

Fraser Valley Regional Library
Financial Statements
For the year ended December 31, 2009

**Fraser Valley Regional Library
Financial Statements
For the year ended December 31, 2009**

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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, 2009 and the Statements of Operations, Changes in Net Financial Assets, 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

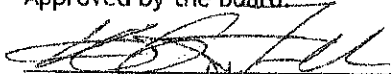

Chartered Accountants

Vancouver, British Columbia
February 18, 2010

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

December 31	2009	2008
		(restated - Note 2)
Financial Assets		
Cash and cash equivalents	\$ 574,927	\$ 989,706
Accounts receivable	484,328	199,714
Portfolio investments (Note 4)	4,005,217	3,276,873
	5,064,472	4,466,293
Liabilities		
Accounts payable and accrued liabilities (Note 6)	1,048,919	1,177,323
Deferred revenues	690,559	665,635
Capital lease obligations (Note 7)	56,022	141,462
	1,795,500	1,984,420
Net Financial Assets	3,268,972	2,481,873
Non-Financial Assets		
Tangible capital assets (Note 5)	7,872,510	7,977,706
Prepaid expenses	88,642	224,375
	7,961,152	8,202,081
Accumulated Surplus (Note 8)	\$11,230,124	\$ 10,683,954

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
Statement of Operations**

For the year ended December 31, 2009

	Investment in Property and Equipment			Total	
	Unappropriated	Appropriated	Restricted	Actual 2009	Budget 2009
Revenue					
Member assessments	\$18,046,527	\$ 25,000	\$ -	\$18,071,527	\$ 17,301,055
Provincial government grants	1,297,425	-	363,431	1,660,856	1,886,337
Federal government grants	-	-	1,500	1,500	16,836
Other donations and grants	-	-	140,262	140,262	185,678
Fines	569,466	-	-	569,466	493,700
Other library-based revenue	201,975	210,716	4,819	417,510	387,511
Return on investments	24,962	24,208	2,126	51,296	137,156
	20,140,355	259,924	512,138	20,912,417	20,964,113
Adjustment to deferred revenues	-	(125,000)	100,076	(24,924)	(79,915)
	20,140,355	134,924	612,214	20,887,493	20,964,113
Expenses					
Salaries and benefits	13,582,028	1,069	164,338	13,747,435	14,501,351
Library materials	554,933	13,775	243,302	812,010	625,938
Operating (Schedule)	2,241,745	171,792	204,574	2,618,111	2,653,028
Library interlink	130,006	-	-	130,006	130,596
Interest on capital lease obligations	9,830	-	-	9,830	-
Amortization	3,023,931	-	-	3,023,931	3,023,931
	19,542,473	186,636	612,214	20,341,323	20,934,844
Annual surplus (deficit)	597,882	(51,712)	-	546,170	29,269
Accumulated Surplus, beginning of year, as restated (Note 2)	2,775,501	72,209	-	7,836,244	10,683,954
Interfund transfers	19,756	-	-	-	-
Accumulated Surplus, end of year	\$ 3,393,139	\$ 20,497	\$ -	\$11,230,124	\$10,713,223
				\$ 7,816,488	\$ 10,683,954
					\$ 10,683,954

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

Fraser Valley Regional Library
Statement of Change in Net Financial Assets

For the year ended December 31, 2009	Budget 2009 <small>(Note 11)</small>	2009	2008 <small>(restated - Note 2)</small>
Annual surplus	\$ 29,269	\$ 546,170	\$ 498,192
Acquisition of tangible capital assets	(2,912,200)	(2,918,735)	(3,192,464)
Amortization of tangible capital assets	3,023,931	3,023,931	2,974,934
	<u>111,731</u>	<u>105,196</u>	<u>(217,530)</u>
Change in prepaid expenses	-	<u>135,733</u>	<u>(224,375)</u>
Change in net financial assets for the year	(111,731)	787,099	56,287
Net financial assets, beginning of year	<u>2,481,873</u>	<u>2,481,873</u>	<u>2,425,586</u>
Net financial assets, end of year	\$ 2,370,142	\$ 3,268,972	\$ 2,481,873

