



⇒ 2021

**CONSOLIDATED  
FINANCIAL  
STATEMENTS**



**December 31, 2021**



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

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

## Opinion

We have audited the Consolidated financial statements of Vancouver Island Regional Library (the "Library"), which comprise the Consolidated statement of financial position as at December 31, 2021, and the Consolidated statements of operations, changes in net debt and cash flows 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 Consolidated financial position of the Library as at December 31, 2021, and the results of its Consolidated operations, changes in its net debt and its Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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 13, 2022

*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 13, 2022

A handwritten signature in blue ink, appearing to read "Ben Hyman", is written over a horizontal line.

Ben Hyman  
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, 2021**

	<b>2021</b>	<b>2020</b>
<b>Financial Assets</b>		
Cash and Equivalents - Note 3	\$ 3,654,341	\$ 3,858,516
Accounts Receivable	280,157	628,560
Deposits - Note 16	<u>182,965</u>	<u>410,215</u>
	<u>4,117,463</u>	<u>4,897,291</u>
<b>Financial Liabilities</b>		
Trade Accounts Payable	2,318,209	1,446,761
Wages Payable	835,099	736,235
Accumulated Sick Payable - Note 8	510,371	435,039
Short Term Debt - Note 13	6,000,000	-
Deferred Revenue - Note 2.b	19,928	46,328
Accrued Benefit Obligation - Note 7	526,064	577,557
Long Term Debt - Note 14	<u>17,192,753</u>	<u>17,836,941</u>
	<u>27,402,424</u>	<u>21,078,861</u>
<b>Net Debt</b>	<b><u>\$ (23,284,961)</u></b>	<b><u>\$ (16,181,570)</u></b>
<b>Non Financial Assets</b>		
Tangible Capital Assets - Note 4 & Schedule III	39,071,118	33,233,389
Prepaid Expenses	<u>696,701</u>	<u>567,378</u>
	<u>39,767,819</u>	<u>33,800,767</u>
<b>Accumulated Surplus - Note 12</b>	<b><u>\$ 16,482,857</u></b>	<b><u>\$ 17,619,196</u></b>
<b>Commitments - Note 9</b>		
<b>Outstanding Claims - Note 18</b>		
<b>Significant Event - Note 19</b>		

On behalf of the Board:



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 AND ACCUMULATED SURPLUS

For the Year Ended December 31, 2021

	2021 Budget (Note 10)	2021 Actual	2020 Actual
<b>Revenues</b>			
Municipal Levies	\$ 16,978,090	\$ 16,978,090	\$ 16,679,296
Regional District Levies	7,522,437	7,522,437	7,371,386
Government and Other Grants - Note 5	1,308,218	1,314,920	1,338,576
Fines and Other Income	452,000	147,189	47,975
Interest Earned	<u>130,000</u>	<u>18,326</u>	<u>93,008</u>
	<u>26,390,745</u>	<u>25,980,962</u>	<u>25,530,241</u>
<b>Expenses</b>			
Wages and Benefits - Schedule I	14,792,723	16,198,754	14,806,316
Branch Costs	3,780,847	3,886,907	3,700,272
Miscellaneous Library Materials	-	47	4,891
Administration Costs - Schedule II	2,174,080	2,640,230	2,412,928
Retirement Benefit Accrual	40,000	25,458	130,359
Amortization Expense	<u>4,365,905</u>	<u>4,365,905</u>	<u>4,361,418</u>
	<u>25,153,555</u>	<u>27,117,301</u>	<u>25,416,184</u>
<b>Annual Surplus (Deficit)</b>	<b>1,237,190</b>	<b>(1,136,339)</b>	<b>114,057</b>
<b>Accumulated Surplus, Beginning of Year</b>	<b><u>17,619,196</u></b>	<b><u>17,619,196</u></b>	<b><u>17,505,139</u></b>
<b>Accumulated Surplus, End of Year</b>	<b><u>\$ 18,856,386</u></b>	<b><u>\$ 16,482,857</u></b>	<b><u>\$ 17,619,196</u></b>

