

**Fraser Valley Regional Library District
Financial Statements
For the year ended December 31, 2006**

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For the year ended December 31, 2006**

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Auditors' Report

To the Library Board Fraser Valley Regional Library District

We have audited the Statement of Financial Position of the Fraser Valley Regional Library District as at December 31, 2006 and the Statements of Financial Activities, Changes in Investment in Property and Equipment, and Cash Flows for the year then ended. These financial statements are the responsibility of the Fraser Valley Regional Library District's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fraser Valley Regional Library District as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements of the Fraser Valley Regional Library District as at December 31, 2005 and for the year then ended were audited by other auditors whose report dated February 10, 2006 expressed an unqualified opinion on those statements.

Chartered Accountants

Vancouver, British Columbia
February 23, 2007

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

December 31	2006	2005
Financial Assets		
Cash and cash equivalents (Note 2)	\$ 3,389,438	\$ 3,236,231
Accounts receivable	178,788	227,013
Other financial assets	119,588	79,959
	3,687,814	3,543,203
Financial Liabilities		
Accounts payable and accrued liabilities (Note 4)	1,171,518	1,102,240
Deferred revenues	403,042	382,074
Capital lease obligations (Note 5)	358,340	242,724
	1,932,900	1,727,038
Net Financial Assets	1,754,914	1,816,165
Property and equipment (Note 3)	2,207,933	1,793,600
	\$ 3,962,847	\$ 3,609,765
Financial Position		
Financial Equity		
Unappropriated	1,603,422	1,347,954
Appropriated	509,832	710,935
	2,113,254	2,058,889
Invested in property and equipment	1,849,593	1,550,876
	\$ 3,962,847	\$ 3,609,765

Approved by the Board:

_____ Trustee

_____ Trustee

Fraser Valley Regional Library District
Statement of Financial Activities

For the year ended December 31, 2006

	Unappropriated	Appropriated	Restricted	2006	2005
Revenue					
Member assessments	\$ 15,975,454	\$ -	\$ -	\$ 15,975,454	\$ 15,131,078
Provincial government grants	1,356,500	-	444,176	1,800,676	1,575,312
Federal government grants	-	-	37,629	37,629	51,237
Other donations and grants	-	-	140,524	140,524	97,923
Fines	658,143	-	-	658,143	654,266
Other library-based revenue	139,553	167,302	5,873	312,728	318,483
Return on investments	117,628	27,288	532	145,448	88,407
	18,247,278	194,590	628,734 (20,968)	19,070,602 (20,968)	17,916,706 (293,052)
Less: portion deferred				19,049,634	17,623,654
Expenditures					
Salaries and benefits	12,277,370	-	132,211	12,409,581	11,488,598
Library materials	3,044,655	55,874	264,592	3,365,121	3,455,203
Operating (Schedule)	2,112,245	152,354	43,917	2,308,516	1,962,395
Library interlink	126,070	-	-	126,070	121,357
Interest on capital lease obligations	20,281	-	-	20,281	13,056
Capital expenditures	378,102	336,168	167,046	881,316	837,241
	17,958,723	544,396	607,766	19,110,885	17,877,850
Excess (deficiency) of revenue over expenses	288,555	(349,806)	-	(61,251)	(254,196)
Debt issued	223,758	-	-	223,758	234,115
Debt repaid	(108,142)	-	-	(108,142)	(86,807)
Change in fund balances before interfund transfers	404,171	(349,806)	-	54,365	(106,888)
Interfund transfers	(148,703)	148,703	-	-	-
Change in financial equity	255,468	(201,103)	-	54,365	(106,888)
Financial equity, beginning of year	1,347,954	710,935	-	2,058,889	2,165,777
Financial equity, end of year	\$ 1,603,422	\$ 509,832	\$ -	\$ 2,113,254	\$ 2,058,889

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

**Fraser Valley Regional Library District
Statement of Changes in Investment in Property and Equipment**

For the year ended December 31, 2006	2006	2005
Balance, beginning of year	\$ 1,550,876	\$ 1,330,762
Additions to property and equipment	881,316	837,241
Less: portion funded by debt	(223,758)	(234,115)
Repayment of debt	108,142	86,807
Amortization	(466,983)	(469,819)
	<hr/>	<hr/>
Balance, end of year	\$ 1,849,593	\$ 1,550,876

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	2006	2005
Operating activities		
Change in financial equity for the year	\$ 54,365	\$ (106,888)
Non-cash item: recognition of deferred revenue	(607,766)	(91,537)
Change in non-cash operating items	77,874	128,731
	<u>(475,527)</u>	<u>(69,694)</u>
Financing activities		
Receipt of capital funding	<u>628,734</u>	384,589
Net increase in cash and cash equivalents for the year	153,207	314,895
Cash and cash equivalents, beginning of year	<u>3,236,231</u>	<u>2,921,336</u>
Cash and cash equivalents, end of year	\$ 3,389,438	\$ 3,236,231
Cash and cash equivalents are comprised of:		
Unrestricted cash	2,552,991	2,668,981
Restricted cash	<u>836,447</u>	<u>567,250</u>
	\$ 3,389,438	\$ 3,236,231

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

Fraser Valley Regional Library District Summary of Significant Accounting Policies

December 31, 2006

Basis of Accounting

The Library prepares its financial statements in accordance with Canadian generally accepted accounting principles for local government as prescribed by the Public Sector Accounting Board. This represents a change in presentation from the prior period as set out in Note 8.

The Library's fund balances are classified as follows:

- Unappropriated** - Funds available for general purposes, such as program delivery and administration.
- Appropriated** - Funds which have been allocated for specific purposes by the Board of Directors (the "Board").
- Investment in Property and Equipment** - Net investment in respect of property and equipment net of related obligations.

