



Financial Statements of

**FRASER VALLEY REGIONAL
LIBRARY DISTRICT**

Year ended December 31, 2011

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Financial Statements

Year ended December 31, 2011

Financial Statements

Independent Auditor's Report

Statement of Financial Position

1

Statement of Operations and Accumulated Surplus

2

Statement of Change in Net Financial Assets

3

Statement of Cash Flows

4

Notes to Financial Statements

5

Schedules

Statement of Operating Expenses by Fund

12

Statement of Operations and Accumulated Surplus by Fund

13



KPMG LLP
Chartered Accountants
32575 Simon Avenue
Abbotsford BC V2T 4W6
Canada

Telephone (604) 854-2200
Fax (604) 853-2756
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of the Fraser Valley Regional Library District

We have audited the accompanying financial statements of Fraser Valley Regional Library District which comprise the statement of financial position as at December 31, 2011, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes comprising 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 in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation 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 overall 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 Fraser Valley Regional Library District as at December 31, 2011, and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Other matters

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Entity taken as a whole. The supplementary information included in the Schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The comparative figures for December 31, 2010 were audited by another firm of chartered accountants.

KPMG LLP

Chartered Accountants

February 29, 2012

Abbotsford, British Columbia

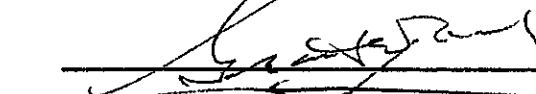
FRASER VALLEY REGIONAL LIBRARY DISTRICT

Statement of Financial Position


December 31, 2011, with comparative figures for 2010

	2011	2010
Financial assets:		
Cash (Note 3)	\$ 6,447	\$ 399,226
Portfolio investments (Notes 2 and 3)	4,070,050	3,970,719
Accounts receivable	307,117	272,332
	<u>4,383,614</u>	<u>4,642,277</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,016,646	1,027,109
Deferred revenue	747,193	714,572
Employee future benefits	418,269	376,982
	<u>2,182,108</u>	<u>2,118,663</u>
Net financial assets	2,201,506	2,523,614
Non-financial assets:		
Tangible capital assets (Note 4)	8,235,095	7,726,839
Prepaid expenses and deposits	118,134	142,935
	<u>8,353,229</u>	<u>7,869,774</u>
Accumulated surplus (Note 5)	\$ 10,554,735	\$ 10,393,388

On behalf of the Board:



Director



Director

See accompanying notes to financial statements.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Statement of Operations and Accumulated Surplus

Year ended December 31, 2011, with comparative figures for 2010

	2011 Budget (Unaudited - Note 8)	2011 Actual	2010 Actual
Revenues:			
Member assessments	\$ 19,804,098	\$ 19,761,553	\$ 18,533,970
Fine revenue	595,230	569,254	554,111
Other library-based revenue	382,998	509,370	389,425
Federal government grants	9,285	9,285	9,500
Provincial government grants	1,447,672	1,489,840	1,375,778
Other donations and grants	95,106	-	116,719
Return on investments	38,000	43,738	24,677
	<u>22,372,389</u>	<u>22,383,040</u>	<u>21,004,180</u>
Expenditures:			
Salaries and benefits	15,562,600	15,477,019	14,655,592
Library materials	403,446	762,140	637,814
Operating expenses (Schedule 1)	2,760,609	2,806,103	2,645,896
Library interlink	135,000	129,972	126,563
Amortization of tangible capital assets	3,046,459	3,046,459	3,033,590
Loss on disposal of tangible capital assets	-	-	368,239
	<u>21,908,114</u>	<u>22,221,693</u>	<u>21,467,694</u>
Annual surplus (deficit)	464,275	161,347	(463,514)
Accumulated surplus, beginning of year	10,393,388	10,393,388	10,856,902
Accumulated surplus, end of year	<u>\$ 10,857,663</u>	<u>\$ 10,554,735</u>	<u>\$ 10,393,388</u>