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, 2021**

	<b>Budget</b> (Note 10)	<b>2021</b> <b>Actual</b>	<b>2020</b> <b>Actual</b>
<b>Annual Surplus (Deficit)</b>	\$ 1,237,190	\$ (1,136,339)	\$ 114,057
Acquisition of Tangible Capital Assets	(9,965,025)	(10,203,629)	(5,855,075)
Amortization of Tangible Capital Assets	<u>4,365,905</u> <u>(4,361,930)</u>	<u>4,365,905</u> <u>(6,974,063)</u>	<u>4,361,418</u> <u>(1,379,600)</u>
Acquisition of Prepaid Expenses	-	(696,701)	(567,378)
Use of Prepaid Expenses	<u>-</u> <u>-</u>	<u>567,373</u> <u>(129,328)</u>	<u>469,559</u> <u>(97,819)</u>
<b>Increase in Net Debt</b>	<b>(4,361,930)</b>	<b>(7,103,391)</b>	<b>(1,477,419)</b>
<b>Net Debt, Beginning of Year</b>	<b><u>(16,181,570)</u></b>	<b><u>(16,181,570)</u></b>	<b><u>(14,704,151)</u></b>
<b>Net Debt, End of Year</b>	<b>\$ <u>(20,543,500)</u></b>	<b>\$ <u>(23,284,961)</u></b>	<b>\$ <u>(16,181,570)</u></b>

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, 2021**

	<b>2021</b>	<b>2020</b>
<b>Cash Provided (Used):</b>		
<b>Operating Activities:</b>		
Annual Surplus (Deficit)	\$ (1,136,339)	\$ 114,057
Amortization Expense	4,365,905	4,361,418
Actuarial Adjustments	(138,161)	(114,734)
<b>Changes in non-cash operating accounts:</b>		
Increase (Decrease) in accounts receivable	348,400	(261,411)
Decrease in prepaid expenses	(129,323)	(97,820)
Increase in trade accounts payable	871,448	66,171
Increase (Decrease) in accumulated sick payable	75,332	(73,588)
Increase (Decrease) in accrued benefit obligation	(51,493)	89,990
Increase (Decrease) in wages payable	98,864	213,527
Increase (Decrease) in deferred revenue	(26,400)	46,328
Increase in deposits	<u>227,250</u>	<u>3,500</u>
	<u>4,505,483</u>	<u>4,347,438</u>
<b>Capital Activities:</b>		
Acquisition of Tangible Capital Assets	<u>(10,203,629)</u>	<u>(5,855,075)</u>
<b>Financing Activities:</b>		
Short Term Debt Proceeds	6,000,000	-
Long Term Debt Principal Repayments	<u>(506,029)</u>	<u>(506,029)</u>
	<u>5,493,971</u>	<u>(506,029)</u>
<b>Decrease In Cash and equivalents</b>	<b>(204,175)</b>	<b>(2,013,666)</b>
<b>Cash and equivalents, Beginning of Year</b>	<b><u>3,858,516</u></b>	<b><u>5,872,182</u></b>
<b>Cash and equivalents, End of Year</b>	<b><u>\$ 3,654,341</u></b>	<b><u>\$ 3,858,516</u></b>

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, 2021**

	2021	2020	2019	2018	2017
<b>Internally Restricted Funds</b>					
Outfitting & New/Expanded Facilities	\$ 1,700,053	\$ 1,004,537	\$ 1,352,409	\$ 2,525,742	\$ 2,330,838
Long-Term Maintenance	2,354,306	2,485,564	2,634,647	2,592,224	1,944,216
Integrated Library System Replacement	50,003	-	124,396	73,357	22,841
Books	-	-	-	10,340	10,340
Accrued Sick Reserve	155,972	175,994	285,736	282,652	279,752
Fundraising	692,162	631,405	344,815	312,401	215,530
Computer Equipment	853,010	401,400	75,213	46,963	32,966
Prior Years General Reserve	43,500	401,700	-	-	2,487
Human Resources Issues	42,671	70,138	70,075	69,319	68,606
Friends Reserve	16,473	15,593	18,232	18,232	16,921
Furnishings and Equipment	494,190	515,045	335,440	253,749	115,760
Vehicles	42,973	78,347	48,275	77,711	47,023
Summer Employment	-	-	-	20	3,230
Salaries	204,452	204,432	204,134	600,000	-
<b>Total Internally Restricted Funds</b>	<b>\$ 6,649,765</b>	<b>\$ 5,984,155</b>	<b>\$ 5,493,372</b>	<b>\$ 6,862,710</b>	<b>\$ 5,090,510</b>

