



⇒ 2020

**CONSOLIDATED
FINANCIAL
STATEMENTS**



December 31, 2020

.....
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, 2020, 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 consolidated 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, 2020, 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.

Other Information

Management is responsible for the other information, comprising of the annual report, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

April 30, 2021

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.

April 30, 2021

A handwritten signature in black ink, appearing to read "Rosemary Bonanno".

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, 2020

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and Equivalents - Note 3	\$ 3,858,516	\$ 5,872,182
Accounts Receivable	628,560	367,147
Deposits - Note 15	<u>410,215</u>	<u>413,715</u>
	<u>4,897,291</u>	<u>6,653,044</u>
Liabilities		
Trade Accounts Payable	1,446,761	1,380,590
Wages Payable	736,235	522,708
Accumulated Sick Payable - Note 8	435,039	508,627
Deferred Revenue - Note 2.b	46,328	-
Accrued Benefit Obligation - Note 7	577,557	487,567
Long Term Debt - Note 13	<u>17,836,941</u>	<u>18,457,703</u>
	<u>21,078,861</u>	<u>21,357,195</u>
Net Debt	<u>\$ (16,181,570)</u>	<u>\$ (14,704,151)</u>
Non Financial Assets		
Tangible Capital Assets - Note 4 & Schedule III	33,233,389	31,739,733
Prepaid Expenses	<u>567,378</u>	<u>469,558</u>
	<u>33,800,767</u>	<u>32,209,291</u>
Accumulated Surplus - Note 12	<u>\$ 17,619,196</u>	<u>\$ 17,505,139</u>
Commitments - Note 9		
Outstanding Claims - Note 17		
Significant Event - Note 18		

On behalf of the Board:


H. Wickstrom

Chair of the Board



Executive Director

The accompanying notes are an integral part of these consolidated financial statements

VANCOUVER ISLAND REGIONAL LIBRARY
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2020

	2020 Budget (Note 10)	2020 Actual	2019 Actual
Revenues			
Municipal Levies	\$ 16,679,297	\$ 16,679,296	\$ 16,043,678
Regional District Levies	7,371,386	7,371,386	7,096,440
Government and Other Grants - Note 5	1,308,218	1,338,576	1,286,491
Fines and Other Income	452,000	47,975	507,071
Interest Earned	<u>145,000</u>	<u>93,008</u>	<u>115,236</u>
	<u>25,955,901</u>	<u>25,530,241</u>	<u>25,048,916</u>
Expenses			
Wages and Benefits - Schedule I	14,449,868	14,806,316	14,605,642
Branch Costs	3,789,065	3,700,272	3,557,861
Miscellaneous Library Materials	-	4,891	81,321
Administration Costs - Schedule II	2,205,311	2,412,928	2,843,408
Retirement Benefit Accrual	20,000	130,359	88,007
Amortization Expense	<u>4,361,418</u>	<u>4,361,418</u>	<u>4,013,570</u>
	<u>24,825,662</u>	<u>25,416,184</u>	<u>25,189,809</u>
Annual Surplus (Deficit)	1,130,239	114,057	(140,893)
Accumulated Surplus, Beginning of Year	<u>17,505,139</u>	<u>17,505,139</u>	<u>17,646,032</u>
Accumulated Surplus, End of Year	<u>\$ 18,635,378</u>	<u>\$ 17,619,196</u>	<u>\$ 17,505,139</u>

The accompanying notes are an integral part of these consolidated financial statements

Statement "C"

VANCOUVER ISLAND REGIONAL LIBRARY
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
For the Year Ended December 31, 2020

	Budget (Note 10)	2020 Actual	2019 Actual
Annual Surplus (Deficit)	\$ 1,130,239	\$ 114,057	\$ (140,893)
Acquisition of Tangible Capital Assets	(9,296,617)	(5,855,075)	(8,435,931)
Amortization of Tangible Capital Assets	<u>4,361,418</u> <u>(3,804,960)</u>	<u>4,361,418</u> <u>(1,379,600)</u>	<u>4,013,570</u> <u>(4,563,254)</u>
Acquisition of Prepaid Expenses	-	(567,378)	(469,558)
Use of Prepaid Expenses	<u>-</u> <u>-</u>	<u>469,559</u> <u>(97,819)</u>	<u>399,665</u> <u>(69,893)</u>
Increase in Net Debt	(3,804,960)	(1,477,419)	(4,633,147)
Net Debt, Beginning of Year	<u>(14,704,151)</u>	<u>(14,704,151)</u>	<u>(10,071,004)</u>
Net Debt, End of Year	\$ <u>(18,509,111)</u>	\$ <u>(16,181,570)</u>	\$ <u>(14,704,151)</u>

