

**Fraser Valley Regional Library District**  
**Financial Statements**  
For the year ended December 31, 2016

Fraser Valley Regional Library District  
Financial Statements  
For the year ended December 31, 2016

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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, 2016 and the Statements of Operations, Change in Net Financial Assets (Debt) 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 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.

### **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, 2016 and results of its operations, change in net financial assets (debt), and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

Langley, British Columbia  
March 29, 2017

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

December 31	2016	2015
<b>Financial Assets</b>		
Cash	\$ 1,415,744	\$ 527,566
Portfolio investments (Note 3)	4,750,204	3,711,680
Accounts receivable	164,680	188,008
	<b>6,330,628</b>	<b>4,427,254</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	2,042,469	1,481,438
Deferred revenue	260,744	282,519
Deposits	157,319	128,833
Employee future benefits (Note 6)	2,728,073	2,635,953
Capital lease obligation (Note 7)	232,611	393,635
	<b>5,421,216</b>	<b>4,922,378</b>
<b>Net Financial Assets (Debt)</b>	<b>909,412</b>	<b>(495,124)</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 4)	9,446,256	9,630,609
Prepaid expenses and deposits	482,883	504,790
	<b>9,929,139</b>	<b>10,135,399</b>
<b>Accumulated Surplus (Note 8)</b>	<b>\$10,838,551</b>	<b>\$ 9,640,275</b>

Approved by the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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

For the year ended December 31

	Budget 2016	2016	2015
<b>Revenue</b>			
Member assessments	\$23,972,713	\$23,972,713	\$ 23,307,036
Government transfers	1,425,500	1,424,080	1,426,418
Fines	355,909	333,153	349,192
Fees and other revenues	178,915	270,442	253,334
Donations	150,000	131,925	148,367
	<u>26,083,037</u>	<u>26,132,313</u>	<u>25,484,347</u>
<b>Expenses</b>			
Salaries and benefits	18,358,989	17,188,377	17,197,104
Library materials	960,892	1,112,589	964,925
Operating (Schedule)	3,045,553	2,911,235	2,775,871
Library interlink	120,000	103,981	105,575
Amortization	3,642,156	3,608,712	3,571,528
Loss on disposal of tangible capital assets	-	9,143	146,310
	<u>26,127,590</u>	<u>24,934,037</u>	<u>24,761,313</u>
<b>Annual Surplus (deficit)</b>	<b>(44,553)</b>	<b>1,198,276</b>	<b>723,034</b>
<b>Accumulated Surplus, beginning of year</b>	<b>9,640,275</b>	<b>9,640,275</b>	<b>8,917,241</b>
<b>Accumulated Surplus, end of year</b>	<b>\$ 9,595,722</b>	<b>\$ 10,838,551</b>	<b>\$ 9,640,275</b>

**Fraser Valley Regional Library District**  
**Statement of Changes in Net Financial Assets (Debt)**

For the year ended December 31

	Budget 2016	2016	2015
Annual surplus (deficit)	\$ (44,553)	\$ 1,198,276	\$ 723,034
Acquisition of tangible capital assets	(3,433,503)	(3,433,502)	(3,457,903)
Amortization of tangible capital assets	3,642,156	3,608,712	3,571,528
Loss on disposal of tangible capital assets	-	9,143	146,310
	208,653	184,353	259,935
Change in prepaid expenses and deposits	-	21,907	(380,840)
<b>Change in net financial assets (debt) for the year</b>	<b>164,100</b>	<b>1,404,536</b>	<b>602,129</b>
Net debt, beginning of year	(495,124)	(495,124)	(1,097,253)
<b>Net financial assets (debt), end of year</b>	<b>\$ (331,024)</b>	<b>\$ 909,412</b>	<b>\$ (495,124)</b>

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

December 31	2016	2015
<b>Operating transactions</b>		
Annual surplus	\$ 1,198,276	\$ 723,034
Item not involving cash:		
Loss on disposal of tangible capital assets	9,143	146,310
Amortization of tangible capital assets	3,608,712	3,571,528
Change in non-cash operating items		
Accounts receivable	23,328	3,239
Accounts payable and accrued liabilities	561,031	66,952
Deferred revenue	(21,775)	(47,627)
Deposits	28,486	40,918
Employee future benefits	92,120	(8,247)
Prepaid expenses and deposits	21,907	(380,840)
	<u>5,521,228</u>	<u>4,115,267</u>
<b>Capital transactions</b>		
Acquisition of tangible capital assets	<u>(3,433,502)</u>	<u>(3,457,903)</u>
<b>Investing transactions</b>		
Change in portfolio investments	<u>(1,038,524)</u>	<u>(1,366,045)</u>
<b>Financing transactions</b>		
Capital lease repayment	<u>(161,024)</u>	<u>(155,149)</u>
<b>Net increase (decrease) in cash for the year</b>	<b>888,178</b>	<b>(863,830)</b>
Cash, beginning of year	<u>527,566</u>	<u>1,391,396</u>
<b>Cash, end of year</b>	<b>\$ 1,415,744</b>	<b>\$ 527,566</b>

