

FRASER VALLEY REGIONAL DISTRICT

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2019

Fraser Valley Regional District
Consolidated Financial Statements

December 31, 2019

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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.

Kristy Hodson, CPA, CMA
Acting Director of Financial Services/Chief Financial Officer



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Fraser Valley Regional District

Opinion

We have audited the accompanying consolidated financial statements of Fraser Valley Regional District (the "District") which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of financial activities for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2019, and its consolidated results of financial activities, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards 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.

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DRAFT

Chartered Professional Accountants

Chilliwack, Canada

Date

Fraser Valley Regional District

Consolidated Statement of Financial Position

December 31, 2019

	2019	2018
Financial Assets		
Cash and cash equivalents (Note 1)	\$ 3,132,927	\$ 6,444,422
Accounts receivable (Note 2)	5,985,259	4,740,452
Inventories	33,935	26,574
Investments (Note 3)	37,185,108	35,205,598
Investment in government business partnership (Note 4)	540,427	530,124
	<u>46,877,656</u>	<u>46,947,170</u>
Financial Liabilities		
Trade payables and accrued liabilities	3,925,636	4,832,513
Accrued interest	76,848	85,193
Due to Local governments	2,098,854	2,118,380
Landfill retirement costs (Note 5)	507,255	490,102
Municipal Finance Authority equipment financing	12,045	24,092
Municipal Finance Authority debentures (Note 7)	9,191,984	9,691,641
Development levies and deferred revenue (Note 8)	12,581,561	12,350,470
Community Works funds (Note 9)	4,663,195	3,243,102
	<u>33,057,378</u>	<u>32,835,493</u>
Net Financial Assets	<u>13,820,278</u>	<u>14,111,677</u>
Non-Financial Assets		
Prepaid expenses	624,571	684,241
Tangible Capital Assets (Note 10)	47,237,508	43,206,268
Intangible Capital Assets (Note 11)	517,225	547,650
	<u>48,379,304</u>	<u>44,438,160</u>
Accumulated Surplus	<u>\$ 62,199,582</u>	<u>\$ 58,549,837</u>
Commitments (Note 12)		
Subsequent Event (Note 13)		
Contingent Liabilities (Note 14)		

Approved on behalf of the Board:

_____ Chief Financial Officer

Fraser Valley Regional District
Consolidated Statement of Financial Activities

Year Ended December 31, 2019

	Budget 2019 (Note 16)	Actual 2019	Actual 2018
Revenues			
Member requisitions	\$ 16,861,910	\$ 16,742,211	\$ 15,274,306
Government grants	4,211,630	2,918,670	3,746,047
Utility user fees	1,237,740	1,206,396	831,246
Sale of services	3,902,130	5,570,880	5,416,680
Other	3,162,473	3,574,038	3,433,909
Interest	60,600	480,297	642,226
Income from government business partnerships	-	10,303	245,781
	<u>29,436,483</u>	<u>30,502,795</u>	<u>29,590,195</u>
Expenses			
General government services	3,116,995	3,845,819	4,342,288
Protective services	6,578,090	7,233,455	5,469,133
Transportation services	3,391,300	3,298,841	3,158,304
Environmental health services	2,524,215	2,468,942	2,723,566
Environmental development services	2,287,360	1,732,979	1,557,598
Recreation and cultural services	5,427,310	5,992,201	5,880,152
Utilities services	1,686,660	2,280,813	2,009,356
	<u>25,011,930</u>	<u>26,853,050</u>	<u>25,140,397</u>
Annual Surplus	4,424,553	3,649,745	4,449,798
Accumulated Surplus, Beginning of Year	58,549,837	58,549,837	54,100,039
Accumulated Surplus , End of Year	<u><u>\$ 62,974,390</u></u>	<u><u>\$ 62,199,582</u></u>	<u><u>\$ 58,549,837</u></u>

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

Year Ended December 31, 2019

	2019	2018
Annual surplus	\$ 3,649,745	\$ 4,449,798
Acquisition of tangible capital assets	(5,993,413)	(4,835,288)
Amortization of tangible capital assets	1,939,592	1,828,866
(Gain)/Loss on sale of tangible capital assets	2,831	(4,157)
Proceeds on sale of tangible capital assets	19,750	17,639
Amortization of intangible capital assets	30,425	30,425
Change in prepaid expenses	59,671	(388,303)
Change in Net Financial Assets	(291,399)	1,098,980
Net Financial Assets, Beginning of Year	14,111,677	13,012,697
Net Financial Assets, End of Year	\$ 13,820,278	\$ 14,111,677

Fraser Valley Regional District

Consolidated Statement of Cash Flows

Year Ended December 31, 2019

	2019	2018
Operating Activities		
Annual surplus	\$ 3,649,745	\$ 4,449,798
Items not involving cash		
Amortization of tangible capital assets	1,939,592	1,828,866
Gain/(Loss) on sale of tangible capital assets	2,831	(4,157)
Amortization of intangible capital assets	30,425	30,425
Partnership income	(10,303)	(245,781)
	5,612,290	6,059,151
Change in non-cash operating items		
Accounts receivable	(1,244,807)	25,122
Inventories	(7,361)	(567)
Prepaid expenses	59,670	(388,301)
Trade payables and accrued liabilities	(906,877)	190,028
Local governments	(19,526)	(38,361)
Accrued interest	(8,344)	33,627
Landfill retirement costs	17,153	223,309
Development levies and deferred revenue	231,091	216,013
Community works fund	1,420,093	(131,378)
	5,153,382	6,188,643
Investing Activities		
Acquisition of tangible capital assets	(5,993,413)	(4,835,288)
Proceeds on sale of tangible capital assets	19,750	17,639
Increase in portfolio investments	(1,979,510)	(3,723,997)
	(7,953,173)	(8,541,646)
Financing Activities		
Proceeds from debenture debt	-	4,140,000
Repayment of debenture debt	(511,704)	(361,635)
	(511,704)	3,778,365
Change in Cash	(3,311,495)	1,425,362
Cash and cash equivalents, Beginning of Year	6,444,422	5,019,060
Cash and cash equivalents, End of Year	\$ 3,132,927	\$ 6,444,422
Supplementary cash flow information:		
Interest paid	\$ 375,142	\$ 274,807

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2019

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 March 20, 2019.
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 written down to net realizable value.