The accompanying notes are an integral part of these consolidated financial statements

Statement "D"

VANCOUVER ISLAND REGIONAL LIBRARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

	2020	2019
Cash Provided (Used):		
Operating Activities:		
Annual Surplus (Deficit)	\$ 114,057	\$ (140,893)
Amortization Expense	4,361,418	4,013,570
Actuarial Adjustments	(114,734)	(94,587)
Changes in non-cash operating accounts:		
Decrease in accounts receivable	(261,411)	(203,049)
Increase (Decrease) in prepaid expenses	(97,820)	(69,892)
Increase in trade accounts payable	66,171	396,800
Increase (Decrease) in accumulated sick payable	(73,588)	33,583
Increase in accrued benefit obligation	89,990	33,559
Increase in wages payable	213,527	87,067
Decrease in deferred revenue	46,328	-
Increase (Decrease) in deposits	<u>3,500</u>	<u>(146,127)</u>
	<u>4,347,438</u>	<u>3,910,031</u>
Investing Activities:		
Decrease in Short Term Investments	<u>-</u>	<u>1,056,785</u>
Capital Activities:		
Acquisition of Tangible Capital Assets	<u>(5,855,075)</u>	<u>(8,435,931)</u>
Financing Activities:		
Long Term Debt Proceeds	-	2,230,000
Principal Repayments	<u>(506,029)</u>	<u>(423,038)</u>
	(506,029)	1,806,962
Decrease In Cash and equivalents	(2,013,666)	(1,662,153)
Cash and equivalents, Beginning of Year	<u>5,872,182</u>	<u>7,534,335</u>
Cash and equivalents, End of Year	<u>\$ 3,858,516</u>	<u>\$ 5,872,182</u>

The accompanying notes are an integral part of these consolidated financial statements

VANCOUVER ISLAND REGIONAL LIBRARY
CONSOLIDATED STATEMENT OF
INTERNALLY RESTRICTED FUND BALANCES

For the Year Ended December 31, 2020

	2020	2019	2018	2017	2016
Internally Restricted Funds					
Outfitting & New/Expanded Facilities	\$ 1,004,537	\$ 1,352,409	\$ 2,525,742	\$ 2,330,838	\$ 2,556,885
Long-Term Maintenance	2,485,564	2,634,647	2,592,224	1,944,216	1,347,941
Integrated Library System Replacement	-	124,396	73,357	22,841	22,724
Books	-	-	10,340	10,340	10,340
Accrued Sick Reserve	175,994	285,736	282,652	279,752	278,322
Fundraising	631,405	344,815	312,401	215,530	167,457
Computer Equipment	401,400	75,213	46,963	32,966	95,389
Prior Years General Reserve	401,700	-	-	2,487	2,487
Human Resources Issues	70,138	70,075	69,319	68,606	68,237
Friends Reserve	15,593	18,232	18,232	16,921	16,327
Furnishings and Equipment	515,045	335,440	253,749	115,760	114,550
Vehicles	78,347	48,275	77,711	47,023	87,982
Summer Employment	-	-	20	3,230	3,213
Salaries	204,432	204,134	600,000	-	-
Website	-	-	-	-	55,000
Total Internally Restricted Funds	\$ 5,984,155	\$ 5,493,372	\$ 6,862,710	\$ 5,090,510	\$ 4,826,854

The accompanying notes are an integral part of these consolidated financial statements

VANCOUVER ISLAND REGIONAL LIBRARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

1 Organization

The Vancouver Island Regional Library (the "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, 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, 2020

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 2020 are as follows:

	<u>2020</u>	<u>2019</u>
Opening Deferred Revenue	\$ -	\$ -
Total of New Grants Received	56,516	-
Less: Recognized as Revenue	<u>(10,188)</u>	<u>-</u>
Ending Balance of Deferred Revenue	<u>\$ 46,328</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 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, 2020

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, 2020.

