

FRASER VALLEY REGIONAL DISTRICT

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

**Fraser Valley Regional District
Consolidated Financial Statements**

December 31, 2016

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Fraser Valley Regional District (the "Regional District") are the responsibility of the Regional District's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. A summary of the significant accounting policies are described in the notes to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Regional District's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Directors meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters.

The consolidated financial statements have been audited by KPMG, LLP independent external auditors appointed by the Regional District. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Regional District's consolidated financial statements.



Mike Veenbaas, CPA, CMA
Director of Financial Services/Chief Financial Officer



KPMG LLP
200-9123 Mary Street
Chilliwack BC V2P 4H7
Canada
Tel (604) 793-4700
Fax (604) 793-4747

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Fraser Valley Regional District

We have audited the accompanying financial statements of Fraser Valley Regional District, which comprise the balance sheet as at December 31, 2016, the statements of earnings and retained earnings and cash flows for the year then ended, and notes, comprising 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 accounting standards for private enterprises, 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.

Auditors' 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation 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 Fraser Valley Regional District as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

KPMG LLP

Chartered Professional Accountants

April 25, 2017

Chilliwack, Canada

Fraser Valley Regional District
Consolidated Statement of Financial Position

December 31, 2016

	2016	2015
Financial Assets		
Cash and cash equivalents (Note 1)	\$ 207,939	\$ 94,816
Accounts receivable (Note 2)	3,839,152	5,940,176
Inventories	19,958	15,901
Investments (Note 3)	23,625,048	21,312,202
Investment in government business partnership (Note 4)	362,550	-
	28,054,647	27,363,095
Financial Liabilities		
Trade payables and accrued liabilities	2,135,666	1,692,797
Accrued interest	36,848	38,327
Due to Local governments	2,265,813	2,241,808
Landfill retirement costs (Note 5)	261,813	251,744
Municipal Finance Authority equipment financing	48,740	60,500
Municipal Finance Authority debentures (Note 7)	3,452,279	3,886,244
Municipal Finance Authority leases (Note 8)	20,544	66,515
Development levies and deferred revenue (Note 9)	866,612	643,055
Community Works funds (Note 10)	3,598,987	2,977,567
	12,687,302	11,858,557
Net Financial Assets	15,367,345	15,504,538
Non-Financial Assets		
Prepaid expenses	207,761	396,578
Tangible Capital Assets (Note 11)	35,668,236	34,669,798
	35,875,997	35,066,376
Accumulated Surplus	\$ 51,243,342	\$ 50,570,914
Commitments (Note 12)		
Contingent Liabilities (Note 13)		

Approved on behalf of the Board:



 Chief Financial Officer

Fraser Valley Regional District
Consolidated Statement of Financial Activities

Year Ended December 31, 2016

	Budget 2016 <i>(Note 14)</i>	Actual 2016	Actual 2015
Revenues			
Member requisitions	\$ 13,277,207	\$ 13,229,606	\$ 12,981,790
Government grants	2,786,230	1,604,880	2,001,907
Utility user fees	-	522,318	516,605
Sale of services	3,066,580	3,558,516	3,376,886
Developer contributions	25,000	-	-
Other	1,782,323	1,694,062	2,206,518
Interest	59,200	365,020	332,798
Income from government business partnerships	-	362,550	-
	<u>20,996,540</u>	<u>21,336,952</u>	<u>21,416,504</u>
Expenses			
General government services	3,195,040	2,931,987	2,713,762
Protective services	5,152,282	4,927,473	4,833,242
Transportation services	2,530,570	2,604,547	2,147,536
Environmental health services	2,148,852	2,321,970	2,576,254
Environmental development services	1,779,200	1,519,762	1,339,381
Recreation and cultural services	3,612,640	3,781,635	3,704,773
Utilities services	1,082,080	1,046,907	1,094,441
	<u>19,500,664</u>	<u>19,134,281</u>	<u>18,409,389</u>
Annual Surplus Before Amortization	1,495,876	2,202,671	3,007,115
Amortization		1,530,243	1,467,184
Annual Surplus	1,495,876	672,428	1,539,931
Accumulated Surplus, Beginning of Year	50,570,914	50,570,914	49,030,983
Accumulated Surplus , End of Year	<u>\$ 52,066,790</u>	<u>\$ 51,243,342</u>	<u>\$ 50,570,914</u>

Fraser Valley Regional District
Consolidated Statement of Changes in Net Financial Assets