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, 2021**

**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, 2021**

**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 2021 are as follows:

	<u>2021</u>	<u>2020</u>
Opening Balance of Deferred Revenue	\$ 46,328	\$ -
Total of New Grants Received	-	56,516
Less: Recognized as Revenue	<u>(26,400)</u>	<u>(10,188)</u>
Ending Balance of Deferred Revenue	<u>\$ 19,928</u>	<u>\$ 46,328</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, 2021**

**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, 2021. As of December 31, 2021, no contaminated sites have been identified, therefore no liability for contaminated sites has been recorded.”

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 100,357 (2020 - 16,699) units of Municipal Finance Authority of British Columbia Money Market Fund, and 2,661 (2020 - 111,073) 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><b>2021</b></u>	<b>2020</b>
Cash	\$ 2,624,545	\$ 2,565,335
Municipal Finance Authority of British Columbia		
- Money Market Fund	1,003,573	166,986
- Bond Fund	<u>26,223</u>	<u>1,126,195</u>
	<u><u>\$ 3,654,341</u></u>	<u><u>\$ 3,858,516</u></u>

**VANCOUVER ISLAND REGIONAL LIBRARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended December 31, 2021**

**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.

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

**5 Government and Other Grants**

		<b>2021</b>	<b>2020</b>
		<b>Budget</b>	<b>Actual</b>
Provincial Per Capita Operating Grants	\$	1,232,608	\$ 1,282,481
Other Provincial Grants		75,610	43,061
Federal Grants		-	-
Other Grants		-	13,034
		<u>\$ 1,308,218</u>	<u>\$ 1,338,576</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, 2021**

**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, 2020, the plan has about 220,000 active members and approximately 112,000 retired members. Active members include approximately 42,000 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 \$1,064,525 (2020 - \$1,023,240) for employer contributions to the plan in fiscal 2021.

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, 2021**

**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, 2021. Significant assumptions used in the valuation include a discount rate of 1.98% (2019 - 0.91%) and inflation of 2% (2020 - 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>2021</u>	<u>2020</u>
Provision for accrued benefit obligation, beginning of the year	\$ 577,557	\$ 487,567
Payments during the year	(21,055)	(40,800)
Interest earned	58	432
Contribution to provision during the year	<u>(30,496)</u>	<u>130,358</u>
Provision for accrued benefit obligation, end of the year	<u>\$ 526,064</u>	<u>\$ 577,557</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, 2021 is \$510,371 (2020 - \$435,039 ).

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

**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.

	<b>Rental</b>	<b>Photocopier and Self Check</b>	<b>Construction</b>	<b>Total</b>
2022	1,326,993	125,950	134,613	1,587,556
2023	1,128,758	125,950	-	1,254,708
2024	763,374	125,950	-	889,324
2025	580,651	125,194	-	705,845
2026	<u>353,525</u>	-	-	<u>353,525</u>
	<u>\$ 4,153,301</u>	<u>\$ 503,044</u>	<u>\$ 134,613</u>	<u>\$ 4,790,958</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 19, 2020.