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.

3 Cash and Equivalents

Cash and equivalents includes 16,699 (2019 - 403,971) units of Municipal Finance Authority of British Columbia Money Market Fund, and 111,073 (2019 - 108,697) 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>2020</u>	<u>2019</u>
Cash	\$ 2,565,335	\$ 774,379
Municipal Finance Authority of British Columbia		
- Money Market Fund	166,986	4,039,715
- Bond Fund	<u>1,126,195</u>	<u>1,058,088</u>
	<u>\$ 3,858,516</u>	<u>\$ 5,872,182</u>

**VANCOUVER ISLAND REGIONAL LIBRARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020**

4 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 \$203,000) 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 \$113,000) was transferred to the Library 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 \$1,092,000) was transferred to the Library 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

5 Government and Other Grants

		2020	2019
		Budget	Actual
Provincial Per Capita Operating Grants	\$ 1,232,608	\$ 1,282,481	\$ 1,206,871
Other Provincial Grants	75,610	43,061	75,610
Federal Grants	-	-	-
Other Grants	-	13,034	4,010
	<u>\$ 1,308,218</u>	<u>\$ 1,338,576</u>	<u>\$ 1,286,491</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 the Library, grants are calculated for municipal areas at \$1.78 - \$2.20 per capita, and for rural areas at \$3.90 - 4.10 per capita.

VANCOUVER ISLAND REGIONAL LIBRARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

6 Pension Obligations

The Library 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, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The Library paid \$1,023,240 (2019 - \$945,080) for employer contributions to the plan in fiscal 2020.

The next valuation will be as at December 31, 2021, with results available in 2022.

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, 2020

7 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, 2020. Significant assumptions used in the valuation include a discount rate of 0.91% (2019 - 2.24%) and inflation of 2% (2019 - 2%). There are no unamortized gains or losses.

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>2020</u>	<u>2019</u>
Provision for accrued benefit obligation, beginning of the year	\$ 487,567	\$ 454,008
Payments during the year	(40,800)	(42,592)
Interest earned	432	4,615
Contribution to provision during the year	<u>130,358</u>	<u>71,536</u>
Provision for accrued benefit obligation, end of the year	<u>\$ 577,557</u>	<u>\$ 487,567</u>

8 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, 2020 is \$435,039 (2019 - \$508,627).

VANCOUVER ISLAND REGIONAL LIBRARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

9 Commitments

The Library is committed under several lease agreements for building rentals and shared common costs which, for each of the next five years and in total, are disclosed below. The Library has also entered into agreements committing itself to costs of \$5,941,943 in 2021 related to construction projects, and has entered into a five year operating lease for a photocopier at an annual cost of \$3,024 expiring in October 2025, and a lease for self check terminals at an annual cost of \$122,926 expiring in December 2025.

	Rental	Photocopier and Self Check	Construction	Total
2021	1,809,243	125,950	5,941,943	7,877,136
2022	1,330,299	125,950	-	1,456,249
2023	1,119,823	125,950	-	1,245,773
2024	754,989	125,950	-	880,939
2025	<u>488,097</u>	<u>125,194</u>	<u>-</u>	<u>613,291</u>
	<u>\$ 5,502,451</u>	<u>\$ 628,994</u>	<u>\$ 5,941,943</u>	<u>\$ 12,073,388</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.

10 Annual Budget

The financial statements include the unaudited annual budget as approved by the Library Board on September 21, 2019.

	Budget	Capital Asset Acquisitions Budget
Balanced Budget Amount	Nil	
Transfers from Restricted Reserves	(6,186,874)	
Transfers to Restricted Reserves	<u>3,514,467</u>	
Budgeted increase in Net Financial Assets	(2,672,407)	
MFA Debt Issue	(6,000,000)	
Repayments of Long Term Debt	506,029	
Purchase of Tangible Capital Assets	<u>9,296,617</u>	<u>9,296,617</u>
Budgeted Operating Surplus	<u>\$ 1,130,239</u>	

VANCOUVER ISLAND REGIONAL LIBRARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

11 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.

