



⇒ 2018

**CONSOLIDATED
FINANCIAL
STATEMENTS**



December 31, 2018

.....
Box 3333 – 6250 Hammond Bay Road
Nanaimo, BC Canada V9R 5N3
w: virl.bc.ca

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of the Vancouver Island Regional Library (the "Library"), which comprise the consolidated statement of financial position, and related schedule III as at December 31, 2018, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2018, 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.

Basis for Opinion

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 Consolidated 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 opinion.

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

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Library's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Library or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 the Library'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 the Library'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 the Library to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Nanaimo, British Columbia

May 3, 2019

MNP LLP

Chartered Professional Accountants



Administration
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To the Board of Directors of Vancouver Island Regional Library

Management's Responsibility

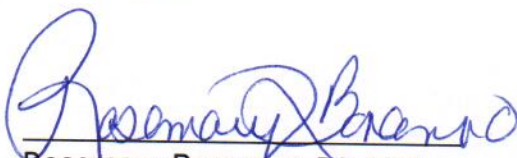
Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian Public Sector Accounting Standards. This responsibility includes selecting appropriate 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.

May 3, 2019


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"

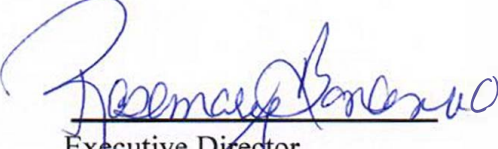
VANCOUVER ISLAND REGIONAL LIBRARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	2018	2017
Financial Assets		
Cash - Note 3	\$ 7,534,335	\$ 5,818,609
Short Term Investments - Note 4	1,056,785	1,048,398
Accounts Receivable	164,099	93,097
Deposits - Note 16	<u>267,588</u>	<u>18,978</u>
	<u>9,022,807</u>	<u>6,979,082</u>
Liabilities		
Trade Accounts Payable	983,790	680,387
Wages Payable	435,641	437,329
Accumulated Sick Payable - Note 9	475,044	425,658
Deferred Revenue - Note 2.b	-	7,875
Accrued Benefit Obligation - Note 8	454,008	434,342
Long Term Debt - Note 14	<u>16,745,328</u>	<u>15,689,367</u>
	<u>19,093,811</u>	<u>17,674,958</u>
Net Debt	\$ <u>(10,071,004)</u>	\$ <u>(10,695,876)</u>
Non Financial Assets		
Tangible Capital Assets - Note 5 & Schedule III	26,037,270	26,073,610
Prepaid Expenses	<u>399,666</u>	<u>402,875</u>
	<u>26,436,936</u>	<u>26,476,485</u>
Accumulated Surplus - Note 13	\$ <u>16,365,932</u>	\$ <u>15,780,609</u>
Commitments - Note 10		
Outstanding Claims - Note 18		

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, 2018

	Budget (Note 11)	2018 Actual	2017 Actual
Revenues			
Municipal Levies	\$ 15,270,197	\$ 15,270,198	\$ 14,678,164
Rural Levies	6,821,889	6,821,887	6,569,326
Government and Other Grants - Note 6	1,307,232	1,308,218	1,289,317
Fines and Other Income	498,592	493,833	445,980
Interest Earned	<u>70,000</u>	<u>131,621</u>	<u>68,619</u>
	<u>23,967,910</u>	<u>24,025,757</u>	<u>23,051,406</u>
Expenses			
Wages and Benefits - Schedule I	13,713,408	13,143,542	12,441,124
Branch Costs	2,725,643	3,418,108	3,342,050
Miscellaneous Library Materials	97,100	83,511	75,638
Administration Costs - Schedule II	2,092,163	2,977,338	2,830,184
Retirement Benefit Accrual	20,000	44,595	122
Amortization Expense	<u>3,773,340</u>	<u>3,773,340</u>	<u>3,647,935</u>
	<u>22,421,654</u>	<u>23,440,434</u>	<u>22,337,053</u>
Annual Surplus	1,546,256	585,323	714,353
Accumulated Surplus, Beginning of Year	<u>15,780,609</u>	<u>15,780,609</u>	<u>15,066,256</u>
Accumulated Surplus, End of Year	<u>\$ 17,326,865</u>	<u>\$ 16,365,932</u>	<u>\$ 15,780,609</u>

VANCOUVER ISLAND REGIONAL LIBRARY
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
For the Year Ended December 31, 2018

