

FRASER VALLEY REGIONAL DISTRICT

CLIENT FILE # 245119

Year/Period end date per CW client profile: **December 31, 2017** **Full Fiscal Years**

Current active period per CaseWare client profile: **1** which is set for a **Yearly** period
& date being reported for active period is **December 31 2017**

Date line reads as -> Year Ended December 31, 2017

Report date (Set in user design field 4): **report date**

Current year 2017

Prior year 2016

FRASER VALLEY REGIONAL DISTRICT

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

**Fraser Valley Regional District
Consolidated Financial Statements**

December 31, 2017

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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

Auditors' Report to be Inserted Here

Fraser Valley Regional District
Consolidated Statement of Financial Position

December 31, 2017

	2017	2016
Financial Assets		
Cash and cash equivalents (Note 1)	\$ 5,019,060	\$ 207,939
Accounts receivable (Note 2)	4,765,574	3,839,152
Inventories	26,007	19,958
Investments (Note 3)	31,481,601	23,625,048
Investment in government business partnership (Note 4)	284,343	362,550
	41,576,585	28,054,647
Financial Liabilities		
Trade payables and accrued liabilities	4,642,483	2,128,156
Accrued interest	51,566	36,848
Due to Local governments	2,156,741	2,265,813
Landfill retirement costs (Note 5)	266,793	261,813
Municipal Finance Authority equipment financing	36,826	48,740
Municipal Finance Authority debentures (Note 7)	5,900,542	3,452,279
Municipal Finance Authority leases	-	20,544
Development levies and deferred revenue (Note 8)	12,134,456	874,122
Community Works funds (Note 9)	3,374,481	3,598,987
	28,563,888	12,687,302
Net Financial Assets	13,012,697	15,367,345
Non-Financial Assets		
Prepaid expenses	295,940	207,761
Tangible Capital Assets (Note 10)	40,213,328	35,668,236
Intangible Capital Assets (Note 11)	578,075	-
	41,087,343	35,875,997
Accumulated Surplus	\$ 54,100,040	\$ 51,243,342
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, 2017

	Budget 2017 <i>(Note 15)</i>	Actual 2017	Actual 2016
Revenues			
Member requisitions	\$ 13,494,205	\$ 13,452,754	\$ 13,229,606
Government grants	2,821,390	2,970,271	1,604,880
Utility user fees	506,286	603,832	522,318
Sale of services	2,517,289	4,462,651	3,558,516
Other	2,094,391	3,114,511	1,694,062
Interest	73,940	392,103	365,020
Income (loss) from government business partnerships	-	(78,207)	362,550
	<u>21,507,501</u>	<u>24,917,915</u>	<u>21,336,952</u>
Expenses			
General government services	3,048,905	3,414,274	3,201,037
Protective services	5,343,035	5,570,015	5,315,159
Transportation services	2,694,600	2,807,252	2,626,721
Environmental health services	2,135,530	2,171,109	2,371,628
Environmental development services	1,759,150	1,579,899	1,519,763
Recreation and cultural services	3,864,365	4,439,767	4,111,250
Utilities services	1,150,183	2,078,902	1,518,966
	<u>19,995,768</u>	<u>22,061,218</u>	<u>20,664,524</u>
Annual Surplus	1,511,733	2,856,697	672,428
Accumulated Surplus, Beginning of Year	<u>51,243,342</u>	<u>51,243,342</u>	<u>50,570,914</u>
Accumulated Surplus , End of Year	<u><u>\$ 52,755,075</u></u>	<u><u>\$ 54,100,039</u></u>	<u><u>\$ 51,243,342</u></u>

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

Year Ended December 31, 2017

	2017	2016
Annual surplus	\$ 2,856,697	\$ 672,428
Acquisition of tangible capital assets	(6,207,223)	(2,528,681)
Amortization of tangible capital assets	1,613,503	1,530,243
Loss on sale of tangible capital assets	1,629	-
Proceeds on sale of tangible capital assets	47,000	-
Acquisition of intangible capital assets	(608,500)	-
Amortization of intangible capital assets	30,425	-
Change in prepaid expenses	(88,179)	188,817
Change in Net Financial Assets	(2,354,648)	(137,193)
Net Financial Assets, Beginning of Year	15,367,345	15,504,538
Net Financial Assets, End of Year	\$ 13,012,697	\$ 15,367,345

