



Financial Statements of

**FRASER VALLEY REGIONAL
LIBRARY DISTRICT**

Year ended December 31, 2012

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Financial Statements

Year ended December 31, 2012

Financial Statements

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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, 2012, 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, 2012, 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.

KPMG LLP

Chartered Accountants

February 27, 2013
Abbotsford, British Columbia

FRASER VALLEY REGIONAL LIBRARY DISTRICT


Statement of Financial Position

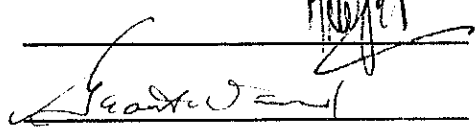
December 31, 2012, with comparative information for 2011

	2012	2011
		Restated (note 2)
Financial assets:		
Cash (note 3)	\$ 435,960	\$ 6,447
Portfolio investments (note 3)	3,086,608	4,070,050
Accounts receivable	378,797	307,117
	<u>3,901,365</u>	<u>4,383,614</u>
Financial liabilities:		
Accounts payable and accrued liabilities	1,177,937	1,016,646
Deferred revenue	439,815	1,098,203
Employee future benefits	436,637	418,269
	<u>2,054,389</u>	<u>2,533,118</u>
Net financial assets	1,846,976	1,850,496
Non-financial assets:		
Tangible capital assets (note 4)	9,419,129	8,235,095
Prepaid expenses and deposits	320,727	118,134
	<u>9,739,856</u>	<u>8,353,229</u>
Accumulated surplus (note 5)	\$ 11,586,832	\$ 10,203,725

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director


 _____ Director

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Statement of Operations and Accumulated Surplus

Year ended December 31, 2012, with comparative information for 2011

	2012 Budget	2012 Actual	2011 Actual
	Unaudited (note 11)		Restated (note 2)
Revenues:			
Member assessments	\$ 21,364,565	\$ 21,931,708	\$ 19,359,553
Federal government grants	8,000	9,500	9,285
Provincial government grants	1,410,695	1,484,157	1,543,551
Fine revenue	715,865	497,300	569,254
Other library-based revenue	400,218	434,252	509,370
Other donations and grants	149,994	163,573	21,426
Return on investments	11,000	33,611	43,738
	<u>24,060,337</u>	<u>24,554,101</u>	<u>22,056,177</u>
Expenses:			
Salaries and benefits	16,588,616	16,331,940	15,477,019
Amortization of tangible capital assets	3,134,355	3,134,355	3,046,459
Operating expenses (note 7)	3,094,036	2,974,270	2,806,103
Library materials	840,582	614,661	762,140
Library interlink	135,000	115,768	129,972
	<u>23,792,589</u>	<u>23,170,994</u>	<u>22,221,693</u>
Annual surplus (deficit)	267,748	1,383,107	(165,516)
Accumulated surplus, beginning of year	10,203,725	10,203,725	10,369,241
Accumulated surplus, end of year	<u>\$ 10,471,473</u>	<u>\$ 11,586,832</u>	<u>\$ 10,203,725</u>

See accompanying notes to financial statements.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Statement of Change in Net Financial Assets

Year ended December 31, 2012, with comparative information for 2011

	2012 Budget	2012	2011
	Unaudited (note 11)		Restated (note 2)
Annual surplus (deficit)	\$ 267,748	\$ 1,383,107	\$ (165,516)
Acquisition of tangible capital assets	(6,294,983)	(4,318,389)	(3,554,715)
Amortization of tangible capital assets	3,134,355	3,134,355	3,046,459
	(3,160,628)	(1,184,034)	(508,256)
Change in prepaid expenses and deposits	-	(202,593)	24,801
Change in net financial assets	(2,892,880)	(3,520)	(648,971)
Net financial assets, beginning of year	1,850,496	1,850,496	2,499,467
Net financial assets, end of year	\$ (1,042,384)	\$ 1,846,976	\$ 1,850,496