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	2009	2008
		(restated - Note 2)
Operating transactions		
Annual surplus	\$ 546,170	\$ 498,192
Non-cash item: recognition of deferred revenue	(612,214)	(658,762)
Non-cash item: amortization expense	3,023,931	2,974,934
Change in non-cash operating items	(277,285)	(104,910)
	2,680,602	2,709,454
Capital transaction		
Cash used to acquire tangible capital assets	(2,918,735)	(3,192,464)
Investing transaction		
Acquisition of portfolio investments	(728,344)	(370,326)
Financing transactions		
Receipt of restricted funding	637,138	738,677
Capital lease payments	(85,440)	(122,567)
	551,698	616,110
Net decrease in cash for the year	(414,779)	(237,226)
Cash, beginning of year	989,706	1,226,932
Cash, end of year	\$ 574,927	\$ 989,706
Cash and portfolio investments are comprised of:		
Cash	\$ 574,927	\$ 989,706
Portfolio investments	4,005,217	3,276,873
Total	\$ 4,580,144	\$ 4,266,579
Unrestricted portion	\$ 2,201,560	\$ 1,807,470
Restricted portion	2,378,584	2,459,109
	\$ 4,580,144	\$ 4,266,579

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, 2009

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.

Tangible Capital Assets

Effective January 1, 2009, the Library adopted the provisions of Public Sector Accounting Board ("PSAB") Accounting Handbook Section 3150 which requires that tangible capital assets be recorded at cost and amortized over their useful lives. This is a change from the policy of previous years where the book collection was not recorded as tangible capital assets and not amortized (Note 2).

Tangible capital assets 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
Book collection	- 3 to 5 years
Computer hardware	- 4 years
Computer software	- 2 years
Automated library system	- 7 years

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, 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.

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

December 31, 2009

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, 2009

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. Prior Period Adjustments

The Library has adopted the provisions of Sections 1200 and 3150 of the PSAB Handbook and has applied these on a retroactive basis. This resulted in the restatement of the 2008 comparative figures presented in these financial statements which differ from those pre-adoption. The adoption of these sections resulted in the following changes to accounting methods:

- tangible capital assets recorded only when such expenditures represent a new asset or extend the life or service capacity or improve the quality of an existing asset
- tangible capital assets amortized over their estimated useful lives
- prepaid expenses and inventories of supplies recorded and treated as non-financial assets
- operating surpluses, reserve funds and equity in tangible capital assets now grouped together and presented as "accumulated surplus"

In addition, changes were made to presentation to reclassify prepaid expenses and supplies as non-financial assets and reclassify portfolio investments as a separate financial asset.

The impact of these changes was to:

- increase overall accumulated surplus in the prior year by \$5,945,494 as follows:

	2008 (restated)	2008 (prev reported)
Investment in Property and Equipment	\$ -	\$ 1,890,750
Financial Equity - Unappropriated	-	2,775,501
Financial Equity - Appropriated	-	72,209
Accumulated surplus	10,683,954	-
	\$ 10,683,954	\$ 4,738,460

- increase the carrying value of tangible capital assets in the prior year by \$5,945,494.
- impact of adjustments on cash and investments:

	2008 (restated)	2008 (prev reported)
Cash and cash equivalents	\$ 989,706	\$ 4,266,579
Portfolio investments	3,276,873	-
	\$ 4,266,579	\$ 4,266,579

Fraser Valley Regional Library
Notes to Financial Statements

December 31, 2009

3. Cash and Cash Equivalents

Included in cash and cash equivalents is \$2,378,584 (2008 - \$2,459,109) designated for specific libraries.