12 Accumulated Surplus

Which is comprised of:

	<u>2020</u>	<u>2019</u>
Internally restricted - Statement "E"	\$ 5,984,155	\$ 5,493,372
Unrestricted	(3,761,407)	(1,270,263)
Net investment in tangible capital assets - Schedule III	<u>15,396,448</u>	<u>13,282,030</u>
	<u>\$ 17,619,196</u>	<u>\$ 17,505,139</u>

12.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.

12.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 2020 was \$0 (2019 - \$0).

13 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, 2020

13 Long Term Debt (continued)

Interest has been accrued as an expense to December 31, 2020. 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, two by the Cowichan Valley Regional District for the Lake Cowichan Branch and Chemainus Branch, and one by the North Coast Regional District for branches on Haida Gwaii.

	Nanaimo North	Cowichan Lake	Nanaimo Harbourfront	North Coast RD	Chemainus	Total
MFA Debt Issue #	117	121	126	145	149	
Initial Borrowing	8,000,000	1,000,000	8,610,000	1,500,000	2,230,000	21,340,000
Term	30 Years	30 Years	25 Years	20 Years	20 Years	
Interest Rate	3.25%	3.25%	3.85%	3.15%	2.24%	
YTD Principal Payment	142,641	17,830	206,743	55,824	82,991	506,029
YTD Interest Payment	<u>207,427</u>	<u>23,367</u>	<u>276,632</u>	<u>45,575</u>	<u>33,628</u>	<u>586,629</u>
Total Annual Payments	<u>350,068</u>	<u>41,197</u>	<u>483,375</u>	<u>101,399</u>	<u>116,619</u>	<u>1,092,658</u>
Beginning Balance January 1, 2020	6,685,676	859,172	7,238,679	1,444,176	2,230,000	18,457,703
Additional Funding						
Actuarial Adjustments during 2020	(52,573)	(5,633)	(54,853)	(1,675)	-	(114,734)
Principal Repayments	<u>(142,641)</u>	<u>(17,830)</u>	<u>(206,743)</u>	<u>(55,824)</u>	<u>(82,991)</u>	<u>(506,029)</u>
Ending Balance December 31, 2020	<u>6,490,462</u>	<u>835,709</u>	<u>6,977,083</u>	<u>1,386,677</u>	<u>2,147,009</u>	<u>17,836,941</u>

VANCOUVER ISLAND REGIONAL LIBRARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

13 Long Term Debt (Continued)

Principal Payments (next 5 years)

Year	Nanaimo North	Cowichan Lake	Nanaimo Harbourfront	North Coast RD	Chemainus
2021	142,641	17,830	206,743	55,824	91,779
2022	142,641	17,830	206,743	55,824	91,779
2023	142,641	17,830	206,743	55,824	91,779
2024	142,641	17,830	206,743	55,824	91,779
2025	142,641	17,830	206,743	55,824	91,779

14 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 \$258,475 as at December 31, 2020 (2019 - \$253,263).

15 Deposits

Deposits at December 31 represent construction deposits with the District of North Cowichan and the District of Sooke, and security deposits paid on rental agreements.

16 Comparative Figures

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

17 Outstanding Claims

The Library has received 9 grievances from CUPE Local 401 and 1 grievance from BCGEU Local 702 regarding differences of opinion in interpreting and applying the collective agreement. As of December 31, 2020 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
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

18 Significant Event

In March 2020, the COVID-19 outbreak caused governments worldwide to enact emergency measures to combat the spread of the virus. These measures, which include the implementation of facility closures, travel restrictions, self-isolation periods, and social and physical distancing, will have a significant impact on the local and global economy. At this time it is not possible to reliably estimate the length and severity of the COVID-19 outbreak and how it may impact the Library's financial results for 2021.