Fraser Valley Regional District
Consolidated Statement of Cash Flows

Year Ended December 31, 2017

	2017	2016
Operating Activities		
Annual surplus	\$ 2,856,697	\$ 672,428
Items not involving cash		
Amortization of tangible capital assets	1,613,503	1,530,243
Loss on sale of tangible capital assets	1,629	-
Amortization of intangible capital assets	30,425	
Partnership (income) loss	78,207	(362,550)
	4,580,461	1,840,121
Change in non-cash operating items		
Accounts receivable	(926,422)	2,101,024
Inventories	(6,049)	(4,057)
Prepaid expenses	(88,179)	188,817
Trade payables and accrued liabilities	2,514,327	439,741
Local governments	(109,072)	24,006
Accrued interest	14,718	(1,479)
Landfill retirement costs	4,980	10,069
Development levies and deferred revenue	11,260,334	226,684
Community works fund	(224,506)	621,420
	17,020,592	5,446,346
Investing Activities		
Acquisition of tangible capital assets	(6,207,223)	(2,528,681)
Proceeds on sale of tangible capital assets	47,000	-
Acquisition of intangible capital assets	(608,500)	-
	(6,768,723)	(2,528,681)
Financing Activities		
Proceeds from debenture debt	2,900,000	-
Repayment of debenture debt	(463,651)	(445,725)
Repayment of capital leases	(20,544)	(45,971)
	2,415,805	(491,696)
Investing Activities		
Increase in portfolio investments	(7,856,553)	(2,312,846)
Change in Cash	4,811,121	113,123
Cash and cash equivalents, Beginning of Year	207,939	94,816
Cash and cash equivalents, End of Year	\$ 5,019,060	\$ 207,939
Supplementary cash flow information:		
Interest paid	\$ 277,539	\$ 284,936

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2017

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 style="padding-left: 40px;">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 style="padding-left: 40px;">The capital fund reflects the financial activities associated with the acquisition, construction and funding of capital assets.</p> <p>(c) Reserve Fund</p> <p style="padding-left: 40px;">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 23rd, 2017.
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 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

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2017

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) Intangible Capital Assets

Intangible capital assets are recorded at cost, which includes amounts for the campground license related to the purchase of the Vedder River Campground occupation license. The costs are amortized on a straight-line basis over their estimated useful life as follows:

Asset	Useful Life - Years
Campground license	20

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2017

Non-Financial Assets (con't)

(iii) 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.

(iv) Natural Resources

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

(v) 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, 2017

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, 2017, 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, 2017

1. Cash and cash equivalents

	2017	2016
Cash	\$ 19,060	\$ 166,339
Cash Equivalents	<u>5,000,000</u>	<u>41,600</u>
	<u>\$ 5,019,060</u>	<u>\$ 207,939</u>

2. Accounts Receivable

	2017	2016
Accrued interest - investments	\$ 254,536	\$ 216,728
Local government	768,677	720,780
Provincial Government	1,121,116	135,077
MFA Debt Reserve - Cash	1,557,703	1,524,420
Regional Hospital District	592	1,382
Trade Accounts and User Fees	<u>1,062,950</u>	<u>1,240,765</u>
	<u>\$ 4,765,574</u>	<u>\$ 3,839,152</u>

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2017

3. Investments

The District holds investments in bonds, GICs

Bonds and GICs held at December 31, 2017 are as follows:

	Amount	Effective Interest Rate	Maturity Date
Bonds:			
BMO FXD/ FLT	\$ 3,793,000	3.12%	September 19, 2024
BNS DEP NOTE	1,509,000	1.905%	December 2, 2021
BTLBK CDA	530,000	2.06%	November 24, 2022
Premium on purchase of bonds	102,281		
GICs:			
CCS GIC	1,020,080	1.56%	August 7, 2018
VANCITY GIC	996,000	1.44%	April 29, 2019
CCS GIC	2,000,000	1.61%	April 29, 2019
CCS GIC	3,000,000	1.46%	April 29, 2019
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
CCS CSH GIC	5,000,000	1.38%	September 19, 2024
NATL BK GIC	1,333,334	2.31%	May 26, 2020
BMO GIC	531,240	1.45%	November 16, 2018
BMO GIC	4,000,000	1.45%	April 29, 2019
HSBC BK GIC	<u>3,000,000</u>	1.85%	August 7, 2018
	<u>\$ 31,481,601</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, 2017 have a total carrying value of \$31,736,137 (2016 - \$23,841,776), consisting of amortized cost of \$31,481,601 (2016 - \$23,625,048) and related accrued interest of \$254,536 (2016 - \$216,728). The market value of these investments at December 31, 2017 is approximately \$31,632,035 (2016 - \$23,758,170).