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# Fraser Valley Regional Library District

## Notes to Financial Statements

December 31, 2016

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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 library services, including operation of 25 public libraries and centralized administrative services to member municipalities and unincorporated areas, in the Fraser Valley and Greater Vancouver Regional Districts. 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) Non-Financial Assets

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

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 commencing when the asset is put into service, as follows:

Buildings	- 20 years
Furniture and equipment	- 4 to 20 years
Library materials	- 3 to 5 years
Computer equipment	- 4 years
Computer software	- 2 to 7 years
Automated library system	- 7 years

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.

#### (c) Portfolio Investments

Portfolio investments, consisting of short-term and medium-term funds held with the Municipal Finance Authority, are carried at market value which approximates 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.

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

December 31, 2016

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

**(d) Government Transfers**

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.

**(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, accounts receivable, portfolio investments, accounts payable, deposits, and capital lease obligations. 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.

**(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 number of years of service. The Library's contributions are expensed as incurred (Note 6a).

Under the terms of the collective agreement and compensation policies, retirement benefits and compensated absences benefits are also available to the Library's employees. Employees are entitled to certain employee benefits on retirement. These include retiring allowance, additional vacation pay in the year of retirement for employees with at least ten years of service, and six months of health benefits after retirement. Compensated absences include supplemental vacation pay and longer-term sick leave. The costs of these benefits are actuarially determined based on number of years of service and best estimates of retirement ages and expected future salary and wage increases. The liabilities under this plan are accrued based on projected benefits prorated as the employees render services necessary to earn the future benefits (Note 6b).

December 31, 2016

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

**(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) Liability for Contaminated Sites**

Contaminated sites are a result of contamination of a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into soil, water or sediment. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standard;
- iii. the Library is directly responsible or accepts responsibility; and
- iv. is directly responsible; or
- v. accepts responsibility; and
- vi. a reasonable estimate of the amount can be made.

There were no contaminated sites identified on sites that are no longer in use and there were no unexpected events identified for these sites during the year.

**(k) 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.

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**3. Portfolio Investments**

The balance consists of short-term and medium-term funds held with the Municipal Finance Authority.

Fraser Valley Regional Library District  
Notes to Financial Statements

December 31, 2016

4. Tangible Capital Assets

	Land	Buildings	Furniture and Equipment	Computer Equipment	Computer Software	Automated Library System	Library Materials	2016 Total	2015 Total
Cost, beginning of year	\$ 115,000	\$ 1,533,314	\$ 918,773	\$ 1,599,938	\$ 851,207	\$ 2,002,720	\$15,346,379	\$22,367,331	\$ 22,914,691
Additions	-	29,978	102,313	251,220	-	-	3,049,991	3,433,502	3,457,903
Disposals	-	-	(12,983)	(323,037)	-	-	(2,994,228)	(3,330,248)	(4,005,263)
Cost, end of year	115,000	1,563,292	1,008,103	1,528,121	851,207	2,002,720	15,402,142	22,470,585	22,367,331
Accumulated amortization, beginning of year	-	1,188,955	453,105	1,398,132	481,567	1,525,007	7,689,956	12,736,722	13,024,147
Amortization expense	-	37,014	66,310	109,443	92,692	173,116	3,130,137	3,608,712	3,571,528
Disposals	-	-	(3,841)	(323,036)	-	-	(2,994,228)	(3,321,105)	(3,858,953)
Accumulated amortization, end of year	-	1,225,969	515,574	1,184,539	574,259	1,698,123	7,825,865	13,024,329	12,736,722
Net carrying amount, end of year	\$ 115,000	\$ 337,323	\$ 492,529	\$ 343,582	\$ 276,948	\$ 304,597	\$ 7,576,277	\$ 9,446,256	\$ 9,630,609