See accompanying notes to financial statements.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Statement of Cash Flows

Year ended December 31, 2012, with comparative information for 2011

	2012	2011
		Restated (note 2)
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 1,383,107	\$ (165,516)
Item not involving cash:		
Amortization of tangible capital assets	3,134,355	3,046,459
Change in non-cash operating assets and liabilities:		
Accounts receivable	(71,680)	(34,785)
Prepaid expenses and deposits	(202,593)	24,801
Accounts payable and accrued liabilities	161,291	(10,463)
Deferred revenue	(658,388)	359,484
Employee future benefits	18,368	41,287
	<u>3,764,460</u>	<u>3,261,267</u>
Capital activities:		
Acquisition of tangible capital assets	(4,318,389)	(3,554,715)
Investing activities:		
Change in portfolio investments	983,442	(99,331)
Increase (decrease) in cash	429,513	(392,779)
Cash, beginning of year	6,447	399,226
Cash, end of year	<u>\$ 435,960</u>	<u>\$ 6,447</u>

See accompanying notes to financial statements.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Notes to Financial Statements

Year ended December 31, 2012

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, consisting of short-term and medium-term deposits held with the Municipal Finance Authority, 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:

The Library and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

Additional employee future 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, 2012

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 exceed its long-term service potential.

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:

Restricted transfers from governments are deferred and recognized as revenue in the year in which the related expenses are incurred. Unrestricted transfers are recognized as revenue when received.

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 expenses 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, 2012

1. Significant accounting policies (continued):

(f) Segment disclosure:

The operations of the Library are comprised of a single function. As a result, the expenses are presented by object in the statement of operations.

(g) Use of estimates:

The preparation of the financial statements 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the useful lives of tangible capital assets 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 the statement of operations in the year in which they become known.

2. Prior period adjustment:

The Library made an adjustment to the 2011 comparative figures to defer certain amounts that were incorrectly recognized as revenue in prior periods.

This adjustment has resulted in an increase to deferred revenue of \$351,010 in the 2011 comparative figures, a decrease in total 2011 revenues of \$326,863, and a decrease to accumulated surplus at the beginning of the 2011 year of \$24,147.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2012

3. Restrictions on cash and portfolio investments:

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

	2012	2011
Cash	\$ 435,960	\$ 6,447
Portfolio investments	3,086,608	4,070,050
	\$ 3,522,568	\$ 4,076,497
Internally restricted for operating reserves:		
Automation	\$ 349,866	\$ 471,930
Asset replacement	382,919	378,903
Collection development	155,633	544,858
Future services	31,726	31,393
Municipality surplus allocations	479,963	445,217
Specific programs	194,677	184,730
	1,594,784	2,057,031
Externally restricted for deferred revenue	439,815	1,098,203
Unrestricted	1,487,969	921,263
	\$ 3,522,568	\$ 4,076,497

(a) Automation reserve:

In accordance with a board resolution, an amount of \$349,866 (2011 - \$471,930) has been internally restricted as funding for replacement of outdated computer equipment and software, as related to the automated library system.

(b) Asset replacement reserve:

In accordance with a board resolution, an amount of \$382,919 (2011 - \$378,903) has been internally restricted as funding for future replacements such as equipment, vehicles or Administration centre furniture and equipment.

(c) Collection development reserve:

In accordance with a board resolution, an amount of \$155,633 (2011 - \$544,858) has been internally restricted as funding for acquisition of library materials in new and expanding libraries.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2012

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

(d) Future services reserve:

In accordance with a board resolution, an amount of \$31,726 (2011 - \$31,393) 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 \$479,963 (2011 - \$445,217) has been internally restricted as funding for individual branches.

(f) Specific programs:

In accordance with board resolution, an amount of \$184,730 (2011 - \$194,677) has been internally restricted as funding for various specific programs.

