

**Fraser Valley Regional Library District**  
**Financial Statements**  
**For the year ended December 31, 2013**

**Fraser Valley Regional Library District**  
**Financial Statements**  
**For the year ended December 31, 2013**

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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, 2013 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 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 the Fraser Valley Regional Library District for the year ended December 31, 2013 and results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### Other Matter

The financial statements of Fraser Valley Regional Library District for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 27, 2013.


Chartered Accountants

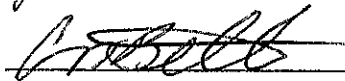
Langley, British Columbia  
March 26, 2014

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

December 31	2013	2012
<b>Financial Assets</b>		
Cash and cash equivalents (Note 3)	\$ 1,630,805	\$ 435,960
Portfolio investments (Note 4)	2,201,440	3,086,608
Accounts receivable	1,002,363	378,797
	<b>4,834,608</b>	<b>3,901,365</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 6)	1,841,420	1,177,937
Deferred revenues	404,966	439,815
Employee future benefits (Note 7)	487,626	436,637
Capital lease obligations (Note 8)	475,000	-
	<b>3,209,012</b>	<b>2,054,389</b>
<b>Net Financial Assets</b>	<b>1,625,596</b>	<b>1,846,976</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 5)	9,840,996	9,419,129
Prepaid expenses and deposits	98,227	320,727
	<b>9,939,223</b>	<b>9,739,856</b>
<b>Accumulated Surplus (Note 9)</b>	<b>\$ 11,564,819</b>	<b>\$ 11,586,832</b>

Approved by the Board:

 Director

 Director

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

**Fraser Valley Regional Library District**  
**Statement of Operations**

For the year ended December 31

	Budget 2013 (Note 11)	2013	2012
<b>Revenue</b>			
Member assessments	\$ 21,991,109	\$ 22,289,498	\$ 21,931,708
Government transfers - federal	-	-	9,500
Government transfers - provincial	1,402,199	1,413,054	1,484,157
Other donations and grants	-	118,138	163,573
Fines	669,220	480,356	497,300
Other library-based revenue	139,606	262,665	325,832
Return on investments	11,000	64,136	33,611
	<u>24,213,134</u>	<u>24,627,847</u>	<u>24,445,681</u>
<b>Expenses</b>			
Salaries and benefits	17,529,921	17,507,248	16,331,940
Library materials	686,200	858,361	614,661
Operating (Schedule)	2,787,013	2,838,025	2,865,850
Library interlink	120,000	111,842	115,768
Amortization	3,334,384	3,334,384	3,134,355
	<u>24,457,518</u>	<u>24,649,860</u>	<u>23,062,574</u>
Annual surplus	(244,384)	(22,013)	1,383,107
Accumulated Surplus, beginning of year	<u>11,586,832</u>	<u>11,586,832</u>	<u>10,203,725</u>
<b>Accumulated Surplus, end of year</b>	<u>\$ 11,342,448</u>	<u>\$ 11,564,819</u>	<u>\$ 11,586,832</u>

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

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

<u>For the year ended December 31</u>	<u>Budget 2013</u>	<u>2013</u>	<u>2012</u>
	(Note 11)		
Annual surplus	\$ (244,384)	\$ (22,013)	\$ 1,383,107
Acquisition of tangible capital assets	(3,090,000)	(3,756,251)	(4,318,389)
Amortization of tangible capital assets	3,334,384	3,334,384	3,134,355
	244,384	(421,867)	(1,184,034)
Change in prepaid expenses and deposits	-	222,500	(202,593)
Change in net financial assets for the year	-	(221,380)	(3,520)
Net financial assets, beginning of year	1,846,976	1,846,976	1,850,496
<b>Net financial assets, end of year</b>	<b>\$ 1,846,976</b>	<b>\$ 1,625,596</b>	<b>\$ 1,846,976</b>