	<b>Budget</b>	<b>Capital Asset Acquisitions Budget</b>
Balanced Budget Amount	Nil	
Transfers from Restricted Reserves	(6,942,314)	
Transfers to Restricted Reserves	<u>3,708,450</u>	
Budgeted increase in Net Financial Assets	(3,233,864)	
MFA Debt Issue	(6,000,000)	
Repayments of Long Term Debt	506,029	
Purchase of Tangible Capital Assets	<u>9,965,025</u>	<u>9,965,025</u>
<b>Budgeted Operating Surplus</b>	<b><u>\$ 1,237,190</u></b>	



**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

**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>2021</u>	<u>2020</u>
Internally restricted - Statement "E"	\$ 6,649,765	\$ 5,984,155
Unrestricted	(6,045,273)	(3,761,407)
Net investment in tangible capital assets - Schedule III	<u>15,878,365</u>	<u>15,396,448</u>
	<u>\$ 16,482,857</u>	<u>\$ 17,619,196</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 2021 was \$0 (2020 - \$0).

**13 Short Term Debt**

Short Term Debt is borrowed from the Municipal Finance Authority of BC (MFA) and used to fund the new library branch constructed in Sooke. The new branch opened to the public in February 2022, and the Short Term Debt will be converted to Long Term Debt in the spring debenture offering by MFA. Interest on Short Term Debt is charged at the daily varying rate. At December 31, 2021 the rate was 0.97%.

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

**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.

Interest has been accrued as an expense to December 31, 2021. 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.

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

**14 Long Term Debt (continued)**

	<b>Nanaimo North</b>	<b>Cowichan Lake</b>	<b>Nanaimo Harbourfront</b>	<b>North Coast RD</b>	<b>Chemainus</b>	<b>Total</b>
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>168,408</u>	<u>22,428</u>	<u>266,168</u>	<u>43,850</u>	<u>33,628</u>	<u>534,482</u>
Total Annual Payments	<u>311,049</u>	<u>40,258</u>	<u>472,911</u>	<u>99,674</u>	<u>116,619</u>	<u>1,040,511</u>
Beginning Balance January 1, 2021	6,490,462	835,709	6,977,083	1,386,677	2,147,009	17,836,941
Additional Funding						
Actuarial Adjustments during 2021	(60,382)	(6,572)	(65,317)	(3,400)	(2,490)	(138,161)
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, 2021	<u>6,287,439</u>	<u>811,308</u>	<u>6,705,023</u>	<u>1,327,453</u>	<u>2,061,528</u>	<u>17,192,753</u>

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2021**

**14 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	82,991
2022	142,641	17,830	206,743	55,824	82,991
2023	142,641	17,830	206,743	55,824	82,991
2024	142,641	17,830	206,743	55,824	82,991
2025	142,641	17,830	206,743	55,824	82,991

**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 \$262,872 as at December 31, 2021 (2020 - \$258,475).

**16 Deposits**

Deposits at December 31, 2021 represent construction deposits with the District of North Cowichan and the District of Sooke, 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 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, 2021 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, 2021**

**19 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.

During 2021, the pandemic caused staff and supply chain shortages, and caused the Library to reduce or alter various services to comply with public health orders.

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 2022.

## VANCOUVER ISLAND REGIONAL LIBRARY

## GENERAL FUND EXPENSE SCHEDULE

## WAGES AND BENEFITS

For the Year Ended December 31, 2021

	Budget (Note 10)	2021	2020
Library Services			
Branch Services	\$ 8,084,198	\$ 9,067,376	\$ 8,402,446
Technical Services	567,567	630,353	579,829
Information Services and Network Support	<u>705,591</u>	<u>588,468</u>	<u>518,741</u>
	<u>9,357,356</u>	<u>10,286,197</u>	<u>9,501,016</u>
Corporate Services			
Financial Services	498,787	534,168	490,767
Shipping & Receiving	136,541	170,126	170,221
Executive Director's Office	482,119	565,197	579,206
Human Resources	324,054	346,809	292,463
Communications	488,314	518,823	519,726
Facility Management	92,073	106,493	48,254
Purchasing	<u>252,325</u>	<u>199,686</u>	<u>191,479</u>
	<u>2,274,213</u>	<u>2,441,302</u>	<u>2,292,116</u>
Total Wages	<u>11,631,569</u>	<u>12,727,499</u>	<u>11,793,132</u>
Benefits	3,140,449	3,444,355	2,981,620
Hiring and Training	<u>20,705</u>	<u>26,901</u>	<u>31,563</u>
<b>Total Wages and Benefits</b>	<b>\$ 14,792,723</b>	<b>\$ 16,198,754</b>	<b>\$ 14,806,316</b>