(g) Externally restricted for projects:

Amounts totalling \$439,815 (2011 - \$1,098,203) have been externally restricted for specific projects and correspond to the amounts recorded as deferred revenues.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2012

4. Tangible capital assets:

Cost	Balance December 31, 2011	Additions	Disposals	Balance December 31, 2012
Land	\$ 115,000	\$ -	\$ -	\$ 115,000
Buildings	1,496,103	5,032	-	1,501,135
Furniture and equipment	587,571	62,294	-	649,865
Computer equipment	1,660,632	231,108	-	1,891,740
Computer software	342,090	17,157	-	359,247
Automated library system	1,460,146	506,798	-	1,966,944
Library materials	12,782,626	3,496,000	(2,671,905)	13,606,721
Total	\$ 18,444,168	\$ 4,318,389	\$ (2,671,905)	\$ 20,090,652

Accumulated amortization	Balance December 31, 2011	Disposals	Amortization expense	Balance December 31, 2012
Buildings	\$ 1,050,384	\$ -	\$ 33,173	\$ 1,083,557
Furniture and equipment	276,290	-	35,652	311,942
Computer equipment	1,526,016	-	123,229	1,649,245
Computer software	342,090	-	4,214	346,304
Automated library system	952,789	-	176,764	1,129,553
Library materials	6,061,504	(2,671,905)	2,761,323	6,150,922
Total	\$ 10,209,073	\$ (2,671,905)	\$ 3,134,355	\$ 10,671,523

	Net book value December 31, 2011	Net book value December 31, 2012
Land	\$ 115,000	\$ 115,000
Buildings	445,719	417,578
Furniture and equipment	311,281	337,923
Computer equipment	134,616	242,495
Computer software	-	12,943
Automated library system	507,357	837,391
Library materials	6,721,122	7,455,799
Total	\$ 8,235,095	\$ 9,419,129

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2012

5. Accumulated surplus:

The library segregates its accumulated surplus as follows:

	2012	2011
Financial equity:		
Unrestricted	\$ 572,919	\$ (88,401)
Internally restricted for Municipality surplus allocations	479,963	445,217
Internally restricted for specific programs	194,677	184,730
Internally restricted for other operating reserves	920,144	1,427,084
	2,167,703	1,968,630
Investment in tangible capital assets	9,419,129	8,235,095
	\$ 11,586,832	\$ 10,203,725

6. Municipal pension plan:

The Library and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee pension plan. The 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 benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

The most recent actuarial valuation as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, Plan assets and cost to individual entities participating in the Plan.

The Library paid \$1,118,290 (2011 - \$1,025,129) for employer contributions and employees contributed \$924,649 (2011 - \$829,378) to the Plan in fiscal 2012.

FRASER VALLEY REGIONAL LIBRARY DISTRICT

Notes to Financial Statements (continued)

Year ended December 31, 2012

7. Operating expenses:

	2012 Budget	2012 Actual	2011 Actual
Administration	\$ 106,650	\$ 95,673	\$ 89,025
Board expenses	12,000	15,029	10,455
Building maintenance	416,928	414,480	354,668
Collections for municipalities	127,937	127,938	127,481
Computer maintenance	891,498	868,444	776,584
Equipment repairs and maintenance	97,620	81,226	69,589
Human resources	370,193	292,981	240,604
Library programs	142,330	121,464	136,183
Marketing	273,375	244,392	259,203
Office supplies	309,667	265,635	351,859
Postage and courier	39,645	20,647	21,736
Professional fees	53,000	194,294	150,811
Telephone and fax	71,067	60,740	56,328
Vehicle operations	182,126	171,327	161,577
	\$ 3,094,036	\$ 2,974,270	\$ 2,806,103

8. Fair value of financial assets and financial liabilities:

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

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. Budget data:

The unaudited budget data presented in these financial statements is based on the original 2012 operating budgets approved by the Board on February 29, 2012, adjusted for changes in deferred and appropriated revenues and expenditures.