See accompanying notes to financial statements.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Statement of Change in Net Financial Assets

Year ended December 31, 2011, with comparative figures for 2010

	2011 Budget (Unaudited - Note 8)	2011 Actual	2010 Actual
Annual surplus (deficit)	\$ 464,275	\$ 161,347	\$ (463,514)
Acquisition of tangible capital assets	(2,987,794)	(3,554,715)	(3,256,158)
Amortization of tangible capital assets	3,046,459	3,046,459	3,033,590
Loss on disposal of tangible capital assets	-	-	368,239
	58,665	(508,256)	145,671
Change in prepaid expenses and deposits	-	24,801	(54,293)
Change in net financial assets	522,940	(322,108)	(372,136)
Net financial assets, beginning of year	2,523,614	2,523,614	2,895,750
Net financial assets, end of year	\$ 3,046,554	\$ 2,201,506	\$ 2,523,614

See accompanying notes to financial statements.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 161,347	\$ (463,514)
Items not involving cash:		
Amortization of tangible capital assets	3,046,459	3,033,590
Loss on disposal of tangible capital assets	-	368,239
Change in non-cash operating assets and liabilities:		
Accounts receivable	(34,785)	211,996
Prepaid expenses and deposits	24,801	(54,293)
Accounts payable and accrued liabilities	(10,463)	(21,810)
Deferred revenue	32,621	24,013
Employee future benefits	41,287	3,760
	3,261,267	3,101,981
Capital activities:		
Acquisition of tangible capital assets	(3,554,715)	(3,256,158)
Investing activities:		
Change in portfolio investments	(99,331)	34,498
Financing activities:		
Capital lease payments	-	(56,022)
Decrease in cash	(392,779)	(175,701)
Cash, beginning of year	399,226	574,927
Cash, end of year	\$ 6,447	\$ 399,226

See accompanying notes to financial statements.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Notes to Financial Statements

Year ended December 31, 2011

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.

1. Significant accounting policies:

The accounting policies of the Library conform to Canadian generally accepted accounting principles for local government reporting in British Columbia and have been presented in accordance with current recommendations as issued by the Public Sector Accounting Board of Canadian Institute of Chartered Accountants.

(a) Portfolio investments:

Portfolio investments are carried at amortized cost. If it is determined that there is a permanent impairment in the value of an investment, it is written down to net realizable value.

(b) Employee future benefits:

All eligible employees participate in the Municipal Pension Plan (the "Plan"). The Library's contributions reflect the full cost as employer. This amount is currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the plan. The Library's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Library. The Library is not currently required to make contributions with respect to any actuarial deficiencies of the Municipal Pension Plan.

Retirement benefits are also available to the Library's employees. The costs of these benefits are 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.

(c) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2011

1. Significant accounting policies (continued):

(d) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

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

Annual amortization is charged in the year of acquisition and in the year of disposal.

Tangible capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of an asset may not be recoverable and exceeds its fair value.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(e) Revenue recognition:

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

Externally restricted contributions are recognized as revenue in the period in which the related expenditures are incurred. Externally restricted contributions not expended are recorded as deferred revenue.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2011

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment; and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

2. Portfolio investments:

Portfolio investments include short-term and medium-term deposits held with the Municipal Finance Authority and portions of the investments are designated for specific libraries.

3. Restrictions on cash and portfolio investments:

Of the cash and portfolio investments, certain portions are restricted for specific purposes as noted below:

	2011	2010
Cash	\$ 6,447	\$ 399,226
Portfolio investments	4,070,050	3,970,719
	<u>\$ 4,076,497</u>	<u>\$ 4,369,945</u>
Internally restricted for operating reserves:		
Asset replacement	\$ 378,903	\$ 375,025
Collection development	544,858	618,836
Automation	471,930	668,200
Future services	31,393	76,676
Municipality surplus allocations	445,217	656,594
	1,872,301	2,395,331
Externally restricted for deferred revenue	747,193	714,572
Unrestricted	1,457,003	1,260,042
	<u>\$ 4,076,497</u>	<u>\$ 4,369,945</u>

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2011

3. Restrictions on cash and portfolio investments (continued):

(a) Asset replacement reserve:

In accordance with a board resolution, an amount of \$378,903 (2010 - \$375,025) has been internally restricted as funding for future replacements such as equipment, vehicles or Administration centre furniture and equipment.