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

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

December 31	2013	2012
<b>Operating transactions</b>		
Annual surplus	\$ (22,013)	\$ 1,383,107
Item not involving cash:		
Amortization of tangible capital assets	3,334,384	3,134,355
Change in non-cash operating items		
Accounts receivable	(623,566)	(71,680)
Prepaid expenses and deposits	222,500	(202,593)
Accounts payable and accrued liabilities	663,483	161,291
Deferred revenue	(34,849)	(658,388)
Employee future benefits	50,989	18,368
	<u>3,590,928</u>	<u>3,764,460</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	<u>(3,756,251)</u>	<u>(4,318,389)</u>
<b>Investing transactions</b>		
Change in portfolio investments	<u>885,168</u>	<u>983,442</u>
<b>Financing transactions</b>		
Capital lease financing	<u>475,000</u>	-
<b>Net increase in cash for the year</b>	<b>1,194,845</b>	<b>429,513</b>
Cash, beginning of year	<u>435,960</u>	<u>6,447</u>
<b>Cash, end of year</b>	<b>\$ 1,630,805</b>	<b>\$ 435,960</b>
<b>Cash and portfolio investments are comprised of:</b>		
Cash	\$ 1,630,805	\$ 435,960
Portfolio investments	<u>2,201,440</u>	<u>3,086,608</u>
<b>Total</b>	<b>\$ 3,832,245</b>	<b>\$ 3,522,568</b>
Unrestricted portion	\$ 1,630,805	\$ 435,960
Restricted portion	<u>2,201,440</u>	<u>3,086,608</u>
	<b>\$ 3,832,245</b>	<b>\$ 3,522,568</b>

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 District**  
**Notes to Financial Statements**

**December 31, 2013**

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**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.

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**2. Significant Accounting Policies**

**(a) 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.

**(b) 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:

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

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 services potential.

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



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

**December 31, 2013**

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**2. Significant Accounting Policies (Continued)**

**(c) 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.

**(d) Government Transfers - Change in Accounting Policy**

In 2013, the Library adopted the provisions of the public sector accounting standard "PS3410 Government Transfers". This new standard can be applied either retroactively or prospectively, however the requirements of this standard did not differ from the treatment the Library had previously been following and therefore, no change was required.

Government transfers are recognized as revenue when authorized and eligibility criteria have been met unless the transfer contains stipulations that create a liability. If the transfer contains stipulations that create a liability, the related revenue is recognized over the period that the liability is extinguished.

**(e) 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 conditions of the funding have been met.

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

**(f) 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.

**(g) 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 District**  
**Notes to Financial Statements**

**December 31, 2013**

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**2. Significant Accounting Policies (Continued)**

**(h) 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 7).

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 (Note 7).

**(i) 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. 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.

**(j) Expenses by Object and Segmented Information**

The entity is a sole purpose organization and therefore does not report by function and does not provide segmented information.

Fraser Valley Regional Library District  
Notes to Financial Statements

December 31, 2013

3. Cash and Cash Equivalents

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

	2013	2012
Cash	\$ 1,630,805	\$ 435,960
Portfolio investments (Note 4)	2,201,440	3,086,608
	\$ 4,717,413	\$ 3,522,568
Internally restricted for operating reserves:		
Automation	\$ 283,099	\$ 349,866
Asset replacement	387,127	382,919
Collection development	157,955	155,633
Future services	32,078	31,726
Municipal surplus allocations	427,289	479,963
Specific programs	216,283	194,677
	1,503,831	1,594,784
Externally restricted for deferred revenue	404,966	439,815
Unrestricted	2,808,616	1,487,969
	\$ 4,717,413	\$ 3,522,568

(a) Automation Reserve

In accordance with a board resolution, an amount of \$283,099 (2012 - \$349,866) 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 \$387,127 (2012 - \$382,919) has been internally restricted as funding for future replacements such as equipment, vehicles or administration centre furniture and equipment.

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Fraser Valley Regional Library District  
Notes to Financial Statements

December 31, 2013

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3. Cash and Cash Equivalents (Continued)

(c) Collection Development Reserve

In accordance with a board resolution, an amount of \$157,955 (2012 - \$155,633) has been internally restricted as funding for acquisition of library materials in new and expanding libraries.

(d) Future Services Reserve

In accordance with a board resolution, an amount of \$32,075 (2012 - \$31,726) 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 \$427,289 (2012 - \$479,963) has been internally restricted as funding for individual branches.

(f) Specific Programs

In accordance with a board resolution, an amount of \$216,283 (2012 - \$184,730) has been internally restricted as funding for various specific programs.

(g) Externally Restricted for Projects

Amounts totaling \$402,458 (2012 - \$439,815) have been externally restricted for specific projects and correspond to the amounts recorded as deferred revenues.

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4. 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.