	Budget (Note 11)	2018 Actual	2017 Actual
Annual Surplus	\$ 1,546,256	\$ 585,323	\$ 714,353
Acquisition of Tangible Capital Assets	(10,981,948)	(3,736,999)	(3,703,439)
Amortization of Tangible Capital Assets	<u>3,773,340</u> <u>(5,662,352)</u>	<u>3,773,340</u> <u>621,664</u>	<u>3,647,935</u> <u>658,849</u>
Acquisition of Prepaid Expenses	-	(399,665)	(402,874)
Use of Prepaid Expenses	<u>-</u> <u>-</u>	<u>402,873</u> <u>3,208</u>	<u>496,961</u> <u>94,087</u>
(Increase) Decrease in Net Debt	(4,529,566)	624,872	752,936
Net Debt, Beginning of Year	<u>(10,695,876)</u>	<u>(10,695,876)</u>	<u>(11,448,812)</u>
Net Debt, End of Year	\$ <u>(15,225,442)</u>	\$ <u>(10,071,004)</u>	\$ <u>(10,695,876)</u>

Statement "D"

VANCOUVER ISLAND REGIONAL LIBRARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

	2018	2017
Cash Provided (Used):		
Operating Activities:		
Annual Surplus	\$ 585,323	\$ 714,353
Amortization Expense	3,773,340	3,647,935
Actuarial Adjustments	(76,824)	(59,746)
Changes in non-cash operating accounts:		
Increase (Decrease) in accounts receivable	(71,004)	32,573
Increase in prepaid expenses	3,209	94,087
Increase in trade accounts payable	303,403	54,609
Increase in accumulated sick payable	49,386	21,243
Increase (Decrease) in accrued benefit obligation	19,666	(17,677)
Decrease in wages payable	(1,688)	(233,424)
Increase (Decrease) in deferred revenue	(7,875)	7,875
Decrease in deposits	(248,610)	-
	<u>4,328,326</u>	<u>4,261,828</u>
Investing Activities:		
Increase in Short Term Investments	<u>(8,387)</u>	<u>(9,402)</u>
Capital Activities:		
Acquisition of Tangible Capital Assets	<u>(3,736,999)</u>	<u>(3,703,439)</u>
Financing Activities:		
Long Term Debt Proceeds	1,500,000	-
Principal Repayments	<u>(367,214)</u>	<u>(367,214)</u>
	1,132,786	(367,214)
Increase In Cash	1,715,726	181,773
Cash, Beginning of Year	<u>5,818,609</u>	<u>5,636,836</u>
Cash, End of Year	<u>\$ 7,534,335</u>	<u>\$ 5,818,609</u>

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, 2018

	2018	2017	2016	2015	2014
Internally Restricted Funds					
Outfitting & New/Expanded Facilities	\$ 2,525,742	\$ 2,330,838	\$ 2,556,885	\$ 2,570,963	\$ 2,468,476
Long-Term Maintenance	2,592,224	1,944,216	1,347,941	753,200	820,214
Integrated Library System Replacement	73,357	22,841	22,724	85,261	327,009
Books	10,340	10,340	10,340	10,340	10,340
Accrued Sick Reserve	282,652	279,752	278,322	276,278	274,068
Fundraising	312,401	215,530	167,457	122,404	117,853
Computer Equipment	46,963	32,966	95,389	278,573	349,493
Prior Years General Reserve	-	2,487	2,487	11,773	80,084
Human Resources Issues	69,319	68,606	68,237	62,758	61,445
Friends Reserve	18,232	16,921	16,327	16,838	16,709
Furnishings and Equipment	253,749	115,760	114,550	55,627	86,594
Vehicles	77,711	47,023	87,982	97,928	76,675
Summer Employment	20	3,230	3,213	3,190	3,152
BCGEU Continuing Education	-	-	-	4,673	-
Website Redevelopment	-	-	55,000	-	-
Salaries	600,000	-	-	-	-
Total Internally Restricted Funds	\$ 6,862,710	\$ 5,090,510	\$ 4,826,854	\$ 4,349,806	\$ 4,692,112

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, 2018

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, 2018

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 2018 are as follows:

	<u>2018</u>	<u>2017</u>
Opening Deferred Revenue	\$ 7,875	\$ -
Total of New Grants Received	-	12,000
Less: Recognized as Revenue	<u>(7,875)</u>	<u>(4,125)</u>
Ending Balance of Deferred Revenue	<u>\$ -</u>	<u>\$ 7,875</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 and other income are recorded in the year they are earned
- iii) Fines are recognized when received as a result of the difficulty in determining collectibility

VANCOUVER ISLAND REGIONAL LIBRARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

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, 2018.

