

**Fraser Valley Regional Library**  
**Financial Statements**  
**For the year ended December 31, 2010**

**Fraser Valley Regional Library**  
**Financial Statements**  
**For the year ended December 31, 2010**

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## Independent Auditor's Report

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To the Library Board  
Fraser Valley Regional Library District

We have audited the accompanying financial statements of the Fraser Valley Regional Library District, which comprise the Statement of Financial Position as at December 31, 2010 and the Statements of Operations, Change in Net Financial Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements, 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.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the Fraser Valley Regional Library District for the year ended December 31, 2010 and results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants

Vancouver, British Columbia  
April 27, 2011

**Fraser Valley Regional Library  
Statement of Financial Position**

December 31	2010	2009
		(restated - Note 11)
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 399,226	\$ 574,927
Accounts receivable	272,332	484,328
Portfolio investments (Note 3)	3,970,719	4,005,217
	4,642,277	5,064,472
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	1,027,109	1,048,919
Deferred revenues	714,572	690,559
Employee future benefits (Note 6)	376,982	373,222
Capital lease obligations	-	56,022
	2,118,663	2,168,722
<b>Net Financial Assets</b>	<b>2,523,614</b>	<b>2,895,750</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 4)	7,726,839	7,872,510
Prepaid expenses	142,935	88,642
	7,869,774	7,961,152
<b>Accumulated Surplus (Note 7)</b>	<b>\$10,393,388</b>	<b>\$ 10,856,902</b>

Approved by the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**Fraser Valley Regional Library  
Statement of Operations**

For the year ended December 31

	Unappropriated	Appropriated	Restricted	Investment in Property and Equipment	Total		
					Actual 2010	Budget 2010 (Note 9)	2009 (restated - Note 11)
<b>Revenue</b>							
Member assessments	\$18,484,970	\$ 25,000	\$ -	\$ -	\$18,509,970	\$18,509,970	\$ 18,071,527
Provincial government grants	1,291,145	-	132,646	-	1,423,791	1,167,690	1,660,856
Federal government grants	-	-	9,500	-	9,500	8,000	1,500
Other donations and grants	-	-	116,719	-	116,719	140,760	140,262
Fines	554,111	-	-	-	554,111	587,550	569,466
Other library-based revenue	162,609	205,947	20,869	-	389,425	334,938	417,510
Return on investments	8,355	15,134	1,188	-	24,677	31,424	51,296
	20,501,190	246,081	280,922	-	21,028,193	20,780,332	20,912,417
Adjustment to deferred revenues	-	24,000	(48,013)	-	(24,013)	-	(24,924)
	20,501,190	270,081	232,909	-	21,004,180	20,780,332	20,887,493
<b>Expenses</b>							
Salaries and benefits	14,546,335	80,700	28,557	-	14,655,592	14,559,623	13,796,643
Library materials	472,232	152,898	12,684	-	637,814	294,388	812,010
Operating (Schedule)	2,328,151	218,838	98,907	-	2,645,896	2,598,906	2,618,111
Library interlink	126,563	-	-	-	126,563	143,652	130,006
Interest on capital lease obligations	-	-	-	-	-	-	9,830
Amortization	-	-	-	3,033,590	3,033,590	3,033,590	3,023,931
Loss on sale of assets	-	-	-	368,239	368,239	-	-
	17,473,281	452,436	140,148	3,401,829	21,467,694	20,630,159	20,390,531
<b>Annual surplus (deficit)</b>	3,027,909	(182,355)	92,761	(3,401,829)	(463,514)	150,173	496,962
<b>Accumulated Surplus, beginning of year, as restated (Note 11)</b>	3,019,917	20,497	-	7,816,488	10,856,902	10,856,902	10,359,940
<b>Interfund transfers</b>	(3,576,457)	357,038	(92,761)	3,312,180	-	-	-
<b>Accumulated Surplus, end of year</b>	\$ 2,471,369	\$ 195,180	\$ -	\$ 7,726,839	\$10,393,388	\$11,007,075	\$ 10,856,902

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Fraser Valley Regional Library**  
Statement of Change in Net Financial Assets

<b>For the year ended December 31</b>	<b>Budget 2010</b>	<b>2010</b>	<b>2009</b>
	(Note 9)		(restated - Note 11)
Annual surplus	\$ 150,173	\$ (463,514)	\$ 496,962
Acquisition of tangible capital assets	(3,076,599)	(3,256,158)	(2,918,735)
Amortization of tangible capital assets	3,033,590	3,033,590	3,023,931
Cost of tangible capital assets disposed	-	368,239	-
	(43,009)	145,671	105,196
Change in prepaid expenses	-	(54,293)	135,733
<b>Change in net financial assets for the year</b>	<b>107,164</b>	<b>(372,136)</b>	<b>737,891</b>
Net financial assets, beginning of year	2,895,750	2,895,750	2,157,859
<b>Net financial assets, end of year</b>	<b>\$ 3,002,914</b>	<b>\$ 2,523,614</b>	<b>\$ 2,895,750</b>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**Fraser Valley Regional Library**  
**Statement of Cash Flows**