VANCOUVER ISLAND REGIONAL LIBRARY

GENERAL FUND EXPENSE SCHEDULE

WAGES AND BENEFITS

For the Year Ended December 31, 2020

	Budget (Note 10)	2020	2019
Library Services			
Branch Services	\$ 7,190,838	\$ 8,402,446	\$ 8,027,728
Technical Services	639,027	579,829	576,453
Information Services and Network Support	<u>690,235</u>	<u>518,741</u>	<u>621,932</u>
	<u>8,520,100</u>	<u>9,501,016</u>	<u>9,226,113</u>
Corporate Services			
Financial Services	561,688	490,767	474,858
Shipping & Receiving	153,738	170,221	160,248
Executive Director's Office	643,716	579,206	551,157
Human Resources	364,929	292,463	306,612
Communications	549,895	519,726	400,505
Facility Management	103,685	48,254	33,525
Purchasing	<u>180,444</u>	<u>191,479</u>	<u>134,295</u>
	<u>2,558,095</u>	<u>2,292,116</u>	<u>2,061,200</u>
Total Wages	<u>11,078,195</u>	<u>11,793,132</u>	<u>11,287,313</u>
Benefits	3,346,673	2,981,621	3,289,303
Hiring and Training	<u>25,000</u>	<u>31,563</u>	<u>29,026</u>
Total Wages and Benefits	<u>\$ 14,449,868</u>	<u>\$ 14,806,316</u>	<u>\$ 14,605,642</u>

VANCOUVER ISLAND REGIONAL LIBRARY

GENERAL FUND EXPENSE SCHEDULE

ADMINISTRATION COSTS

For the Year Ended December 31, 2020

	Budget (Note 10)	2020	2019
Administration			
Utilities and communications	\$ 304,504	\$ 305,346	\$ 300,329
Office, photocopier and postage	354,380	363,299	397,877
Central services' building and equipment maintenance	518,730	606,304	681,517
Furniture and Equipment - small items expensed	27,500	202,555	274,087
Travel and Vehicle Operation	239,000	134,452	271,801
Professional Fees	288,947	386,057	410,204
Insurance	125,000	132,877	119,662
Training and workshops	85,000	93,637	103,385
Board expenses	96,000	32,973	95,560
Promotion and advertising	91,250	67,618	98,780
Bank and payroll production charges	75,000	87,810	90,206
Total Administration	<u>\$ 2,205,311</u>	<u>\$ 2,412,928</u>	<u>\$ 2,843,408</u>

Schedule III

VANCOUVER ISLAND REGIONAL LIBRARY
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS
For the Year Ended December 31, 2020

	Books	Furniture & Equipment	Computer Equipment	Vehicles	Building	Leasehold Improvement	Land	2020 Total	2019 Total
Historical Cost:									
Opening Balance	\$15,094,475	\$ 5,646,272	\$ 4,786,132	\$ 468,362	\$23,415,680	\$ 3,733,553	\$ 1,575,831	\$54,720,305	\$48,282,402
Additions	3,072,859	229,574	184,500	-	1,039,033	162,097	-	4,688,063	8,149,026
Transfers from									
Work in Progress	-	-	-	-	43,409	-	-	43,409	493,733
Less: Disposals & Write-Downs	(2,493,391)	-	-	-	-	-	-	(2,493,391)	(2,204,856)
	15,673,943	5,875,846	4,970,632	468,362	24,498,122	3,895,650	1,575,831	56,958,386	54,720,305
Accumulated Amortization									
Opening Balance	8,529,020	4,235,204	4,343,142	314,605	4,018,442	1,827,065	-	23,267,478	21,458,764
Amortization Expense	2,605,508	280,950	301,441	37,525	598,922	537,072	-	4,361,418	4,013,570
Effects of Disposals & Write-Downs	(2,493,391)	-	-	-	-	-	-	(2,493,391)	(2,204,856)
	8,641,137	4,516,154	4,644,583	352,130	4,617,364	2,364,137	-	25,135,505	23,267,478
Work in Progress	-	-	-	-	1,410,510	-	-	1,410,510	286,906
Net Book Value									
For the Year Ended									
December 31, 2020	\$ 7,032,806	\$ 1,359,692	\$ 326,049	\$ 116,232	\$21,291,268	\$ 1,531,513	\$ 1,575,831	\$33,233,389	\$31,739,733
Less Debt								17,836,941	18,457,703
Net Investment In Assets								\$15,396,448	\$13,282,030