## VANCOUVER ISLAND REGIONAL LIBRARY

## GENERAL FUND EXPENSE SCHEDULE

## ADMINISTRATION COSTS

For the Year Ended December 31, 2021

	Budget (Note 10)	2021	2020
<b>Administration</b>			
Utilities and communications	\$ 309,072	\$ 307,626	\$ 305,346
Office, photocopier and postage	335,630	476,810	363,299
Central services' building and equipment maintenance	527,931	897,663	606,304
Furniture and Equipment - small items expensed	20,000	182,512	202,555
Travel and Vehicle Operation	245,000	122,783	134,452
Professional Fees	193,447	242,503	386,057
Insurance	125,000	153,048	132,877
Training and workshops	127,000	52,132	93,637
Board expenses	87,000	4,811	32,973
Promotion and advertising	125,000	106,457	67,618
Bank and payroll production charges	79,000	93,884	87,810
<b>Total Administration</b>	<b><u>\$ 2,174,080</u></b>	<b><u>\$ 2,640,230</u></b>	<b><u>\$ 2,412,928</u></b>

## Schedule III

**VANCOUVER ISLAND REGIONAL LIBRARY**  
**CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS**  
**For the Year Ended December 31, 2021**

	<b>Books</b>	<b>Furniture &amp; Equipment</b>	<b>Computer Equipment</b>	<b>Vehicles</b>	<b>Buildings</b>	<b>Leasehold Improvements</b>	<b>Land</b>	<b>2021 Total</b>	<b>2020 Total</b>
<b>Historical Cost:</b>									
Opening Balance	\$15,673,944	\$ 5,875,846	\$ 4,970,632	\$ 468,362	\$24,498,122	\$ 3,895,650	\$ 1,575,831	\$56,958,387	\$54,720,305
Additions	2,904,310	130,886	77,573	65,384	36,131	201,222	-	3,415,506	4,688,063
Transfers from									
Work in Progress	-	-	-	-	-	-	-	-	43,409
Less: Disposals & Write-Downs	(2,219,945)	-	-	-	-	-	-	(2,219,945)	(2,493,391)
	<b>16,358,309</b>	<b>6,006,732</b>	<b>5,048,205</b>	<b>533,746</b>	<b>24,534,253</b>	<b>4,096,872</b>	<b>1,575,831</b>	<b>58,153,948</b>	<b>56,958,386</b>
<b>Accumulated Amortization</b>									
Opening Balance	8,641,137	4,516,154	4,644,583	352,130	4,617,364	2,364,137	-	25,135,505	23,267,478
Amortization Expense	2,716,805	289,873	189,263	27,171	612,904	529,889	-	4,365,905	4,361,418
Effects of Disposals & Write-Downs	(2,219,945)	-	-	-	-	-	-	(2,219,945)	(2,493,391)
	<b>9,137,997</b>	<b>4,806,027</b>	<b>4,833,846</b>	<b>379,301</b>	<b>5,230,268</b>	<b>2,894,026</b>	<b>-</b>	<b>27,281,465</b>	<b>25,135,505</b>
<b>Work in Progress</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,198,637</b>	<b>-</b>	<b>-</b>	<b>8,198,637</b>	<b>1,410,510</b>
<b>Net Book Value</b>									
<b>For the Year Ended</b>									
<b>December 31, 2021</b>	<b>\$ 7,220,312</b>	<b>\$ 1,200,705</b>	<b>\$ 214,359</b>	<b>\$ 154,445</b>	<b>\$27,502,622</b>	<b>\$ 1,202,846</b>	<b>\$ 1,575,831</b>	<b>\$39,071,118</b>	<b>\$33,233,389</b>
<b>Less Debt</b>								<b>23,192,753</b>	<b>17,836,941</b>
<b>Net Investment In Assets</b>								<b>\$15,878,365</b>	<b>\$15,396,448</b>