

**Fraser Valley Regional Library
Financial Statements
For the year ended December 31, 2007**

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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, 2007 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, British Columbia
February 22, 2008

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

December 31 **2007** **2006**

Financial Assets

Cash and cash equivalents (Note 2)	\$ 4,133,479	\$ 3,389,438
Accounts receivable	194,253	178,788
Other financial assets	91,339	119,588
	4,419,071	3,687,814

Financial Liabilities

Accounts payable and accrued liabilities (Note 4)	1,143,736	1,171,518
Deferred revenues	585,720	403,042
Capital lease obligations (Note 5)	264,029	358,340
	1,993,485	1,932,900

Net Financial Assets

2,425,586 **1,754,914**

Property and equipment (Note 3)

2,062,159 **2,207,933**

\$ 4,487,745 **\$ 3,962,847**

Financial Position

Financial Equity		
Unappropriated	2,401,925	1,603,422
Appropriated	287,690	509,832
	2,689,615	2,113,254
Invested in property and equipment	1,798,130	1,849,593
	\$ 4,487,745	\$ 3,962,847

Approved by the Board.



Director



Director

**Fraser Valley Regional Library
Statement of Financial Activities**

For the year ended December 31, 2007

	Unappropriated	Appropriated	Restricted	2007	2006
Revenue					
Member assessments	\$ 16,793,015	-	-	\$ 16,793,015	\$ 15,975,454
Provincial government grants	1,374,698	-	471,796	1,846,494	1,800,676
Federal government grants	-	-	15,789	15,789	37,629
Other donations and grants	-	-	318,285	318,285	140,524
Fines	598,473	-	-	598,473	658,143
Other library-based revenue	135,524	177,964	3,198	316,686	312,728
Return on investments	140,205	47,917	1,611	189,733	145,448
	19,041,915	225,881	810,679	20,078,475	19,070,602
Less: portion deferred			(182,678)	(182,678)	(20,968)
	19,041,915	225,881	628,001	19,895,797	19,049,634
Expenditures					
Salaries and benefits	12,645,598	22,698	248,568	12,916,864	12,409,581
Library materials	3,177,765	24,365	222,552	3,424,682	3,365,121
Operating (Schedule)	2,107,632	145,902	132,939	2,386,473	2,308,516
Library interlink	127,294	-	-	127,294	126,070
Interest on capital lease obligations	27,899	-	-	27,899	20,281
Capital expenditures	62,913	255,058	23,942	341,913	881,316
	18,149,101	448,023	628,001	19,225,125	19,110,885
Excess (deficiency) of revenue over expenses	892,814	(222,142)	-	670,672	(61,251)
Debt issued	27,051	-	-	27,051	223,758
Debt repaid	(121,362)	-	-	(121,362)	(108,142)
Change in fund balances before interfund transfers	798,503	(222,142)	-	576,361	54,365
Interfund transfers	-	-	-	-	-
Change in financial equity	798,503	(222,142)	-	576,361	54,365
Financial equity, beginning of year	1,603,422	509,832	-	2,113,254	2,058,889
Financial equity, end of year	\$ 2,401,925	\$ 287,690	\$ -	\$ 2,689,615	\$ 2,113,254

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

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

For the year ended December 31, 2007	2007	2006
Balance, beginning of year	\$ 1,849,593	\$ 1,550,876
Additions to property and equipment	341,913	881,316
Less: portion funded by debt	(27,051)	(223,758)
Repayment of debt	121,362	108,142
Amortization	<u>(487,687)</u>	<u>(466,983)</u>
Balance, end of year	<u>\$ 1,798,130</u>	<u>\$ 1,849,593</u>

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

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

December 31	2007	2006
Operating activities		
Change in financial equity for the year	\$ 576,361	\$ 54,365
Non-cash item: recognition of deferred revenue	(628,001)	(607,766)
Change in non-cash operating items	(14,998)	77,874
	(66,638)	(475,527)
Financing activity		
Receipt of restricted funding	810,679	628,734
Net increase in cash and cash equivalents for the year	744,041	153,207
Cash and cash equivalents, beginning of year	3,389,438	3,236,231
Cash and cash equivalents, end of year	\$ 4,133,479	\$ 3,389,438
Cash and cash equivalents are comprised of:		
Unrestricted cash	\$ 2,538,599	\$ 2,552,991
Restricted cash	1,594,880	836,447
	\$ 4,133,479	\$ 3,389,438

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

**Fraser Valley Regional Library
Summary of Significant Accounting Policies**

December 31, 2007

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.