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

December 31, 2013

**5. Tangible Capital Assets**

	Land	Buildings	Equipment and Furniture	Computer Equipment	Computer Software	Automated Library System	Library Materials	2013 Total	2012 Total
Cost, beginning of year	\$ 115,000	\$ 1,501,135	\$ 649,865	\$ 1,891,740	\$ 359,247	\$ 1,966,944	\$13,606,721	\$20,090,652	\$ 18,444,168
Additions		1,600	46,815	-	492,306	233,994	2,981,535	3,756,250	4,318,389
Disposals		-	-	-	-	-	(2,272,654)	(2,272,654)	(2,671,905)
Cost, end of year	115,000	1,502,735	696,680	1,891,740	851,553	2,200,938	14,315,602	21,574,248	20,090,652
Accumulated amortization, beginning of year	-	1,083,557	311,942	1,649,245	346,304	1,129,553	6,150,922	10,671,523	10,209,073
Amortization expense	-	33,251	46,221	94,425	82,557	207,864	2,870,065	3,334,383	3,134,355
Disposals	-	-	-	-	-	-	(2,272,654)	(2,272,654)	(2,671,905)
Accumulated amortization, end of year	-	1,116,808	358,163	1,743,670	428,861	1,337,417	6,748,333	11,733,252	10,671,523
Net carrying amount, end of year	\$ 115,000	\$ 385,927	\$ 338,517	\$ 148,070	\$ 422,692	\$ 863,521	\$ 7,567,269	\$ 9,840,996	\$ 9,419,129

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Fraser Valley Regional Library District  
Notes to Financial Statements

December 31, 2013

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6. Accounts Payable and Accrued Liabilities

	2013	2012
Amounts due to suppliers	\$ 638,601	\$ 375,232
Salaries and benefits accruals	1,202,819	802,705
	<u>\$ 1,841,420</u>	<u>\$ 1,177,937</u>

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7. Employee Future Benefits

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 179,000 active members and approximately 71,000 retired members.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. 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 with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual entities participating in the Plan.

The Library paid \$1,185,179 (2012 - \$1,118,290) for employer contributions and employees contributed \$949,441 (2012 - \$924,649) to the Plan in fiscal 2013.

The Library also 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% (2012 - 5.5%) was used in the actuarial calculation.

Fraser Valley Regional Library District  
Notes to Financial Statements

December 31, 2013

**8. Obligation Under Capital Lease**

The Library has arranged capital lease funding in amount of \$475,000 in respect of a new computer ERP system implemented at the end of 2013. Repayment under the lease will begin in mid-2014 after all supplier invoices have been approved by the lender, RBC. The anticipated lease payments and interest rate will be finalized at that time. Until the lease is finalized, the Library will have monthly interest-only payments at an interest rate of 3.0% per annum.

**9. Accumulated Surplus**

The Library segregates its accumulated surplus in the following categories:

	2013	2012
Financial Equity		
Unrestricted	\$ 694,992	\$ 572,919
Internally restricted for Municipality surplus allocations	427,289	479,963
Internally restricted for specific programs	216,283	194,677
Internally restricted for other operating reserves	860,259	920,144
	2,198,823	2,167,703
Investment in tangible capital assets	9,365,996	9,419,129
	<b>\$ 11,564,819</b>	<b>\$ 11,586,832</b>

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

Fraser Valley Regional Library District  
Notes to Financial Statements

December 31, 2013

10. Contingencies and Commitments

(a) Leases

The Library rents vehicles and computers under operating leases which expire at various dates and whose lease payments in the current year totaled \$109,013 (2012 - \$104,301). The Library is obligated to make the following minimum lease payments under the lease agreements in each of the following years:

2014	\$	53,973
2015		<u>1,799</u>
	\$	<u>55,772</u>

(b) 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, 2013, the Library was indebted to the bank with respect to these loans in the amount of \$15,392 (2012 - \$28,213).

11. Budget Amounts

Budget amounts reflect the 2013 Annual Budget approved by the Board on January 16, 2013 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:

	2013
Budget surplus for the year	\$ -
Add: Capital expenditures	90,000
Add: Capital expenditures for lending materials included in library materials	3,000,000
Less: Amortization expense	<u>(3,334,384)</u>
Budget surplus (deficit) per Statement of Operations	<u>\$ (244,384)</u>

12. Economic Dependence

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



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

December 31	Budget 2013	2013	2012
Administrative and board expenses	\$ 192,575	\$ 122,575	\$ 110,702
Building maintenance	356,964	410,825	414,480
Computer maintenance	919,100	873,518	868,444
Equipment repairs and maintenance	111,300	88,411	81,226
Human resources	269,464	230,999	292,981
Library programs	208,370	248,839	121,464
Marketing	107,500	103,415	244,392
Office supplies	242,055	287,074	265,635
Other library expenses	600	16,907	19,518
Postage and courier	38,245	35,185	20,647
Professional fees	72,000	181,455	194,294
Telephone and fax	69,715	64,886	60,740
Vehicle operations	199,125	173,936	171,327
	<b>\$2,787,013</b>	<b>\$2,838,025</b>	<b>\$ 2,865,850</b>