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

December 31, 2016

**5. Accounts Payable and Accrued Liabilities**

	2016	2015
Amounts due to suppliers	\$ 948,555	\$ 478,937
Salaries and benefits accruals	1,093,914	1,002,501
	\$ 2,042,469	\$ 1,481,438

**6. Employee Future Benefits**

(a) 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 defined. The Plan has about 193,000 active members and approximately 92,000 retired members. The Plan holds assets in excess of \$50 million.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and adequacy of plan funding. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2015 indicated a \$2.224 million funding surplus for basic pension benefits of the Plan as a whole. The actuaries do not attribute portions of the deficit to individual employers. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with current and former employees of the entities, with the result that there is a no consistent and reliable basis for allocating the obligation Plan assets and costs to the individual entities participating in the Plan.

The next valuation will be as at December 31, 2018 with results available later in 2019.

The Library paid \$1,233,084 (2015 - \$1,262,694) for employer contributions while employees contributed \$1,002,395 (2015 - \$1,027,400) to the Plan during fiscal 2016.

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

December 31, 2016

**6. Employee Future Benefits (Continued)**

(b) Retirement Benefits and Compensated Absences Benefits

The Library provides post-employment retirement and compensated absences benefits to all regular full-time and part-time employees. These benefits are not separately funded.

An actuarial valuation of these benefits was performed to determine the Library's accrued benefit liability as at December 31, 2015 which was extrapolated to December 31, 2016. The accrued benefit liability at December 31, 2016 was \$2,728,073 (2015 - \$2,635,953) comprised as follows:

	2016	2015
Accrued benefit liability, beginning of the year	\$ 2,635,953	\$ 2,644,200
Add: Current service costs	221,200	227,800
Add: Interest on accrued benefit obligation	103,900	103,500
Less: Benefits paid during the year	(232,980)	(339,547)
Accrued benefit liability, end of the year	\$ 2,728,073	\$ 2,635,953

Actuarial assumptions used to determine the Library's accrued benefit liability are as follows:

	2016	2015
Discount rate (long-term borrowing rate)	4%	4%
Productivity and merit wage and salary increases averaging	3%	3%
Estimated average remaining service life of employees (years)	12	12

The following is a description of the post-employment retirement and compensated absences benefits:

Post-employment Retirement Benefits

- (i) **Retiring Allowance**  
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.
- (ii) **Vacation Pay in Year of Retirement**  
Employees with at least ten years of service in the year of retirement are paid the same vacation pay which they would have earned if they had continued in employment to the end of the retirement calendar year.
- (iii) **Medical, Extended Health and Dental Benefits ("Health Benefits")**  
Health benefits for employees retiring from the service of the Library continue for the first six months of retirement, under the same cost-sharing arrangements as when employed.

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Fraser Valley Regional Library District  
Notes to Financial Statements

December 31, 2016

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6. Employee Future Benefits (Continued)

(b) Retirement Benefits and Compensated Absences Benefits (Continued)

Compensated Absences

(iv) Supplemental Vacation Pay

Employees receive an additional week (pro-rated for part-time employees) of vacation pay upon reaching specified years' of service with the Library.

(v) Longer-term Sick Leave

Employees are credited monthly with 10.5 hours for each month of service to a maximum sick leave bank of 1,120 hours. Banked sick leave credits may be used to pay for hours not worked by the respective employee due to personal, or specified family sickness.

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7. Obligation Under Capital Lease

The Library arranged capital lease funding in respect of a computer ERP system at an interest rate of 3.97%. The lease matures on May 27, 2019.

The Library is obligated to make the following minimum lease payments under the lease agreement as follows:

Year	Total
2017	\$ 104,544
2018	104,544
2019	<u>34,847</u>
	\$ 243,935
Less: imputed interest	<u>(11,324)</u>
	<u>\$ 232,611</u>

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

December 31, 2016

**8. Accumulated Surplus**

Accumulated Surplus is categorized as follows:

	2016	2015
Unappropriated Surplus	\$ 1,837,549	\$ 685,420
Reserves - General		
Information systems	133,452	171,793
Asset replacement	345,161	311,784
Collection expansion	39,151	38,894
Library branch copier	20,171	36,723
Specific programs	40,156	41,594
Subtotal (Unappropriated Surplus plus Reserves - General)	2,415,640	1,286,208
Reserves - Municipal Surplus	743,017	628,937
Subtotal (Unappropriated Surplus plus all Reserves)	3,158,657	\$ 1,915,145
Unfunded employee future benefits	(2,016,634)	(2,016,634)
Investment in non-financial assets	9,696,528	9,741,764
	<b>\$10,838,551</b>	<b>\$ 9,640,275</b>

The Unappropriated Surplus is the amount of Accumulated Surplus remaining after deducting the other appropriated surplus balances (see below). A surplus balance is available to temporarily finance operations until planned revenues (i.e. member assessments, fees, grants etc.) are received, or for other operating or capital purposes as determined by the Board, to the extent that it is available as cash. A deficit balance will be funded by either a transfer from one of the existing Reserves-General balances, or future revenues.

