

**Fraser Valley Regional Library  
Financial Statements  
For the year ended December 31, 2008**

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For the year ended December 31, 2008**

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## Auditors' Report

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### 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, 2008 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, 2008 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 18, 2009

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

**December 31** 2008 2007

**Financial Assets**

Cash and cash equivalents (Note 2)	\$ 4,266,579	\$ 4,133,479
Accounts receivable	199,714	194,253
Other financial assets	224,375	91,339
	<b>4,690,668</b>	<b>4,419,071</b>

**Financial Liabilities**

Accounts payable and accrued liabilities (Note 4)	1,177,323	1,143,736
Deferred revenues	665,635	585,720
Capital lease obligations (Note 5)	141,462	264,029
	<b>1,984,420</b>	<b>1,993,485</b>

**Net Financial Assets**

**2,706,248**      **2,425,586**

**Property and Equipment (Note 3)**

**2,032,212**      **2,062,159**

**\$ 4,738,460**      **\$ 4,487,745**

**Financial Position**

Financial Equity		
Unappropriated	2,775,501	2,401,925
Appropriated	72,209	287,690
	<b>2,847,710</b>	<b>2,689,615</b>
Invested in property and equipment	1,890,750	1,798,130
	<b>\$ 4,738,460</b>	<b>\$ 4,487,745</b>

Approved by the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

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

**For the year ended December 31, 2008**

	Unappropriated	Appropriated	Restricted	2008	2007
<b>Revenue</b>					
Member assessments	\$ 17,301,055	\$ -	-	\$ 17,301,055	\$ 16,793,015
Provincial government grants	1,379,248	-	507,089	1,886,337	1,846,494
Federal governments grants	-	-	16,836	16,836	15,789
Other donations and grants	-	-	185,678	185,678	318,285
Fines	493,700	-	-	493,700	598,553
Other library-based revenue	170,768	194,464	22,279	387,511	347,396
Return on investments	89,306	58,931	6,795	155,032	158,943
	<b>19,434,077</b>	<b>253,395</b>	<b>738,677</b>	<b>20,426,149</b>	<b>20,078,475</b>
Less: portion deferred			<b>(79,915)</b>	<b>(79,915)</b>	<b>(182,678)</b>
	<b>19,434,077</b>	<b>253,395</b>	<b>658,762</b>	<b>20,346,234</b>	<b>19,895,797</b>
<b>Expenditures</b>					
Salaries and benefits	13,043,531	11,855	181,150	13,236,536	12,916,863
Library materials	3,300,343	37,439	243,991	3,581,773	3,424,682
Operating (Schedule)	2,367,970	239,072	112,013	2,719,055	2,386,473
Library interlink	127,334	-	-	127,334	127,294
Interest on capital lease obligations	22,020	-	-	22,020	27,899
Capital expenditures	76,736	180,510	121,608	378,854	341,913
	<b>18,937,934</b>	<b>468,876</b>	<b>658,762</b>	<b>20,065,572</b>	<b>19,225,124</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>496,143</b>	<b>(215,481)</b>	<b>-</b>	<b>280,662</b>	<b>670,672</b>
Debt issued	-	-	-	-	27,051
Debt repaid	(122,567)	-	-	(122,567)	(121,362)
Change in fund balances before interfund transfers	373,576	(215,481)	-	158,095	576,361
Interfund transfers	-	-	-	-	-
Change in financial equity	373,576	(215,481)	-	158,095	576,361
Financial equity, beginning of year	2,401,925	287,690	-	2,689,615	2,113,254
<b>Financial equity, end of year</b>	<b>\$ 2,775,501</b>	<b>\$ 72,209</b>	<b>\$ -</b>	<b>\$ 2,847,710</b>	<b>\$ 2,689,615</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**  
**Statement of Changes in Investment in Property and Equipment**

<b>For the year ended December 31, 2008</b>	<b>2008</b>	<b>2007</b>
Balance, beginning of year	\$ 1,798,130	\$ 1,849,593
Additions to property and equipment	378,854	341,913
Less: portion funded by debt	-	(27,051)
Repayment of debt	122,567	121,362
Amortization	(408,801)	(487,687)
	<hr/>	<hr/>
Balance, end of year	\$ 1,890,750	\$ 1,798,130

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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**

<b>December 31</b>	<b>2008</b>	<b>2007</b>
<b>Operating activities</b>		
Change in financial equity for the year	\$ 158,095	\$ 576,361
Non-cash item: recognition of deferred revenue	(658,762)	(628,001)
Change in non-cash operating items	(104,910)	(14,998)
	<u>(605,577)</u>	<u>(66,638)</u>
<b>Financing activity</b>		
Receipt of restricted funding	<u>738,677</u>	810,679
<b>Net increase in cash and cash equivalents for the year</b>	<b>133,100</b>	<b>744,041</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>4,133,479</b></u>	<u>3,389,438</u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 4,266,579</b></u>	<u>\$ 4,133,479</u>
<b>Cash and cash equivalents are comprised of:</b>		
Unrestricted cash	\$ 1,807,470	\$ 2,538,599
Restricted cash	<u>2,459,109</u>	<u>1,594,880</u>
	<u><b>\$ 4,266,579</b></u>	<u><b>\$ 4,133,479</b></u>

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 Summary of Significant Accounting Policies

December 31, 2008

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### **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 2008 Annual Budget approved by the Board on September 24, 2007, which are not audited.