(b) Collection development reserve:

In accordance with a board resolution, an amount of \$544,858 (2010 - \$618,836) has been internally restricted as funding for acquisition of library materials in new and expanding libraries.

(c) Automation reserve:

In accordance with a board resolution, an amount of \$471,930 (2010 - \$668,200) has been internally restricted as funding for replacement of outdated computer equipment and software, as related to the automated library system.

(d) Future services reserve:

In accordance with a board resolution, an amount of \$31,393 (2010 - \$76,676) has been internally restricted as funding to fulfil urgent requirements for non-budgeted salary items.

(e) Municipality surplus allocations:

In accordance with a board resolution, an amount of \$445,217 (2010 - \$656,594) has been internally restricted as funding for individual branches.

(f) Externally restricted for projects:

An amount of \$747,193 (2010 - \$714,572) has been externally restricted for specific projects, and corresponds to the amounts recorded as deferred revenues.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2011

4. Tangible capital assets:

Cost	Balance December 31, 2010	Additions	Disposals	Balance December 31, 2011
Land	\$ 115,000	\$ -	\$ -	\$ 115,000
Buildings	1,495,244	859	-	1,496,103
Furniture and equipment	515,646	71,925	-	587,571
Computer equipment	1,560,031	100,601	-	1,660,632
Computer software	342,090	-	-	342,090
Books	12,409,992	3,013,932	(2,641,298)	12,782,626
Automated library system	1,092,748	367,398	-	1,460,146
Total	\$ 17,530,751	\$ 3,554,715	\$ (2,641,298)	\$ 18,444,168

Accumulated amortization	Balance December 31, 2010	Disposals	Amortization expense	Balance December 31, 2011
Buildings	\$ 1,017,536	\$ -	\$ 32,848	\$ 1,050,384
Furniture and equipment	238,360	-	37,930	276,290
Computer equipment	1,437,131	-	88,885	1,526,016
Computer software	322,758	-	19,332	342,090
Books	5,955,148	(2,641,298)	2,747,654	6,061,504
Automated library system	832,979	-	119,810	952,789
Total	\$ 9,803,912	\$ (2,641,298)	\$ 3,046,459	\$ 10,209,073

	Net book value December 31, 2010	Net book value December 31, 2011
Land	\$ 115,000	\$ 115,000
Buildings	477,708	445,719
Furniture and equipment	277,286	311,281
Computer equipment	122,900	134,616
Computer software	19,332	-
Books	6,454,844	6,721,122
Automated library system	259,769	507,357
Total	\$ 7,726,839	\$ 8,235,095

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2011

5. Accumulated surplus:

The library segregates its accumulated surplus as follows:

	2011	2010
Financial equity:		
Unrestricted	\$ 447,339	\$ 271,218
Internally restricted for Municipality surplus allocations	445,217	656,594
Internally restricted for other operating reserves	1,427,084	1,738,737
Investment in tangible capital assets	8,235,095	7,726,839
	<u>\$ 10,554,735</u>	<u>\$ 10,393,388</u>

6. Municipal pension plan:

The Library and its employees contribute to the Municipal Pension Plan (the "Plan"), a multi-employer 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 assets and administration of benefits. Basic pension benefits provided are defined. The Plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 contributors from local governments.

An actuarial valuation is performed every three years 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 \$1,024,000 for basic pension benefits. The next valuation will be as at December 31, 2012, with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The Library paid \$1,025,129 (2010 - \$921,383) for employer contributions while employees contributed \$829,378 (2010 - \$743,674) to the Plan in fiscal 2011.

