201,962).

**16 Deposits**

Deposits at December 31 represent construction deposits with the City of Nanaimo for the renovation of the Nanaimo Wellington branch, and security deposits paid on rental agreements.

**17 Comparative Figures**

Some prior year figures have been reclassified to conform to the current year's presentation.

**18 Outstanding Claims**

The Library has received 3 grievances from CUPE Local 401 regarding differences of opinion in interpreting and applying the collective agreement. As of December 31, the outcome of these grievances, and losses if any, are not reasonably determinable. Due to the uncertainty surrounding these grievances, no liability has been recorded.

## VANCOUVER ISLAND REGIONAL LIBRARY

## GENERAL FUND EXPENSE SCHEDULE

## WAGES AND BENEFITS

For the Year Ended December 31, 2017

	Budget (Note 11)	2017	2016
Library Services			
Branch Services	\$ 7,304,185	\$ 7,012,923	\$ 6,959,431
Technical Services	678,551	663,728	478,451
Information Services and Network Support	<u>429,162</u>	<u>433,284</u>	<u>419,074</u>
	<u>8,411,898</u>	<u>8,109,935</u>	<u>7,856,956</u>
Corporate Services			
Financial Services	322,727	278,984	254,433
Shipping & Receiving	187,231	134,849	126,174
Executive Director's Office	387,245	408,754	304,330
Human Resources	289,853	258,374	530,898
Communications	361,253	270,351	184,169
Facility Management	95,790	91,100	106,507
Purchasing	<u>122,155</u>	<u>125,756</u>	<u>127,664</u>
	<u>1,766,254</u>	<u>1,568,168</u>	<u>1,634,175</u>
Total Wages	<u>10,178,152</u>	<u>9,678,103</u>	<u>9,491,131</u>
Benefits	2,930,109	2,748,234	2,659,636
Hiring and Training	<u>32,658</u>	<u>14,787</u>	<u>17,206</u>
<b>Total Wages and Benefits</b>	<b><u>\$ 13,140,919</u></b>	<b><u>\$ 12,441,124</u></b>	<b><u>\$ 12,167,973</u></b>

## VANCOUVER ISLAND REGIONAL LIBRARY

## GENERAL FUND EXPENSE SCHEDULE

## ADMINISTRATION COSTS

For the Year Ended December 31, 2017

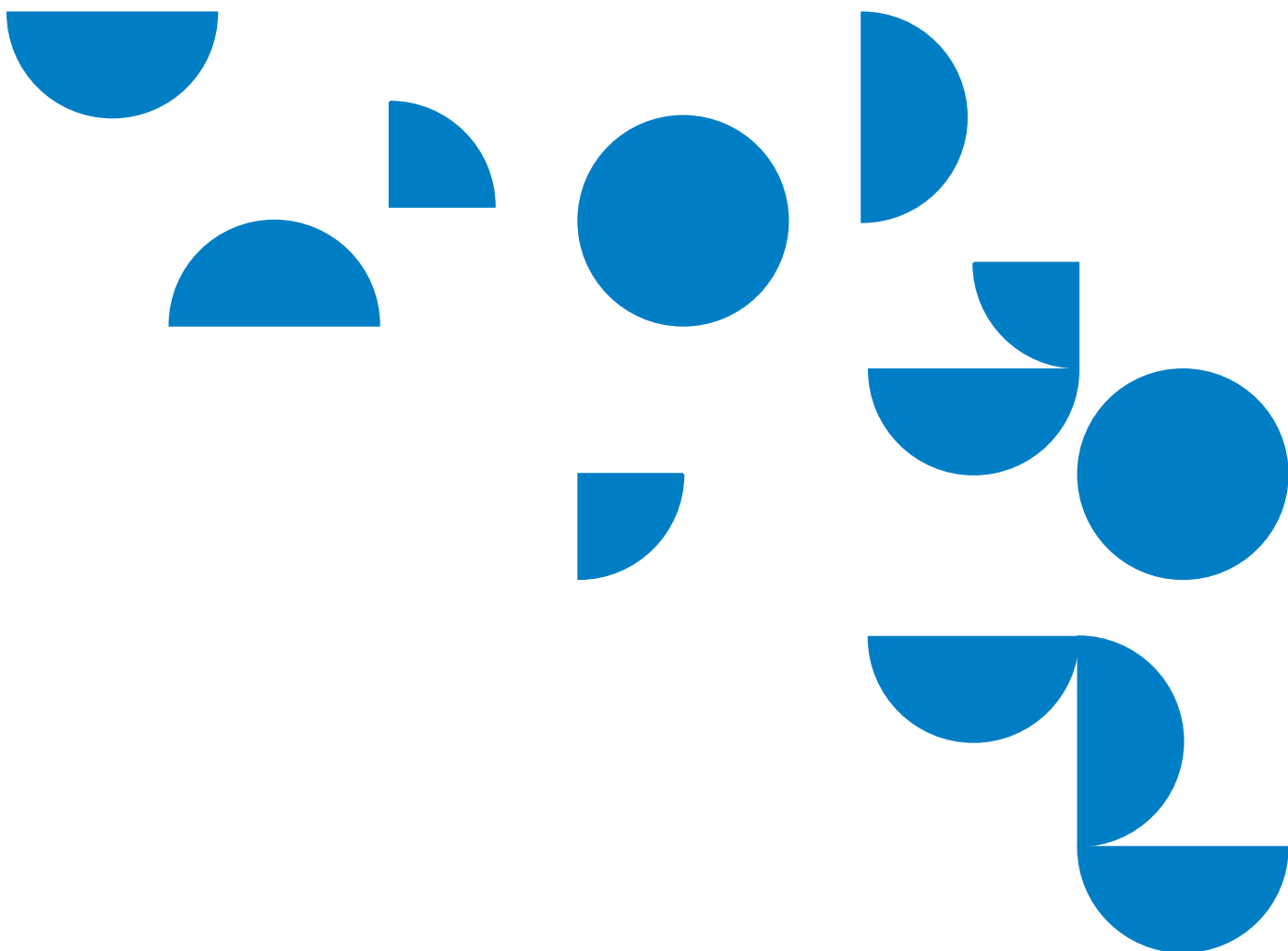
	Budget (Note 11)	2017	2016
<b>Administration</b>			
Utilities and communications	\$ 333,892	\$ 282,934	\$ 292,691
Office, photocopier and postage	374,123	335,481	366,000
Central services' building and equipment maintenance	458,877	582,778	507,905
Furniture and Equipment - small items expensed	96,050	348,200	230,849
Travel and Vehicle Operation	249,163	235,880	219,644
Professional Fees	195,711	553,043	344,764
Insurance	141,780	131,351	167,148
Training and workshops	74,580	62,643	44,644
Board expenses	102,000	96,956	103,021
Promotion and advertising	61,156	117,925	86,852
Bank and payroll production charges	79,174	82,993	77,910
<b>Total Administration</b>	<b><u>\$ 2,166,506</u></b>	<b><u>\$ 2,830,184</u></b>	<b><u>\$ 2,441,428</u></b>