Year Ended December 31, 2016

	2016	2015
Annual surplus	\$ 672,428	\$ 1,539,931
Acquisition of tangible capital assets	(2,528,681)	(1,429,501)
Amortization of tangible capital assets	1,530,243	1,467,184
Change in prepaid expenses	188,817	(154,185)
	(137,193)	1,423,429
Change in Net Financial Assets		
Net Financial Assets, Beginning of Year	15,504,538	14,081,109
Net Financial Assets, End of Year	\$ 15,367,345	\$ 15,504,538

Fraser Valley Regional District
Consolidated Statement of Cash Flows

Year Ended December 31, 2016

	2016	2015
Operating Activities		
Annual surplus	\$ 672,428	\$ 1,539,931
Items not involving cash		
Partnership Income	(362,550)	-
Amortization of tangible capital assets	1,530,243	1,467,184
	1,840,121	3,007,115
Change in non-cash operating items		
Accounts receivable	2,101,024	(1,925,381)
Inventories	(4,057)	(1,663)
Prepaid expenses	188,817	(154,185)
Trade payables and accrued liabilities	442,868	509,111
Local governments	24,006	47,862
Accrued interest	(1,479)	-
Landfill retirement costs	10,069	149,154
Development levies and deferred revenue	223,557	104,900
Community works fund	621,420	554,440
	5,446,346	2,291,353
Investing Activities		
Acquisition of tangible capital assets	(2,528,681)	(1,429,501)
	(2,528,681)	(1,429,501)
Financing Activities		
Demand loan advances	-	60,500
Repayment of debenture debt	(445,725)	(416,896)
Repayment of capital leases	(45,971)	(57,590)
	(491,696)	(413,986)
Investing Activities		
Increase in portfolio investments	(2,312,846)	(5,490,580)
Change in Cash	113,123	(5,042,714)
Cash and cash equivalents, Beginning of Year	94,816	5,137,530
Cash and cash equivalents, End of Year	\$ 207,939	\$ 94,816
Supplementary cash flow information:		
Interest paid	\$ 284,936	\$ 284,936

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2016

Basis of Presentation	The Fraser Valley Regional District financial statements have been prepared in accordance with the accounting standards of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants. All material inter-fund transactions have been eliminated.
Basis of Consolidation	<p>The financial statements are presented on a consolidated basis and include the following funds:</p> <p>(a) Operating Fund</p> <p>The operating fund reflects the financial activities associated with the provision of general municipal and utility services during the year.</p> <p>(b) Capital Fund</p> <p>The capital fund reflects the financial activities associated with the acquisition, construction and funding of capital assets.</p> <p>(c) Reserve Fund</p> <p>The reserve fund reflects appropriations of surplus authorized by the Board to be set aside for the funding of future operating or capital expenditures.</p>
Budget Amounts	Budget amounts reflect the statutory annual budget as adopted by the board on April 26th, 2016.
Comparative Figures	Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.
Revenue Recognition	Revenues from member requisitions and grants in lieu of taxes are recognized in the year that they apply. Revenue from sales of services are recognized when the services are provided. Government grants are recognized when they are approved by senior governments and the conditions required to earn the grants have been completed. Development levies are recognized as revenue in the period the funds are expended on a development project. Development levies not expended are recorded as unearned revenue.
Cash and Cash Equivalents	Cash and cash equivalents include cash as well as deposits in the Municipal Finance Authority investment short-term money market investment pool and term deposits. These investments are highly liquid and are readily convertible to known amounts of cash.
Portfolio Investments	Portfolio investments are recorded at amortized cost plus accrued interest. Discounts or premiums arising on the purchase of portfolio investments are amortized on a straight-line basis over the term of maturity. If it is determined that there is a permanent impairment in the value of the investment, it is written down to net realizable value.

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2016

Government Business Partnerships

The investment in government business partnership is accounted for using the modified equity basis.

Non-Financial Assets

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

(i) Tangible Capital Assets

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, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	3 - 50
Buildings and building improvements	10 - 100
Vehicles	5 - 20
Machinery and equipment	3 - 15
Water and wastewater infrastructure	10 - 100

Landfill sites are amortized using the units of production method based upon capacity used during the year.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the assets is available for productive use.

(ii) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Natural Resources

Natural resources that have not been purchased are not recognized as assets in the financial statements.