December 31	2010	2009 (restated - Note 11)
<b>Operating transactions</b>		
Annual surplus	\$ (463,514)	\$ 496,962
Non-cash item: recognition of deferred revenue	(232,909)	(612,214)
Non-cash item: amortization expense	3,033,590	3,023,931
Non-cash item: cost of tangible assets disposed	368,239	-
Change in non-cash operating items	139,653	(228,077)
	<u>2,845,059</u>	<u>2,680,602</u>
<b>Capital transaction</b>		
Cash used to acquire tangible capital assets	<u>(3,256,158)</u>	<u>(2,918,735)</u>
<b>Investing transaction</b>		
Change in portfolio investments	<u>34,498</u>	<u>(728,344)</u>
<b>Financing transactions</b>		
Receipt of restricted funding	256,922	637,138
Capital lease payments	(56,022)	(85,440)
	<u>200,900</u>	<u>551,698</u>
<b>Net decrease in cash for the year</b>	<b>(175,701)</b>	<b>(414,779)</b>
Cash, beginning of year	<u>574,927</u>	<u>989,706</u>
Cash, end of year	<u>\$ 399,226</u>	<u>\$ 574,927</u>
<b>Cash and portfolio investments are comprised of:</b>		
Cash	\$ 399,226	\$ 574,927
Portfolio investments	3,970,719	4,005,217
<b>Total</b>	<u>\$ 4,369,945</u>	<u>\$ 4,580,144</u>
Unrestricted portion	\$ 1,435,631	\$ 2,201,560
Restricted portion	2,934,314	2,378,584
	<u>\$ 4,369,945</u>	<u>\$ 4,580,144</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

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**Fraser Valley Regional Library**  
**Summary of Significant Accounting Policies**

December 31, 2010

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**Basis of  
Accounting**

The Library prepares its financial statements in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board.

**Tangible Capital  
Assets**

Tangible capital assets are recorded at cost, or fair market value if contributed. Amortization is provided over the estimated useful life of each asset using the straight-line method over the following terms:

Buildings	- 20 years
Furniture and equipment	- 5 to 20 years
Book collection	- 3 to 5 years
Computer hardware	- 4 years
Computer software	- 2 years
Automated library system	- 7 years
Assets under capital lease	- 4 years

**Revenue  
Recognition**

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Library-based revenues and all other revenues are recorded when earned.

**Leases**

Leases are classified as capital or operating depending upon the terms and conditions of the contracts. Where the Library is the lessee, asset values recorded under capital leases are amortized in the same manner and same rates as other capital assets.

**Financial Instruments**

The Library's financial instruments consist of cash and cash equivalents, accounts receivable, portfolio investments and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Library is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.



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**Fraser Valley Regional Library**  
**Summary of Significant Accounting Policies**

December 31, 2010

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**Employee Future  
Benefits**

The Library and its employees make contributions to the Municipal Pension Plan and the employees accrue benefits under this plan based on service. The Library's contributions are expensed as incurred (Note 8a).

Retirement benefits are also available to the Library's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages. The liabilities under this plan are accrued based on projected benefits prorated as the employees render services necessary to earn the future benefits (Note 6).

**Use of Estimates**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

**Fraser Valley Regional Library**  
**Notes to Financial Statements**

December 31, 2010

**1. Nature of Business**

The Fraser Valley Regional Library District (the "Library") was established by an Order in Council by the Lieutenant Governor of the Province of British Columbia. The Library's principal activity is to provide centralized administrative services to member libraries in the Fraser Valley. The Library is a registered charity under the Income Tax Act (Canada) and is not subject to income taxes.

**2. Cash and Cash Equivalents**

Included in cash and cash equivalents is \$2,934,314 (2009 - \$2,378,584) designated for specific libraries.

**3. Portfolio Investments**

The balance consists of short- and medium-term deposits held with the Municipal Finance Authority. The investments are carried at market value which approximates cost due to the high degree of transactions within the fund.

**4. Tangible Capital Assets**

	Cost	Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Land	\$ 115,000	\$ -	\$ 115,000	\$ 115,000
Buildings	1,495,244	1,017,536	477,708	511,822
Furniture and equipment	753,169	435,685	317,484	621,639
Book collection	12,409,992	5,955,148	6,454,844	6,105,135
Computer hardware	1,328,626	1,259,570	69,056	104,712
Computer software	342,090	322,758	19,332	-
Automated library system	1,086,781	813,366	273,415	263,793
	<b>17,530,902</b>	<b>9,804,063</b>	<b>7,726,839</b>	<b>7,722,101</b>
Assets under capital lease				
Automated book retrieval system	-	-	-	33,878
Photocopy equipment	-	-	-	116,531
	-	-	-	150,409
	<b>\$17,530,902</b>	<b>\$ 9,804,063</b>	<b>\$ 7,726,839</b>	<b>\$ 7,872,510</b>

**Fraser Valley Regional Library**  
**Notes to Financial Statements**

December 31, 2010

5. Accounts Payable and Accrued Liabilities

	2010	2009
Amounts due to suppliers	\$ 600,454	\$ 682,562
Salaries and benefits accruals	803,640	739,580
	<b>\$ 1,404,094</b>	<b>\$ 1,422,142</b>

6. Employee Future Benefits

The Library provides employee future benefits in the form of retirement benefits to qualifying employees. These benefits are not separately funded.