4. Portfolio Investments

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

5. Tangible Capital Assets

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Land	\$ 115,000	\$ -	115,000	\$ 115,000
Buildings	1,495,244	983,422	511,822	537,937
Furniture and equipment	1,206,614	584,975	621,639	678,706
Book collection	11,962,472	5,857,337	6,105,135	5,945,494
Computer hardware	1,190,269	1,085,557	104,712	183,463
Computer software	312,202	312,202	-	-
Automated library system	841,498	577,705	263,793	294,313
	17,123,299	9,401,198	7,722,101	7,754,913
Assets under capital lease				
Computer hardware	129,500	129,500	-	-
Automated book retrieval system	141,631	107,753	33,878	54,111
Photocopy equipment	332,890	216,359	116,531	168,682
	604,021	453,612	150,409	222,793
	\$17,727,320	\$ 9,854,810	\$ 7,872,510	\$ 7,977,706

Fraser Valley Regional Library
Notes to Financial Statements

December 31, 2009

6. Accounts Payable and Accrued Liabilities

	<u>2009</u>	<u>2008</u>
Amounts due to suppliers	\$ 682,562	\$ 407,694
Salaries and benefits accruals	366,358	769,629
	<u>\$ 1,048,920</u>	<u>\$ 1,177,323</u>

7. Capital Lease Obligations

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

8. Accumulated Surplus

The Library segregates its accumulated surplus in the following categories:

	<u>2009</u>	<u>2008</u>
Financial Equity		
Unappropriated	\$ 3,393,139	\$ 2,775,501
Appropriated	20,497	72,209
Investment in Property and Equipment	<u>7,816,488</u>	<u>7,836,244</u>
	<u>\$ 11,230,124</u>	<u>\$ 10,683,954</u>

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

9. Economic Dependence

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

December 31, 2009

10. 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 158,000 active members and approximately 57,000 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 indicated a surplus of \$438 million for basic pension benefits. The next valuation will be as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the unfunded liability to individual employers. During the year, the Library paid \$874,748 (2008 - \$786,250) for employer contributions to the plan.

(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. During the year, the Library paid \$Nil (2008 - \$Nil) to the plan with respect to these enhancements.

(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 \$187,163 (2008 - \$142,785).

The Library is obligated to make the following minimum lease payments under the lease agreements in each of the following years:

2010	\$ 79,924
2011	66,456
2012	66,456
2013	66,456
2014	16,614
	<u>\$ 295,906</u>

(d) 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, 2009, the Library was indebted to the bank with respect to these loans in the amount of \$13,652 (2008 - \$11,749).

Fraser Valley Regional Library
Notes to Financial Statements

December 31, 2009

11. Budget Amounts

Budget amounts reflect the 2009 Annual Budget approved by the Board on February 24, 2009 was 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 now require a full accrual basis. The budget expensed all tangible capital expenditures rather than including amortization expense. For book collection, the budget anticipated capital expenditures rather than 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:

	<u>2009</u>
Budget surplus for the year	\$ 141,000
Add: Capital expenditures	2,912,200
Less: Amortization expense	<u>(3,023,931)</u>
Budget surplus per Statement of Operations	<u>\$ 29,269</u>

Fraser Valley Regional Library
Schedule of Operating Expenses - Unappropriated Fund

December 31	2009 Budget	2009 Actual	2008 Actual
Administration	\$ 64,160	\$ 77,230	\$ 62,223
Board expenses	14,000	21,306	9,248
Building maintenance	311,036	360,146	300,955
Cash short (over)	-	(496)	384
Computer maintenance	770,718	637,628	709,233
Equipment repairs and maintenance	124,662	72,306	56,059
Human resources	304,409	311,334	416,185
Library programs	89,200	74,787	74,093
Marketing	169,000	167,065	152,440
Postage and courier	36,265	24,121	23,806
Professional fees	74,870	78,459	116,573
Stationery supplies	270,613	215,353	281,290
Telephone and fax	62,478	61,778	53,519
Vehicle operations	155,788	140,728	111,963
	\$2,447,199	\$2,241,745	\$ 2,367,971