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.

2.f New Accounting Standards

PS 2200 Related Party Disclosures

The new Section establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The main features of the new Section are:

- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis.
- Transactions are measured at the carrying amount, except in specific circumstances.
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice.
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.
- Inter-entity transactions are considered in conjunction with PS 2200 *Related Party Disclosures*.

VANCOUVER ISLAND REGIONAL LIBRARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

2.f New Accounting Standards (continued)

PS 2200 Related Party Disclosures (continued)

Effective January 1, 2018, the Vancouver Island Regional Library adopted the recommendations relating to *PS 2200 Related Party Disclosures*, as set out in the CPA Canada public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

This new Section defines a related party and establishes 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 financial statements.

There was no material impact on the consolidated financial statements of adopting the new Section.

PS 3420 Inter-entity Transactions

Effective January 1, 2018, the Vancouver Island Regional Library adopted the recommendations relating to *PS 3420 Inter-entity Transactions*, as set out in the CPA Canada public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

There was no material impact on the consolidated financial statements of adopting the new Section.

PS 3210 Assets

Effective January 1, 2018, the Vancouver Island Regional Library adopted the recommendations relating to *PS 3210 Assets*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

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.

VANCOUVER ISLAND REGIONAL LIBRARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

2.f New Accounting Standards (continued)

- 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.

There was no material impact on the consolidated financial statements of adopting the new Section.

PS 3320 Contingent Assets

Effective January 1, 2018, the Vancouver Island Regional Library adopted the recommendations relating to PS 3320 *Contingent Assets*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

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.
- 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.

There was no material impact on the consolidated financial statements of adopting the new Section.

VANCOUVER ISLAND REGIONAL LIBRARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

2.f New Accounting Standards (continued)

PS 3380 Contractual Rights

Effective January 1, 2018, the Vancouver Island Regional Library adopted the recommendations relating to PS 3380 *Contractual Rights*, as set out in the CPA Canada Public Sector Accounting Handbook. Pursuant to the recommendations, the change was applied prospectively, and prior periods have not been restated.

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.

There was no material impact on the consolidated financial statements of adopting the new Section.

3 Cash

Cash includes 602,583 (2017 - 409,205) units of Municipal Finance Authority of British Columbia Money Market Fund, and 105,985 (2017 - 103,410) 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>2018</u>	<u>2017</u>
Cash	\$ 448,185	\$ 691,138
Municipal Finance Authority of British Columbia		
- Money Market Fund	6,025,830	4,092,048
- Bond Fund	<u>1,060,320</u>	<u>1,035,423</u>
	<u><u>\$ 7,534,335</u></u>	<u><u>\$ 5,818,609</u></u>

4 Short Term Investments

Short Term Investments consist of a GIC with CIBC, purchased in March 2018, with an interest rate of 0.6% and maturing March 2019.

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

The land at 9796 Willow Street in Chemainus, BC (valued by BCAA at \$259,000) was transferred to VIRL by the District of North Cowichan in November 2018. Should the Library cease library operations at this site, ownership would revert back to the District.

The land at 68 Renfrew Avenue in Cowichan Lake, BC (valued by BCAA at \$127,000) was transferred to VIRL by the Town of Lake Cowichan in August of 2014. Should the Library cease library operations at this site, ownership would revert back to the Town.

The land at 90 Commercial Street in Nanaimo, BC (valued by BCAA at \$1,042,000) was transferred to VIRL by the City of Nanaimo in June 2013. Should the Library cease library operations at this site, ownership would revert back to the City.

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.

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

VANCOUVER ISLAND REGIONAL LIBRARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

6 Government and Other Grants

		2018	
	Budget	Actual	2017
			Actual
Provincial Per Capita Operating Grants	\$ 1,229,808	\$ 1,206,871	\$ 1,190,211
Other Provincial Grants	77,424	75,913	75,586
Federal Grants	-	9,000	8,800
Other Grants	-	16,434	14,720
	<u>\$ 1,307,232</u>	<u>\$ 1,308,218</u>	<u>\$ 1,289,317</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, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 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 \$875,797 (2017 - \$825,854) for employer contributions to the plan in fiscal 2018.