### **Property and Equipment**

Purchase of property and equipment are capitalized when over \$3,000 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.

Effective January 1, 2009, PSAB Handbook section 3150 will become effective for the Library. This section requires that all capital assets be capitalized and amortized over their useful life. The Library already follows these rules in respect of its property and equipment. However, the book collection also meets the definition of a "capital asset" and, as such, it too will have to be capitalized and amortized rather than expensed as acquired. The Library has captured the information necessary and will be ready to meet this requirement in 2009.



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

**December 31, 2008**

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**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, 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.

**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, 2008**

**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**

	2008	2007
Cash	\$ 989,706	\$ 1,226,932
Short term investments	3,276,873	2,906,547
	4,266,579	4,133,479
Less: cash designated for specific libraries	(2,459,109)	(1,594,880)
Funds available for operational use	\$ 1,807,470	\$ 2,538,599

**3. Property and Equipment**

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Land	\$ 115,000	\$ -	\$ 115,000	\$ 115,000
Buildings	1,488,399	950,462	537,937	569,537
Furniture and equipment	1,203,475	524,769	678,706	608,304
Computer hardware	1,159,395	975,932	183,463	227,785
Computer software	312,202	312,202	-	7,953
Automated library system	779,421	485,108	294,313	225,020
	5,057,892	3,248,473	1,809,419	1,753,599
Assets under capital lease				
Computer hardware	129,500	129,500	-	13,376
Automated book retrieval system	141,631	87,520	54,111	74,344
Photocopy equipment	332,890	164,208	168,682	220,840
	604,021	381,228	222,793	308,560
	\$ 5,661,913	\$ 3,629,701	\$ 2,032,212	\$ 2,062,159

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

**December 31, 2008**

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**4. Accounts Payable and Accrued Liabilities**

	<u>2008</u>	<u>2007</u>
Amounts due to suppliers	\$ 407,694	\$ 454,363
Salaries and benefits accruals	769,629	689,373
	<u>\$ 1,177,323</u>	<u>\$ 1,143,736</u>

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**5. Capital Lease Obligations**

Obligations recorded under capital leases bear interest at rates varying from 4.80% to 13.13% and mature in years 2009 through 2010.

Future principal requirements are as follows:

2009	\$ 82,066
2010	<u>59,396</u>
Total	<u>\$ 141,462</u>

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**6. Economic Dependence**

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

**December 31, 2008**

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**7. Contingencies and Commitments**

**(a) Pension Plan**

The Library and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly-trusted pension plan. The Plan's 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 the benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 150,000 active members and approximately 54,000 retired members.

Every three years an 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 indicates a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available 2010. The actuary does not attribute portions of the unfunded liability to individual employers.

Due to severe market declines, the 2008 investment return on Plan assets to September 30, 2008 was -6.86%, which is below the actuarial target and slightly below the benchmark. The Plan could be at an underfunded position in comparison to the 2006 actuary reported surplus position. If there is an underfunded liability, the employer's contribution rate may increase. However, this increase may not be sufficient to keep the Plan fully funded.

The Plan's Board of Trustees has reviewed its asset allocation and will be making changes to its Statement of Investment Policies and Procedures at its March 2009 Board meeting.

**(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 \$142,785 (2007 - \$144,929).

Minimum lease payments under those leases for each of the next two years are as follows:

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, 2008, the Library was indebted to the bank with respect to these loans in the amount of \$11,749 (2007 - \$11,956).

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

<b>December 31</b>	<b>2008 Budget</b>	<b>2008 Actual</b>	<b>2007 Actual</b>
Administration	\$ 76,060	\$ 62,223	\$ 75,971
Board expenses	10,000	9,248	12,906
Building maintenance	301,820	300,955	291,628
Cash short (over)	-	384	(362)
Computer maintenance	766,624	709,232	622,057
Equipment repairs and maintenance	53,304	56,059	56,548
Human resources	313,840	416,185	324,336
Library programs	87,300	74,093	72,984
Marketing	154,950	152,440	113,835
Postage and courier	36,615	23,806	27,155
Professional fees	94,870	116,573	138,078
Stationery supplies	243,570	281,290	213,172
Telephone and fax	66,928	53,519	56,468
Vehicle operations	138,775	111,963	102,856
	<b>\$ 2,344,656</b>	<b>\$ 2,367,970</b>	<b>\$ 2,107,632</b>

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