7. Fair value of financial assets and financial liabilities:

The fair value of the Library's cash, portfolio investments, accounts receivable, accounts payable and accrued liabilities, and employee future benefits approximate their carrying amounts due to the immediate or short-term maturity of these financial instruments.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2011

8. Budget data:

The unaudited budget data presented in these financial statements is based on the original 2011 operating budgets approved by the Board on February 9, 2011, adjusted for changes in deferred and appropriated revenues and expenditures.

9. Economic dependence:

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

10. Bank indebtedness:

The Library has a \$500,000 line of credit facility which is unutilized at the year-end and bears interest at prime, and is unsecured.

11. Comparative figures:

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Statement of Operating Expenses by Fund

Schedule 1

Year ended December 31, 2011, with comparative figures for 2010

	Unappropriated	Appropriated	Restricted	Actual 2011	Budget 2011	Actual 2010
Administration	\$ 89,024	\$ -	\$ -	\$ 89,024	\$ 80,480	\$ 77,018
Board expenses	10,455	-	-	10,455	12,000	9,288
Building maintenance	347,571	7,097	-	354,668	335,000	351,432
Collections for municipalities	-	127,481	-	127,481	128,991	111,665
Computer maintenance	732,015	41,903	2,667	776,585	829,600	759,899
Equipment repairs and maintenance	69,589	-	-	69,589	87,300	52,143
Library programs	103,936	18,442	32,553	154,931	97,650	126,290
Marketing	172,439	29,037	38,979	240,455	178,150	140,562
Office supplies	256,694	48,834	46,331	351,859	371,582	295,285
Postage and courier	21,736	-	-	21,736	25,635	21,929
Professional fees	110,744	1,345	38,722	150,811	113,200	117,383
Telephone and fax	56,328	-	-	56,328	66,165	59,725
Vehicle operations	161,576	-	-	161,576	155,346	147,553
	\$ 2,372,146	\$ 274,139	\$ 159,818	\$ 2,806,103	\$ 2,760,609	\$ 2,645,896

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Statement of Operations and Accumulated Surplus by Fund

Schedule 2

Year ended December 31, 2011

	Unappropriated	Appropriated	Externally Restricted	Investment in tangible capital assets	Actual 2011
Revenues:					
Member assessments	\$ 19,761,553	\$ -	\$ -	\$ -	\$ 19,761,553
Fines	569,254	-	-	-	569,254
Other library based revenues	160,350	208,244	140,776	-	509,370
Federal government grants	-	-	9,285	-	9,285
Provincial government grants	1,264,740	-	225,100	-	1,489,840
Return on investments	20,051	23,687	-	-	43,738
	<u>21,775,948</u>	<u>231,931</u>	<u>375,161</u>	<u>-</u>	<u>22,383,040</u>
Expenditures:					
Salaries and benefits	15,388,284	5,286	83,449	-	15,477,019
Library materials	757,997	2,973	1,170	-	762,140
Operating expenses	2,372,146	274,139	159,818	-	2,806,103
Library interlink	129,972	-	-	-	129,972
Amortization	-	-	-	3,046,459	3,046,459
	<u>18,648,399</u>	<u>282,398</u>	<u>244,437</u>	<u>3,046,459</u>	<u>22,221,693</u>
Annual surplus (deficit)	3,127,549	(50,467)	130,724	(3,046,459)	161,347
Accumulated surplus, beginning of year	2,363,393	303,156	-	7,726,839	10,393,388
Interfund transfers	(3,087,544)	(336,447)	(130,724)	3,554,715	-
Accumulated surplus, end of year	<u>\$ 2,403,398</u>	<u>\$ (83,758)</u>	<u>\$ -</u>	<u>\$ 8,235,095</u>	<u>\$ 10,554,735</u>