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, 2018

8 Accrued Benefit Obligation

The liability represents an estimate of the amount of accumulated severance benefits. The following data is a result of applying an actuarial method in valuating the liability at December 31, 2018. Significant assumptions used in the valuation include a discount rate of 3.20% (2017 - 3.15%) and inflation of 2% (2017 - 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>2018</u>	<u>2017</u>
Provision for accrued benefit obligation, beginning of the year	\$ 434,342	\$ 452,019
Payments during the year	(29,425)	(17,799)
Interest earned	4,496	2,129
Contribution to provision during the year	<u>44,595</u>	<u>(2,007)</u>
Provision for accrued benefit obligation, end of the year	<u>\$ 454,008</u>	<u>\$ 434,342</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, 2018 is \$475,044 (2017 - \$425,658).

VANCOUVER ISLAND REGIONAL LIBRARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

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 agreements committing itself to costs of \$1,023,927 in 2019 related to construction projects, and has entered into a five year operating lease for a photocopier at an annual cost of \$5,025 expiring in October 2020.

	<u>Rental</u>	<u>Construction</u>	<u>Software and Photocopier</u>	<u>Total</u>
2019	1,600,889	1,023,927	5,025	2,629,841
2020	1,486,221	-	4,188	1,490,409
2021	1,219,303	-	-	1,219,303
2022	780,808	-	-	780,808
2023	<u>605,380</u>	<u>-</u>	<u>-</u>	<u>605,380</u>
	<u>\$ 5,692,601</u>	<u>\$ 1,023,927</u>	<u>\$ 9,213</u>	<u>\$ 6,725,741</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 financial statements include the unaudited annual budget as approved by the Library Board on September 16, 2017.

	<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>10,981,948</u>	<u>10,981,948</u>
Budgeted Operating Surplus	<u>\$ 1,546,256</u>	

VANCOUVER ISLAND REGIONAL LIBRARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

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>2018</u>	<u>2017</u>
Internally restricted - Statement "E"	\$ 6,862,710	\$ 5,090,510
Unrestricted	211,280	305,856
Net investment in tangible capital assets - Schedule III	<u>9,291,942</u>	<u>10,384,243</u>
	<u>\$ 16,365,932</u>	<u>\$ 15,780,609</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 2018 was \$0 (2017 - \$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, 2018

14 Long Term Debt (continued)

Interest has been accrued as an expense to December 31, 2018. 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 Nanaimo Regional District for the Nanaimo North Branch and the Nanaimo Harbourfront Branch, one by the Cowichan Valley Regional District for the Lake Cowichan Branch, and one by the North Coast Regional District for branches on Haida Gwaii.

	Nanaimo North	Cowichan Lake	Nanaimo Harbourfront	North Coast Regional District	Total
MFA Debt Issue #	117	121	126	145	
Initial Borrowing	8,000,000	1,000,000	8,610,000	1,500,000	19,110,000
Term	30 Years	30 Years	25 Years	20 Years	
Interest Rate	3.25%	3.25%	3.85%	3.15%	
YTD Principal Payment	142,641	17,830	206,743	-	367,214
YTD Interest Payment	<u>222,155</u>	<u>25,137</u>	<u>296,368</u>	<u>47,572</u>	<u>591,232</u>
Total Annual Payments	<u>364,796</u>	<u>42,967</u>	<u>503,111</u>	<u>47,572</u>	<u>958,446</u>
Beginning Balance					
January 1, 2018	7,053,867	903,426	7,732,073	-	15,689,366
Additional Funding during 2018	-	-	-	1,500,000	1,500,000
Actuarial Adjustments during 2018	(37,844)	(3,863)	(35,117)	-	(76,824)
Principal Repayments	<u>(142,641)</u>	<u>(17,830)</u>	<u>(206,743)</u>	<u>-</u>	<u>(367,214)</u>
Ending Balance December 31, 2018	<u>6,873,382</u>	<u>881,733</u>	<u>7,490,213</u>	<u>1,500,000</u>	<u>16,745,328</u>

Long Term Debt - Principal Payments (next 5 years)

Year	Nanaimo North	Cowichan Lake	Nanaimo Harbourfront	North Coast Regional District
2019	142,641	17,830	206,743	55,824
2020	142,641	17,830	206,743	55,824
2021	142,641	17,830	206,743	55,824
2022	142,641	17,830	206,743	55,824
2023	142,641	17,830	206,743	55,824

VANCOUVER ISLAND REGIONAL LIBRARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

15 MFA Debt Reserve Fund

The Library secures its long term borrowing through the MFA. As a condition of these borrowings a portion of the debenture proceeds are retained by the Authority as a Debt Reserve Fund. The Library is contingently liable to the MFA for the Debt Reserve Fund, to help secure its participation in MFA debentures. The MFA has the right, if one or more participants in that issue default, to draw upon the Library's share of the Debt Reserve Fund of \$225,627 as at December 31, 2018 (2017 - \$205,900).