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2016

Non-Financial Assets (con't)

(iv) Works of Art and Cultural Historic Assets

Works of art and cultural historic assets are not recorded as assets in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and at the date of the financial statements, and reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.

Financial Instruments

Financial instruments consist of cash, cash equivalents, accounts receivable, accounts payable, accrued liabilities and other current liabilities. The Regional District classifies its cash and cash equivalents as held-for-trading, accounts receivable as held to maturity and its accounts payable and other current liabilities as other financial liabilities. The Regional District does not currently have any derivative instruments requiring recording on the statement of financial position. The fair values of the Regional District's financial instruments approximate their carrying value unless otherwise noted. It is management's opinion that the Regional District is not exposed to significant interest, currency or credit risk relating to its financial instruments.

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2016

Liability for Contaminated Sites Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the Regional District:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefits will be given up; and
- (e) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

The Regional District has determined that as of December 31, 2016, no contamination in excess of an environmental standard exists related to land not in productive use for which the Regional District is responsible.

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2016

1. Cash and cash equivalents

	2016	2015
Cash	\$ 166,339	\$ 94,816
Brokers Bank	<u>41,600</u>	<u>-</u>
	<u>\$ 207,939</u>	<u>\$ 94,816</u>

2. Accounts Receivable

	2016	2015
Accrued interest - investments	\$ 216,728	\$ 186,099
- general	-	33
Local government	720,780	752,960
Provincial Government	135,077	553,715
MFA Debt Reserve - Cash	1,524,420	1,582,478
Regional Hospital District	1,382	852,170
Trade Accounts and User Fees	<u>1,240,765</u>	<u>2,012,721</u>
	<u>\$ 3,839,152</u>	<u>\$ 5,940,176</u>

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2016

3. Investments

The District holds investments in bonds and GICs

Bonds and GICs held at December 31, 2016 are as follows:

	Amount	Effective Interest Rate	Maturity Date
Bonds: BMO FXD/ FLT	\$ 3,793,000	3.12%	September 19, 2024
Premium on purchase of bonds	131,588		
VANCITY GIC	5,000,000	1.50%	February 6, 2017
CCS GIC	700,000	2.10%	March 20, 2017
CCS GIC	480,000	2.10%	March 21, 2017
SCOTIA GIC	520,460	2.06%	November 14, 2017
RBC GIC	2,000,000	2.08%	November 27, 2017
SCOTIA BK GIC	1,333,333	1.81%	May 25, 2018
SCOTIA BK GIC	1,000,000	1.85%	August 27, 2018
SCOTIA BK GIC	1,000,000	1.85%	August 28, 2018
NATL BK GIC	1,333,333	2.06%	May 27, 2019
NATL BK GIC	1,333,334	2.31%	May 26, 2020
SCOTIA BK GIC	1,000,000	1.90%	March 30, 2017
LAURENTIAN BK GIC	1,000,000	1.60%	August 8, 2017
HSBC BK GIC	<u>3,000,000</u>	1.85%	August 7, 2018
	<u>\$ 23,625,048</u>		

Investments held by the Regional District include securities guaranteed for principal and interest by Canada or by a province, and deposits of chartered banks and credit unions.

Investments at December 31, 2016 have a total carrying value of \$23,841,776 (2015 - \$21,498,301), consisting of amortized cost of \$23,625,048 (2015 - \$21,312,202) and related accrued interest of \$216,728 (2015 - \$186,099). The market value of these investments at December 31, 2016 is approximately \$23,758,170 (2015 - \$21,379,501).

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2016

4. Investment in Government Business Partnership

- (a) The District owns a 1/3 partnership share in the Cascade Lower Canyon Community Forest LP "CLCCF" or the "Partnership".
- (b) In 2006, the District along with the Yale First Nation and the District of Hope established the CLCCF for the purpose of operating a community forest. The District initially invested \$10,000 for 10,000 units in the Partnership. In 2013, the Partnership acquired a license to forest up to 34,300 cubic meters of timber annually. At this time net revenues are anticipated to remain within the Partnership until such time that the CLCCF Board determines that sufficient reserves exist to fund capital needs related to forestry operations. Should the Partnership cease to exist, the District would be entitled to 1/3 of the accumulated equity.

The Partnership has a March 31 year-end. The condensed results for its year end March 31, 2016 are summarized below. Current year Partnership income includes 2015 results as they were not determined prior to the 2015 audit report date.