The Reserves are Accumulated Surplus that have been set aside by decision of the Board for a specified purpose. In the normal course of operations, these funds will be used to finance the future services or capital works for which they have been appropriated. Following is an explanation of the intended purpose of each Reserve:

(a) Information Systems Reserve

To fund capital expenditures for new or existing information systems assets (computer hardware and software).

(b) Asset Replacement Reserve

To fund capital expenditures for new or existing assets, excluding information systems and library materials assets. Provides funding for vehicles, office furniture, equipment, parking area, and building capital expenditures for the FVRL Administration Office.

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

December 31, 2016

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**8. Accumulated Surplus (Continued)**

(c) Collection Development Reserve

To fund library material expenditures for new and expanding libraries.

(d) Library Branch Copier Reserve

To fund purchases of copiers at the library branches.

(e) Specific Programs

To fund various specific operating and capital expenditures for specific programs.

(f) Municipal Surplus

This reserve is allocated to each member organization in accordance with Board policy. The reserve balance is to fund library expenditures, or reduce member organization levies, to the extent of the member organization reserve balance, as requested by the member organization and approved by the Board.

Unfunded employee future benefits is the portion of the Employee Future Benefits Liability of \$2,728,073 at December 31, 2016 that is not funded (Note 6b). The unfunded liability has been proportionally attributed to specific member organizations based on their share of the liability. The member organizations will fund the liability on a straight-line basis over ten fiscal years, beginning in fiscal 2017.

Investment in Non-Financial Assets is equal to the book value of the tangible capital assets and prepaids less related capital lease debt. In the normal course of operations the tangible capital assets and prepaids will not be available to finance operations, but will be consumed/used to provide services, and the debt will be repaid by future period revenues.

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**9. Contingencies and Commitments**

(a) Leases

The Library rents vehicles under operating leases which expire at various dates and whose lease payments in the current year totaled \$83,146 (2015 - \$85,320). The total minimum lease payments over the next 4 years are as follows:

2017	\$77,322
2018	\$60,576
2019	\$38,111
2020	\$7,740

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

December 31, 2016

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**9. Contingencies and Commitments (Continued)**

(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, 2016, the Library was indebted to the bank with respect to these loans in the amount of \$10,920 (2015 - \$14,315).

(c) Collective Agreement

The Library is in negotiations with CUPE local 1698 to finalize a Collective Agreement for union staff for the period of January 1, 2016 to December 31, 2018. No such agreement has been finalized to date.

(d) Municipal Surplus Reserve Grants

During the year, the Board approved a grant to The City of Abbotsford for \$100,000 to perform renovations to the Clearbrook Library. As of December 31, 2016, these expenditures have not been made.

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**10. Economic Dependence**

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

**Fraser Valley Regional Library District  
Schedule of Operating Expenses**

December 31	Budget 2016	2016	2015
Administrative and board expenses	\$ 87,022	\$ 68,991	\$ 95,923
Banking	46,000	44,096	50,533
Municipal surplus reserve grants	-	166,106	-
Interest on capital lease	13,550	19,852	21,811
Administration building	355,600	344,671	297,538
Information systems	908,200	853,168	780,757
Furniture and equipment	95,203	60,610	93,294
Human resources	222,900	261,935	159,362
Library programs	279,290	270,453	253,915
Marketing	170,308	122,537	122,537
Office supplies	230,179	164,236	194,046
Other library expenses	12,081	4,045	13,254
Postage and courier	49,951	37,210	41,494
Mileage and miscellaneous	84,373	75,277	102,854
Professional fees	202,305	167,704	300,014
Telephone and fax	101,141	103,015	92,613
Vehicle operations	187,450	147,329	155,926
	<b>\$3,045,553</b>	<b>\$2,911,235</b>	<b>\$ 2,775,871</b>