16 Deposits

Deposits at December 31 represent construction deposits with the District of North Cowichan for the construction of the Chemainus 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 10 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, 2018

	Budget (Note 11)	2018	2017
Library Services			
Branch Services	\$ 7,522,802	\$ 7,206,800	\$ 7,012,923
Technical Services	645,221	623,535	663,728
Information Services and Network Support	<u>511,038</u>	<u>540,621</u>	<u>433,284</u>
	<u>8,679,061</u>	<u>8,370,956</u>	<u>8,109,935</u>
Corporate Services			
Financial Services	404,754	399,469	278,984
Shipping & Receiving	190,059	148,267	134,849
Executive Director's Office	483,938	446,516	408,754
Human Resources	301,502	365,053	258,374
Communications	370,832	300,812	270,351
Facility Management	99,645	76,969	91,100
Purchasing	<u>124,604</u>	<u>134,457</u>	<u>125,756</u>
	<u>1,975,334</u>	<u>1,871,543</u>	<u>1,568,168</u>
Total Wages	<u>10,654,395</u>	<u>10,242,499</u>	<u>9,678,103</u>
Benefits	3,039,013	2,874,209	2,748,234
Hiring and Training	<u>20,000</u>	<u>26,834</u>	<u>14,787</u>
Total Wages and Benefits	<u>\$ 13,713,408</u>	<u>\$ 13,143,542</u>	<u>\$ 12,441,124</u>

VANCOUVER ISLAND REGIONAL LIBRARY

GENERAL FUND EXPENSE SCHEDULE

ADMINISTRATION COSTS

For the Year Ended December 31, 2018

	Budget (Note 11)	2018	2017
Administration			
Utilities and communications	\$ 292,679	\$ 287,498	\$ 282,934
Office, photocopier and postage	348,320	401,338	335,481
Central services' building and equipment maintenance	409,837	598,620	582,778
Furniture and Equipment - small items expensed	96,050	124,518	348,200
Travel and Vehicle Operation	224,037	248,517	235,880
Professional Fees	244,625	855,074	553,043
Insurance	130,000	126,990	131,351
Training and workshops	45,537	45,660	62,643
Board expenses	103,021	79,602	96,956
Promotion and advertising	118,589	129,916	117,925
Bank and payroll production charges	79,468	79,605	82,993
Total Administration	<u>\$ 2,092,163</u>	<u>\$ 2,977,338</u>	<u>\$ 2,830,184</u>

Schedule III

VANCOUVER ISLAND REGIONAL LIBRARY
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2018

	Books	Furniture & Equipment	Computer Equipment	Vehicles	Building	Leasehold Improvement	Land	2018 Total	2017 Total
Historical Cost:									
Opening Balance	\$14,148,682	\$ 5,310,175	\$ 4,124,656	\$ 438,296	\$19,737,806	\$ 1,996,454	\$ 295,731	\$46,051,800	\$44,543,350
Additions	2,602,318	69,443	316,917	-	239,365	15,223	-	3,243,266	3,703,439
Transfers from Work in Progress	-	-	-	-	-	-	-	-	-
Less: Disposals & Write-Downs	(2,265,458)	(1,946)	-	(25,361)	-	-	-	(2,292,765)	(2,194,991)
	14,485,542	5,377,672	4,441,573	412,935	19,977,171	2,011,677	295,731	47,002,301	46,051,798
Accumulated Amortization									
Opening Balance	8,094,766	3,697,651	3,695,568	273,231	2,979,595	1,237,378	-	19,978,189	18,525,244
Amortization Expense	2,416,391	268,346	343,121	31,982	496,437	217,063	-	3,773,340	3,647,935
Effects of Disposals & Write-Downs	(2,265,458)	(1,946)	-	(25,361)	-	-	-	(2,292,765)	(2,194,991)
	8,245,699	3,964,051	4,038,689	279,852	3,476,032	1,454,441	-	21,458,764	19,978,188
Work in Progress	-	-	-	-	-	493,733	-	493,733	-
Net Book Value									
For the Year Ended									
December 31, 2018	\$ 6,239,843	\$ 1,413,621	\$ 402,884	\$ 133,083	\$16,501,139	\$ 1,050,969	\$ 295,731	\$26,037,270	\$26,073,610
Less Debt								16,745,328	15,689,367
Net Investment In Assets								\$ 9,291,942	\$10,384,243