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2017

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, 2017 are summarized below. 2016 Partnership income includes 2015 results as they were not determined prior to the 2015 audit report date.

CLCCF Condensed Financial Statements:

	2017	2016
Assets		
Cash	\$ 825,809	\$ 1,176,721
Other Current Assets	33,686	5,907
	\$ 859,495	\$ 1,182,628
 Liabilities		
Accounts Payable	\$ 6,467	\$ 94,979
Partnership Equity	853,028	1,087,649
	\$ 859,495	\$ 1,182,628
 Income Statement		
	2017	2016
Total Revenue	\$ 25,689	\$ 861,545
Total Expenses	266,640	304,489
Net Income (loss)	\$ (240,951)	\$ 557,056

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2017

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 2017, 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 \$266,793 has been set aside at December 31, 2017.

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, 2017 are projected for the next five years as follows:

	Member Municipalities	Regional District	Total
2018	\$ 7,955,249	\$ 347,816	\$ 8,303,065
2019	7,805,674	336,716	8,142,390
2020	7,608,463	336,716	7,945,179
2021	7,558,285	336,716	7,895,001
2022	7,558,285	311,310	7,869,595
	<u>\$ 38,485,956</u>	<u>\$ 1,669,274</u>	<u>\$ 40,155,230</u>

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2017

7. Municipal Finance Authority Debentures

(a) 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.

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

	2017	2016
Debentures	\$ 75,426,455	\$ 77,400,544
Debt charges recoverable	(69,525,913)	(73,948,265)
	\$ 5,900,542	\$ 3,452,279

8. 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 development levies are restricted for specified purposes.

	2017	2016
West Popkum Drainage	\$ 199,747	\$ 131,392
Lakeside Trail	240,530	-
Bell Acres Water	18,761	18,352
Dogwood Water System	-	42,287
Parkview Water	68,173	66,686
Area D Water	109,067	291,574
Deroche Water	58,984	57,697
Area C Community Parks	17,905	17,514
Area D Parks Cash in Lieu	97,354	50,930
Area F Parks Cash in Lieu	39,932	39,061
Community Parks Cash in Lieu	25,619	151,119
	\$ 876,072	\$ 866,612

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2017

Deferred Revenues represent amounts received in advance for services which have not yet been provided.

	2017	2016
Deferred Revenue - Utilities	6,644	-
Deferred Revenue	428,192	4,992
Deferred Grants - Capital projects	10,820,275	-
Deferred Revenue - Hope Recreation	3,273	2,518
	11,258,384	7,510
Total development levies and deferred revenue	12,134,456	874,122

9. 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

	2017	2016
Opening balance of unspent funds	\$ 3,598,987	\$ 2,977,567
Add: Amount received during the year	763,909	754,157
Interest earned	75,176	67,041
Less: Amount spent on projects	(1,063,591)	(199,778)
	\$ 3,374,481	\$ 3,598,987

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2017

10. Tangible Capital Assets

Cost	Balance at December 31, 2016	Additions	Transfers and Disposals	Balance at December 31, 2017
Land	\$ 3,651,553	\$ -	\$ -	\$ 3,651,553
Engineering structures	26,522,869	208,408	-	26,731,277
Buildings and building improvements	14,078,056	438,134	-	14,516,190
Vehicles, machinery and equipment	10,331,818	807,392	(222,746)	10,916,464
Assets under construction	2,090,559	4,935,743	(182,453)	6,843,849
Total	\$ 56,674,855	\$ 6,389,677	\$ (405,199)	\$ 62,659,333

Accumulated amortization	Balance at December 31, 2016	Disposals	Amortization expense	Balance at December 31, 2017
Engineering structures	\$ 7,721,021	\$ -	\$ 532,213	\$ 8,253,234
Buildings and building improvements	6,351,218	-	493,981	6,845,199
Vehicles, machinery and equipment	6,934,380	(174,117)	587,309	7,347,572
Total	\$ 21,006,619	\$ (174,117)	\$ 1,613,503	\$ 22,446,005

	Net book value December 31, 2016	Net book value December 31, 2017
Land	\$ 3,651,553	\$ 3,651,553
Engineering structures	18,801,848	18,478,043
Buildings and building improvements	7,726,838	7,670,991
Vehicles, machinery and equipment	3,397,438	3,568,892
Assets under construction	2,090,559	6,843,849
Total	\$ 35,668,236	\$ 40,213,328

(a) Assets Under Construction

Assets under construction having a value of \$6,843,849 (2016 - \$2,090,559) 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, 2017

11. Intangible Capital Assets

The campground license relates to the purchase of the Vedder River Campground occupation license.