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").

Restricted - Funds which have been provided by external sources for specific purposes.

Investment in Property and Equipment - Net investment in respect of property and equipment net of related obligations.

Budget Amounts

Budget amounts reflect the 2007 Annual Budget approved by the Board on February 28, 2007 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:

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

Book Collection

Additions to the Library's collection are expensed in the year of acquisition. The collection is not recorded as property and equipment.

**Fraser Valley Regional Library
Summary of Significant Accounting Policies**

December 31, 2007

**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
Notes to Financial Statements

December 31, 2007

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

	2007	2006
Cash	\$ 1,226,932	\$ 1,095,710
Short term investments	2,906,547	2,293,728
	4,133,479	3,389,438
Less: restricted cash	(1,594,880)	(836,447)
Funds available for operational use	\$ 2,538,599	\$ 2,552,991

3. Property and Equipment

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Total
Land	\$ 115,000	\$ -	\$ 115,000	\$ 115,000
Buildings	1,487,382	917,845	569,537	537,444
Furniture and equipment	1,306,780	698,476	608,304	622,458
Computer hardware	1,076,794	849,009	227,785	200,271
Computer software	312,202	304,249	7,953	84,148
Automated library system	626,539	401,519	225,020	262,338
	4,924,697	3,171,098	1,753,599	1,821,659
Assets under capital lease				
Computer hardware	129,500	116,124	13,376	45,751
Automated book retrieval system	141,631	67,287	74,344	94,577
Photocopy equipment	332,890	112,050	220,840	245,946
	604,021	295,461	308,560	386,274
	\$ 5,528,718	\$ 3,466,559	\$ 2,062,159	\$ 2,207,933

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

December 31, 2007

4. Accounts Payable and Accrued Liabilities

	<u>2007</u>	<u>2006</u>
Amounts due to suppliers	\$ 454,363	\$ 554,732
Salaries and benefits accruals	689,373	616,786
	<u>\$ 1,143,736</u>	<u>\$ 1,171,518</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 2008 through 2010.

Future principal requirements are as follows:

2008	\$ 121,752
2009	82,066
2010	<u>60,211</u>
Total	<u>\$ 264,029</u>

6. Economic Dependence

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

December 31, 2007

7. Contingencies and Commitments

(a) Pension Plan

The Library and its employees contributes 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 pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 144,000 active members and approximately 51,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years the actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next valuation is scheduled for December 31, 2009 with results available in 2010.

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. 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 \$144,929 (2006 - \$140,735). Minimum lease payments under those leases for each of the next three years are as follows:

2008	61,581
2009	61,581
2010	13,468

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, 2007, the Library was indebted to the bank with respect to these loans in the amount of \$11,956 (2006 - \$11,692).

Fraser Valley Regional Library
Schedule of Operating Expenses - Unappropriated Fund

December 31	2007		2006
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Administration	\$ 72,060	\$ 75,971	\$ 73,179
Board expenses	10,000	12,906	18,816
Building maintenance	278,360	291,628	282,204
Cash short (over)	-	(362)	(1,425)
Computer maintenance	711,705	622,057	603,536
Equipment repairs and maintenance	111,667	56,548	81,475
Human resources	376,788	324,336	353,007
Library programs	79,500	72,984	69,397
Marketing	155,500	113,835	90,609
Postage and courier	35,480	27,155	29,658
Professional fees	94,000	138,078	130,846
Stationery supplies	223,720	213,172	213,403
Telephone and fax	66,978	56,468	56,214
Vehicle operations	130,174	102,856	111,326
	\$ 2,345,932	\$ 2,107,632	\$ 2,112,245

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