CLCCF Condensed Financial Statements:

Assets	2016	2015
Cash	\$ 1,176,721	\$ 421,233
Other Current Assets	<u>5,907</u>	<u>125,760</u>
	<u>\$ 1,182,628</u>	<u>\$ 546,993</u>
Liabilities		
Accounts Payable	\$ 94,979	\$ 16,400
Partnership Equity	<u>1,087,649</u>	<u>530,593</u>
	<u>\$ 1,182,628</u>	<u>\$ 546,993</u>
	2016	2015
Total Revenue	\$ 861,545	\$ 430,174
Total Expenses	<u>304,489</u>	<u>43,780</u>
Net Income	<u>\$ 557,056</u>	<u>\$ 386,394</u>

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2016

5. Landfill Retirement Costs

Asset retirement obligations consist of landfill closing and post closure costs. Progressive closure costs are estimated at \$1,142,000. Landfill closure costs will be met by annual appropriations and accretion expense based on a plan to fully fund the closure costs by the expected closure date. The Regional District has a statutory obligation to maintain and monitor the landfill site after it is closed. As of 2016, post closure costs were estimated at \$429,000. Post closure costs will be met by annual budget appropriation in the years in which they are incurred. As currently engineered, and based on current waste disposal patterns, the landfill has a total life expectancy of 65 years. The interest rate currently being paid by the Fraser Valley Regional District on MFA debt is 4.0%.

Each year, the Fraser Valley Regional District records an accretion amount such that at the time the retirement obligations arise, they will be offset by the total held in reserves. A liability of \$261,813 has been set aside at December 31, 2016.

6. Municipal Finance Authority Debt Fund

(a) All funds borrowed by the Regional District are upon its credit at large and will, in event of default, constitute an indebtedness of its member municipalities for which they are jointly and severally liable.

(b) Debenture debt payments (including interest) as at December 31, 2016 are projected for the next five years as follows:

	Member Municipalities	Regional District	Total
2017	\$ 8,239,146	\$ 604,549	\$ 8,843,695
2018	8,199,621	355,212	8,554,833
2019	8,050,045	344,113	8,394,158
2020	8,050,045	344,113	8,394,158
2021	7,788,686	344,113	8,132,799
	\$ 40,327,543	\$ 1,992,100	\$ 42,319,643

7. Municipal Finance Authority Debentures

(c) The Regional District has entered into agreements with member municipalities for the purpose of financing municipal undertakings. Under the terms of these agreements, the municipalities are required to provide for and to pay to the Regional District such amounts as are required to discharge their obligations. Any deficiency that may occur shall be a liability of the municipalities.

(d) Municipal Finance Authority debentures are shown net of debt charges recoverable:

	2016	2015
Debentures	\$ 77,400,544	\$ 83,427,758
Debt charges recoverable	(73,948,265)	(79,541,514)
	\$ 3,452,279	\$ 3,886,244

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2016

8. Municipal Finance Authority capital lease obligations

	2016	2015
Municipal Finance Authority - Capital lease obligations bearing interest at rates 1.25% - 5.00%, with blended monthly payments	\$ 20,544	\$ 66,515

Future minimum lease payments related to the obligations under capital lease are as follows:

	2017	\$ 20,979
Less: imputed interest		(435)
		\$ 20,544

9. Development Levies and Deferred Revenue

Development levies represent amounts received from developers for capital infrastructure expenditures required as a result of their development projects. As these amounts are expended, the deferred revenue will be reduced and the amount expended will be recorded as revenue in the statement of financial activities. The following amounts are restricted for specified purposes:

	2016	2015
West Popkum Drainage	\$ 131,392	\$ 92,144
Bell Acres Water	18,352	18,010
Dogwood Water System	42,287	41,499
Parkview Water	66,686	65,444
Area D Water	291,574	239,279
Deroche Water	57,697	56,622
Area C Community Parks	17,514	17,188
Area D Parks Cash in Lieu	50,930	49,982
Area F Parks Cash in Lieu	39,061	38,333
Community Parks Cash in Lieu	151,119	24,554
	\$ 866,612	\$ 643,055

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2016

10. Community Works Funds

Community Works Fund Agreement funding is provided by the Government of Canada and use of the funding is established by a funding agreement between the Regional District and the Union of British Columbia Municipalities. Community Works Fund Agreement funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreement.