Employees retiring from the service of the Library shall be paid at the rate of two days' pay for each year of service with the Library to a maximum of forty-eight working days. A discount rate of 5.5% (2009 - 5.5%) was used in the actuarial calculation.

	2010	2009
Balance forward	\$ 373,222	\$ 324,014
Current service cost	15,397	49,327
Interest	20,527	17,821
Payments	(32,164)	(17,940)
Ending balance	<b>\$ 376,982</b>	<b>\$ 373,222</b>

7. Accumulated Surplus

The Library segregates its accumulated surplus in the following categories:

	2010	2009
Financial Equity		(restated - Note 11)
Unappropriated	\$ 2,471,369	\$ 3,019,917
Appropriated	195,180	20,497
Investment in Property and Equipment	7,726,839	7,816,488
	<b>\$10,393,388</b>	<b>\$ 10,856,902</b>

The investment in property and equipment represents amounts already spent and invested in infrastructure and other non-financial assets.

December 31, 2010

8. Contingencies and Commitments

(a) Pension Plan

The Library and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly-trusted pension plan. The Plan's Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 158,000 active members and approximately 57,000 retired members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1.024 million for basic pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers. During the year, the Library paid \$921,383 (2009 - \$874,748) for employer contributions to the plan.

(b) Purchase of Service Under the Municipal Plan

The Municipal Pension Plan ("Plan") permits employees to enhance their pension benefits by making contributions for a period of service for which they did not previously contribute. The Library is obligated to make contributions to the Plan with respect to these enhancements for some employees on the same basis as regular contributions. The obligation is not recorded as a liability in the financial statements, but is recorded at an expense of the period that payments are required. During the year, the Library paid \$Nil (2009 - \$Nil) to the plan with respect to these enhancements.

(c) Leases

The Library rents vehicles and computers under operating leases which expire at various dates and whose lease payments in the current year totaled \$79,924 (2009 - \$111,423).

The Library is obligated to make the following minimum lease payments under the lease agreements in each of the following years:

2011	\$	66,456
2012		66,456
2013		66,456
2014		16,614
		<u>16,614</u>
	\$	<u>215,982</u>

(d) Employee Loans

The Library obtains financing through their main commercial lending institution for the purpose of providing personal computers for its employees. The employees repay the loans by deduction from their payroll. At December 31, 2010, the Library was indebted to the bank with respect to these loans in the amount of \$13,382 (2009 - \$13,652).

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**Fraser Valley Regional Library**  
**Notes to Financial Statements**

December 31, 2010

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**9. Budget Amounts**

Budget amounts reflect the 2010 Annual Budget approved by the Board on January 27, 2010 were not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the Statements of Operations and Change in Net Financial Assets represent the Annual Budget adopted by the Board with adjustments as follows:

	<u>2010</u>	<u>2009</u>
Budget surplus for the year	\$ 107,164	\$ 141,000
Add: Capital expenditures	3,076,599	2,912,200
Less: Amortization expense	<u>(3,033,590)</u>	<u>(3,023,931)</u>
Budget surplus per Statement of Operations	<u>\$ 150,173</u>	<u>\$ 29,269</u>

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**10. Economic Dependence**

The Library is economically dependent on the member municipalities for its continued operations.

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**11. Prior Period Adjustment**

During the year, an error in accounting for a retirement provision (Note 6) was corrected. The Library provides its staff with a retirement allowance and prior to this year's financial statements, the retirement payouts were recorded at the time of retirement.

The effect of this change was to reduce the opening balance of accumulated surplus by \$373,222 (2009 - \$324,014) and increase liabilities by this same amount. This change also resulted in an increase of \$49,208 in reported salaries and benefits expense for 2009.

**Fraser Valley Regional Library**  
**Schedule of Operating Expenses - Unappropriated Fund**

December 31	2010 Budget	2010 Actual	2009 Actual
Administration	\$ 66,300	\$ 77,383	\$ 77,230
Board expenses	17,000	9,288	21,306
Building maintenance	340,000	351,432	360,146
Cash short (over)	-	(365)	(496)
Computer maintenance	770,718	710,061	637,628
Equipment repairs and maintenance	126,899	52,143	72,306
Human resources	293,528	375,601	311,334
Library programs	90,100	87,138	74,787
Marketing	143,850	128,203	167,065
Postage and courier	31,235	21,929	24,121
Professional fees	77,000	89,206	78,459
Stationery supplies	278,433	218,854	215,353
Telephone and fax	63,228	59,725	61,778
Vehicle operations	155,155	147,553	140,728
	<b>\$2,453,446</b>	<b>\$2,328,151</b>	<b>\$ 2,241,745</b>