Cost	Balance at December 31, 2016	Additions	Transfers and Disposals	Balance at December 31, 2017
Campground license	\$ -	\$ 608,500	\$ -	\$ 608,500
Total	\$ -	\$ 608,500	\$ -	\$ 608,500

Accumulated amortization	Balance at December 31, 2016	Disposals	Amortization expense	Balance at December 31, 2017
Campground license	\$ -	\$ -	\$ 30,425	\$ 30,425
Total	\$ -	\$ -	\$ 30,425	\$ 30,425

	Net book value December 31, 2016	Net book value December 31, 2017
Campground license	\$ -	\$ 578,075
	\$ -	\$ 578,075

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2017

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 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 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 may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

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. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred at the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The Regional District paid \$476,555 (2016 - \$466,832) for employer contributions to the plan in fiscal 2017.

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, 2017

13. Contingent liabilities

a) Legal Actions

As at December 31, 2017 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. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Fraser Valley Regional District
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Year ended December 31, 2017

15. 2017 Plan

The budget data presented in these financial statements was included in the Fraser Valley Regional District 2017 - 2021 Financial Plan, adopted through Bylaw No. 1423, 2017 on April 23, 2017. The following table reconciles the approved budget to the budget figures in these consolidated financial statements.

	<u>2017</u>
Revenues:	
Budget	\$ 24,360,846
Less:	
Internal Recoveries	<u>(2,853,345)</u>
Budgeted revenues per Statement of Operations	<u>21,507,501</u>
Expenses:	
Budget	22,849,113
Less:	
Internal Recoveries	<u>(2,853,345)</u>
Budgeted expenses per Statement of Operations	<u>\$ 19,995,768</u>

16. 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:

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16. Segmented Information (continued)

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, 2017

16. Segmented Information (continued)

	General Government	Protective Services	Transportation Services	Environmental Health	Environmental Development	Recreation & Culture	Utility Services	2017	2016
Revenues									
Member requisitions	\$ 2,097,130	\$ 3,320,775	\$ 1,178,240	\$ 1,493,440	\$ 1,367,850	\$ 3,212,204	\$ 783,115	\$ 13,452,754	\$ 13,229,606
Government grants	103,826	74,216	989,963	69,003	18,091	346,349	1,368,823	2,970,271	1,604,880
Sales of service	525,391	1,519,305	767,474	513,071	65,108	1,065,562	610,572	5,066,483	3,558,516
Other	<u>287,691</u>	<u>862,531</u>	<u>9,640</u>	<u>79,333</u>	<u>84,752</u>	<u>167,267</u>	<u>1,937,193</u>	<u>3,428,407</u>	<u>2,943,950</u>
	3,014,038	5,776,827	2,945,317	2,154,847	1,535,801	4,791,382	4,699,703	24,917,915	21,336,952
Expenditures									
Salaries and benefits	3,383,208	1,753,644	25,724	668,520	1,119,671	1,608,578	570,457	9,129,802	8,412,730
Directors expenses	388,319	-	-	-	-	-	-	388,319	375,310
Program support	1,425,645	2,566,335	2,651,603	995,800	169,764	1,858,608	799,895	10,467,650	9,628,241
Vehicle, Building and Equipment Expenses	248,663	353,415	13,398	254,522	7,414	291,988	196,203	1,365,603	1,566,637
Internal Services	467,450	512,000	96,100	211,750	297,400	358,100	76,700	2,019,500	1,942,627
Recoveries from other functions	(2,799,595)	(23,300)	-	(7,231)	(14,350)	(71,641)	(37,467)	(2,953,584)	(2,791,264)
Amortization of tangible capital assets	300,584	407,921	20,427	47,748	-	363,709	473,114	1,613,503	1,530,243
Amortization of intangible capital assets	-	-	-	-	-	30,425	-	30,425	-
	<u>3,414,274</u>	<u>5,570,015</u>	<u>2,807,252</u>	<u>2,171,109</u>	<u>1,579,899</u>	<u>4,439,767</u>	<u>2,078,902</u>	<u>22,061,218</u>	<u>20,664,524</u>
	\$ <u>(400,236)</u>	\$ <u>206,812</u>	\$ <u>138,065</u>	\$ <u>(16,262)</u>	\$ <u>(44,098)</u>	\$ <u>351,615</u>	\$ <u>2,620,801</u>	\$ <u>2,856,697</u>	\$ <u>672,428</u>