Schedule of Receipts and Disbursements of Community Works Agreement Funds

	<u>2016</u>	<u>2015</u>
Opening balance of unspent funds	\$ 2,977,567	\$ 2,423,127
Add: Amount received during the year	754,157	729,588
Interest earned	67,041	54,024
Less: Amount spent on projects	<u>(199,778)</u>	<u>(229,172)</u>
	<u>\$ 3,598,987</u>	<u>\$ 2,977,567</u>

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2016

11. Tangible Capital Assets

Cost	Balance at December 31, 2015	Additions	Transfers and Disposals	Balance at December 31, 2016
Land	\$ 3,651,553	\$ -	\$ -	\$ 3,651,553
Engineering structures	26,304,810	218,059	-	26,522,869
Buildings and building improvements	13,746,804	331,252	-	14,078,056
Vehicles, machinery and equipment	9,827,294	504,524	-	10,331,818
Assets under construction	615,713	1,474,846	-	2,090,559
Total	\$ 54,146,174	\$ 2,528,681	\$ -	\$ 56,674,855

Accumulated amortization	Balance at December 31, 2015	Disposals	Amortization expense	Balance at December 31, 2016
Engineering structures	\$ 7,191,066	\$ -	\$ 529,955	\$ 7,721,021
Buildings and building improvements	5,887,651	-	463,567	6,351,218
Vehicles, machinery and equipment	6,397,659	-	536,721	6,934,380
Total	\$ 19,476,376	\$ -	\$ 1,530,243	\$ 21,006,619

	Net book value December 31, 2015	Net book value December 31, 2016
Land	\$ 3,651,553	\$ 3,651,553
Engineering structures	19,113,744	18,801,848
Buildings and building improvements	7,859,153	7,726,838
Vehicles, machinery and equipment	3,429,635	3,397,438
Assets under construction	615,713	2,090,559
Total	\$ 34,669,798	\$ 35,668,236

(a) Assets Under Construction

Assets under construction having a value of \$2,090,559 (2015 - \$615,713) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2016

12. Pension Liability

The Regional District and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2016, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted to the extent there is amortization of any funding deficit.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis.

The Regional District paid \$466,832 for employer contributions to the plan in fiscal 2016.

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

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2016

13. Contingent Liabilities

a) Legal Actions

As at December 31, 2016, certain legal actions are pending against the Fraser Valley Regional District, the outcome of which cannot be reasonably determined. These actions will be settled subsequent to year end and are not of determinable amount. When the amount becomes determinable it will be included in the financial statements.

b) Municipal Finance Authority Debt Reserve Fund

With respect to amounts financed through the Authority, the Regional District is required to pay into a debt reserve fund administered by the Authority, an amount equal to one-half the average annual installment of principal and interest relative to any borrowing for its own purposes and on behalf of member municipalities. This amount may be paid either in full or in an amount of cash equal to 1% of the principal amount borrowed together with a non-interest bearing demand note for the balance. If, at any time, the Authority does not have sufficient funds to meet payments of sinking fund contributions due on its obligations, the payments or sinking fund contributions shall be made from the debt reserve fund. The demand notes payable to the Authority and receivable from member municipalities are callable only if there are additional requirements to be met to maintain the level of the debt reserve fund.

c) Municipal Insurance Association of B.C.

The District is a member of the Municipal Insurance Association (MIA) which operates under a reciprocal insurance exchange agreement. The main purpose is to pool the risk of third party liability claims against members in order to allow for stable financial planning related to those broad risk management strategies to reduce accidents occurrences against the District. The District is assessed an annual premium based on population, administrative costs, premium tax, and re-insurance oversights by the Provincial government.

14. 2016 Plan

The budget data presented in these financial statements was included in the Fraser Valley Regional District 2016 - 2020 Financial Plan, adopted through Bylaw No. 1370, 2016 on April 26, 2016. The following table reconciles the approved budget to the budget figures in these consolidated financial statements.