Budget Amounts

Budget amounts reflect the 2006 Annual Budget approved by the Board on February 22, 2006 which are not audited.

Property and Equipment

Purchase of property and equipment are capitalized when over \$500 per unit.

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

- Building - 20 years
- Computer hardware and software - 4 years
- Equipment and furniture - 5 to 20 years
- Automated systems - 7 years

Book Collection

Additions to the Library's collection are expensed in the year of acquisition. The collection is not recorded as a capital asset.

Fraser Valley Regional Library District Summary of Significant Accounting Policies

December 31, 2006

Revenue Recognition

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

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

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

Leases

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

Financial Instruments

The Library's financial instruments consist of cash and cash equivalents, accounts receivable, other financial assets, accounts payable and accrued liabilities, 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.

Use of Estimates

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

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

December 31, 2006

1. Nature of Business

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

2. Cash and Cash Equivalents

	2006	2005
Cash	\$ 1,095,710	\$ 673,686
Short term investments	2,293,728	2,562,545
	3,389,438	3,236,231
Less: Restricted cash	836,447	567,250
Funds available for operational use	\$ 2,552,991	\$ 2,668,981

3. Property and Equipment

	Cost	Accumulated Amortization	2006 Net Book Value	2005 Net Book Total
Land	\$ 115,000	\$ -	\$ 115,000	\$ 115,000
Buildings	1,422,723	885,279	537,444	324,115
Furniture and equipment	1,267,878	645,420	622,458	604,866
Computer hardware	4,895,524	4,695,253	200,271	178,146
Computer software	319,076	234,928	84,148	-
Automated library system	2,102,645	1,840,307	262,338	317,537
	10,122,846	8,301,187	1,821,659	1,539,664
Assets under capital lease				
Computer hardware	129,500	83,749	45,751	75,500
Automated book retrieval system	141,631	47,054	94,577	107,300
Photocopy equipment	305,839	59,893	245,946	71,136
	576,970	190,696	386,274	253,936
	\$10,699,816	\$ 8,491,883	\$ 2,207,933	\$ 1,793,600

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

December 31, 2006

4. Accounts Payable and Accrued Liabilities

	<u>2006</u>	<u>2005</u>
Amounts due to suppliers	\$ 554,732	\$ 541,675
Salaries and benefits accruals	<u>616,786</u>	<u>560,565</u>
	<u>\$ 1,171,518</u>	<u>\$ 1,102,240</u>

5. Capital Lease Obligations

Obligations recorded under capital leases bear interest at rates varying from 4.24% to 13.13% and mature in years 2007 through 2010.

Future principal requirements are as follows:

2007	\$ 124,539
2008	106,885
2009	74,749
2010	<u>52,167</u>
Total	<u>\$ 358,340</u>

6. Economic Dependence

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

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

December 31, 2006

7. Contingencies and Commitments

(a) Pension Plan

The Library and its employees contributes to the Municipal Pension Plan (the "Plan") in accordance with the Pension (Municipal) Act of British Columbia (the "Act"). The Superannuation Commission of the Province of British Columbia administers the Plan, including the payment of pension benefits, on behalf of employees and employees to whom the Act applies.

Every three years the actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The latest valuation published was at December 31, 2003 and disclosed a \$789 million unfunded actuarial liability. The next valuation is scheduled for December 31, 2006 with results available in 2007.

b) Purchase of service under the Municipal Plan

The Municipal Pension Plan ("Plan") permits employees to enhance their pension benefits by making contributions for a period of service for which they did not previously contribute. The Library is obligated to make contributions to the Plan with respect to these enhancements for some employees on the same basis as regular contributions. Since specific years' contributions requirement will be. Consequently, the obligation is not recorded as a liability in the financial statements, but is recorded at an expense of the period that payments are required.

c) Leases

The Library rents vehicles, computers and photocopiers under operating leases which expire at various dates and whose lease payments in the current year totaled \$200,437 (2005 - \$171,636). Minimum lease payments under those leases for each of the next four years are as follows:

2007	201,371
2008	168,467
2009	136,330
2010	65,635

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, 2006 the Library was indebted to the bank with respect to these loans in the amount of \$11,692 (\$17,517 at December 31, 2005).

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

December 31, 2006

8. Adjustment to Prior Periods

In recognition of the fact that the members of the Library are municipalities, the Library determined that it is most appropriate to present its financial statements in accordance with accounting principals prescribed for local government. In prior years the Library followed accounting principles appropriate for not-for-profit organizations.

This resulted in some change in format and terminology. The change also required adjustment to balances previously reported for financial equity (fund balances). Amounts previously reported as externally restricted fund balances have been reclassified as deferred revenue. The affect of this change was to reduce the opening balance of financial equity by \$382,074 (2005 - \$89,022) and increase liabilities by this same amount.

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

December 31	2006		2005
	Budget	Actual	Actual
Administration	\$ 72,540	\$ 73,179	\$ 56,047
Board expenses	10,000	18,816	10,489
Building maintenance	242,740	282,204	248,588
Cash short/over	-	(1,425)	(2,797)
Computer maintenance	762,000	603,536	550,400
Equipment repairs and maintenance	104,715	81,475	119,669
Human resources	339,207	353,007	236,136
Library programs	76,350	69,397	46,007
Marketing	109,750	90,609	111,585
Postage and courier	41,876	29,658	37,046
Professional fees	82,500	130,846	71,267
Stationery supplies	210,195	213,403	175,293
Telephone and fax	65,472	56,214	49,199
Vehicle operations	125,400	111,326	93,922
	\$ 2,242,745	\$ 2,112,245	\$ 1,802,851

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