## Schedule III

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**For the Year Ended December 31, 2017**

	Books	Furniture & Equipment	Computer Equipment	Vehicles	Building	Leasehold Improvement	Land	2017 Total	2016 Total
<b>Historical Cost:</b>									
Opening Balance	\$ 13,841,966	\$ 5,000,279	\$ 3,823,649	\$ 366,449	\$ 19,690,580	\$ 1,524,696	\$ 295,731	\$ 44,543,350	\$ 43,340,561
Additions	2,499,591	312,011	301,007	71,847	47,224	471,759	-	3,703,439	3,325,384
Transfers from									
Work in Progress	-	-	-	-	-	-	-	-	106,380
Less: Disposals & Write-Downs	(2,192,875)	(2,116)	-	-	-	-	-	(2,194,991)	(2,228,975)
	<b>14,148,682</b>	<b>5,310,174</b>	<b>4,124,656</b>	<b>438,296</b>	<b>19,737,804</b>	<b>1,996,455</b>	<b>295,731</b>	<b>46,051,798</b>	<b>44,543,350</b>
<b>Accumulated Amortization</b>									
Opening Balance	7,934,410	3,442,744	3,414,777	244,842	2,486,739	1,001,732	-	18,525,244	17,222,983
Amortization Expense	2,353,231	257,023	280,791	28,390	492,854	235,646	-	3,647,935	3,531,236
Effects of Disposals & Write-Downs	(2,192,875)	(2,116)	-	-	-	-	-	(2,194,991)	(2,228,975)
	<b>8,094,766</b>	<b>3,697,651</b>	<b>3,695,568</b>	<b>273,232</b>	<b>2,979,593</b>	<b>1,237,378</b>	<b>-</b>	<b>19,978,188</b>	<b>18,525,244</b>
<b>Work in Progress</b>	-	-	-	-	-	-	-	-	-
<b>Net Book Value</b>									
<b>For the Year Ended</b>									
<b>December 31, 2017</b>	<b>\$ 6,053,916</b>	<b>\$ 1,612,523</b>	<b>\$ 429,088</b>	<b>\$ 165,064</b>	<b>\$ 16,758,211</b>	<b>\$ 759,077</b>	<b>\$ 295,731</b>	<b>\$ 26,073,610</b>	<b>\$ 26,018,106</b>
<b>Less Debt</b>								<b>15,689,367</b>	<b>16,116,328</b>
<b>Net Investment In Assets</b>								<b>\$ 10,384,243</b>	<b>\$ 9,901,778</b>



**Vancouver Island Regional Library**

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