	2016
Revenues:	
Budget	\$ 23,766,660
Less:	
Internal Recoveries	(2,770,120)
Budgeted revenues per Statement of Operations	20,996,540
Expenses:	
Budget	22,270,784
Less:	
Internal Recoveries	(2,770,120)
Budgeted expenses per Statement of Operations	\$ 19,500,664

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2016

15. Segmented Information

Segmented information has been identified based upon lines of service provided by the District. District services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide are as follows:

i) General Government:

General Government includes services and activities responsible for the overall direction and monitoring of regional initiatives. These include, but are not limited to legislative services, Board operations and remuneration, treaty advisory committee, fiscal services, information technology, geographic information systems, feasibility studies and overall organizational administration.

ii) Protective Services:

Protective Services includes those services that provide protection to the region's inhabitants and their property. Services include seven (7) Volunteer Fire Departments, Emergency Management, 911 Emergency Telephone Services, Regional Fire Dispatch, Search & Rescue and Dyking/Flood controls.

iii) Transportation Services:

Transportation Services includes the operation of certain rural transit services, nine (9) Street Lighting Service areas, and the operation of the Hope and District Airport.

iv) Environmental Health Services:

Environmental Health Services includes the delivery of the Regional Air Quality and Solid Waste Management programs, Mosquito control program, Noxious Weeds program, four (4) drainage systems, three (3) refuse/recycling collection systems, and the Boston Bar Landfill.

v) Environmental Development Services:

Environmental Development Services includes the delivery of Regional Planning and Electoral Area Planning as well as the administration of the Electoral Area Soil Deposit and removal sites.

vi) Recreation and Culture Services:

Recreation and Culture services includes the Regional Community Parks system and Library services in the Electoral Areas. Recreation and Cultural Services also includes the Hope and District Recreation Commission, Almer Carlson Pool, Boston Bar bowling alley, Boston Bar Television, Harrison Lake Boat Launch and Area A & B Heritage Conservation.

vii) Utility Services:

Utilities includes the construction and operating of twelve (12) water systems and three (3) sanitary sewer systems.

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2016

15. Segmented Information (continued)

	General Government	Protective Services	Transportation Services	Environmental Health	Environmental Development	Recreation & Culture	Utility Services	2016	2015
Revenues									
Member requisitions	\$ 2,054,839	\$ 3,494,432	\$ 1,090,090	\$ 1,448,270	\$ 1,347,690	\$ 3,161,395	\$ 632,890	\$ 13,229,606	\$ 12,981,790
Government grants	203,126	76,453	923,854	74,028	18,646	259,516	49,257	1,604,880	2,001,907
Sales of service	484,888	1,165,855	585,360	607,592	88,800	608,579	17,442	3,558,516	3,376,886
Other	<u>687,824</u>	<u>906,631</u>	<u>9,316</u>	<u>65,032</u>	<u>129,882</u>	<u>386,980</u>	<u>758,285</u>	<u>2,943,950</u>	<u>3,055,921</u>
	3,430,677	5,643,371	2,608,620	2,194,922	1,585,018	4,416,470	1,457,874	21,336,952	21,416,504
Expenditures									
Salaries and benefits	3,066,797	1,660,481	28,017	603,808	997,666	1,552,541	503,420	8,412,730	7,955,957
Directors expenses	375,310	-	-	-	-	-	-	375,310	334,533
Program support	1,434,927	2,485,710	2,482,408	1,238,716	252,581	1,408,187	325,712	9,628,241	9,342,577
Vehicle, Building and Equipment Expenses	333,643	297,684	16,333	273,943	1,716	499,744	143,574	1,566,637	1,559,355
Internal Services	443,050	502,400	84,331	205,500	282,150	350,996	74,200	1,942,627	1,879,262
Recoveries from other functions	<u>(2,721,740)</u>	<u>(18,800)</u>	<u>(6,541)</u>	<u>-</u>	<u>(14,350)</u>	<u>(29,833)</u>	<u>-</u>	<u>(2,791,264)</u>	<u>(2,662,295)</u>
	2,931,987	4,927,475	2,604,548	2,321,967	1,519,763	3,781,635	1,046,906	19,134,281	18,409,389
Amortization of tangible capital assets									
	<u>269,050</u>	<u>387,684</u>	<u>22,173</u>	<u>49,661</u>	<u>-</u>	<u>329,615</u>	<u>472,060</u>	<u>1,530,243</u>	<u>1,467,184</u>
	<u>3,201,037</u>	<u>5,315,159</u>	<u>2,626,721</u>	<u>2,371,628</u>	<u>1,519,763</u>	<u>4,111,250</u>	<u>1,518,966</u>	<u>20,664,524</u>	<u>19,876,573</u>
	<u>\$ 229,640</u>	<u>\$ 328,212</u>	<u>\$ (18,101)</u>	<u>\$ (176,706)</u>	<u>\$ 65,255</u>	<u>\$ 305,220</u>	<u>\$ (61,092)</u>	<u>\$ 672,428</u>	<u>\$ 1,539,931</u>