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2019

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, 2019

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, 2019

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, 2019, 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, 2019

1. Cash and cash equivalents

	<u>2019</u>	<u>2018</u>
Cash	\$ 3,132,927	\$ 6,444,422
Cash Equivalents	<u>-</u>	<u>-</u>
	<u>\$ 3,132,927</u>	<u>\$ 6,444,422</u>

2. Accounts Receivable

	<u>2019</u>	<u>2018</u>
Accrued interest - investments	\$ 447,236	\$ 235,567
Local government	689,032	730,266
Provincial Government	763,399	112,871
MFA Debt Reserve - Cash	1,580,249	1,585,843
Regional Hospital District	15,267	102,629
Trade Accounts and User Fees	<u>2,490,076</u>	<u>1,973,276</u>
	<u>\$ 5,985,259</u>	<u>\$ 4,740,452</u>

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2019

3. Investments

The District holds investments in bonds, GICs

Bonds and GICs held at December 31, 2019 are as follows:

		Amount	Effective Interest Rate	Maturity Date
Bonds:	BMO FXD/ FLT	\$ 1,700,000	3.12%	September 19, 2024
	BNS DEP NOTE	1,509,000	1.90%	December 2, 2021
	NTL BK CDA	530,000	2.06%	November 24, 2022
	Discount on purchase of bonds	(6,001)		
GICs:	BLUESHORE CU GIC	3,600,000	2.35%	August 9, 2021
	CCS GIC	1,000,000	2.35%	August 9, 2021
	CCS GIC	2,000,000	2.70%	April 1, 2022
	BLUESHORE CU GIC	1,333,333	2.60%	May 27, 2022
	NTL BK	531,240	3.05%	November 16, 2020
	NTL BK	1,014,400	2.45%	April 30, 2020
	HSBC BK GIC	1,400,000	2.26%	August 9, 2021
	CCS GIC	1,000,000	2.65%	August 29, 2022
	SCOTIA BK GIC	3,697,812	2.40%	March 30, 2020
	NATL BK GIC	1,328,990	2.45%	March 30, 2020
	CCS GIC	1,000,000	2.80%	February 27, 2020
	NATL BK GIC	1,333,334	2.31%	May 26, 2020
	CDN IMPERIAL BK GIC	4,137,000	2.82%	February 6, 2020
	CDN WEST BK GIC	2,032,200	2.57%	April 30, 2020
	CND IMPERIAL BK GIC	3,043,800	2.45%	April 30, 2020
	ENVISION	5,000,000	2.40%	December 21, 2020
		<u>\$ 37,185,108</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, 2019 have a total carrying value of \$37,632,344 (2018 - \$35,441,166), consisting of amortized cost of \$37,185,108 (2018 - \$35,205,598) and related accrued interest of \$447,236 (2018 - \$235,567). The market value of these investments at December 31, 2019 is approximately \$37,602,893 (2018 - \$35,309,800).

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2019

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, 2019 are summarized below.

CLCCF Condensed Financial Statements:

Assets	<u>2019</u>	<u>2018</u>
Cash	\$ 1,025,506	\$ 1,019,947
Other Current Assets	<u>666,519</u>	<u>613,644</u>
	<u>\$ 1,692,025</u>	<u>\$ 1,633,591</u>
Liabilities		
Accounts Payable	\$ 77,039	\$ 49,525
Partnership Equity	<u>1,614,986</u>	<u>1,584,066</u>
	<u>\$ 1,692,025</u>	<u>\$ 1,633,591</u>
	<u>2019</u>	<u>2018</u>
Total Revenue	\$ 1,546,650	\$ 2,557,088
Total Expenses	<u>1,215,730</u>	<u>1,804,720</u>
Net Income	<u>\$ 330,920</u>	<u>\$ 752,368</u>

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2019

5. Landfill Retirement Costs

Asset retirement obligations consist of landfill closing and post closure costs. Progressive closure costs are estimated at \$1,441,062. 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 2018, post closure costs were estimated at \$640,000. 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 50 years. The interest rate currently being paid by the Fraser Valley Regional District on MFA debt is 3.5%.

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 \$507,255 has been set aside at December 31, 2019.

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, 2019 are projected for the next five years as follows:

	Member Municipalities	Regional District	Total
2020	\$ 7,608,463	\$ 822,545	\$ 8,431,008
2021	7,452,445	754,232	8,206,677
2022	7,452,446	754,232	8,206,678
2023	7,442,508	748,653	8,191,161
2024	7,416,856	728,081	8,144,937
	<u>\$ 37,372,718</u>	<u>\$ 3,807,743</u>	<u>\$ 41,180,461</u>

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2019

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:

	2019	2018
Debentures	\$ 68,829,136	\$ 74,618,102
Debt charges recoverable	(59,637,152)	(64,926,461)
	<u>\$ 9,191,984</u>	<u>\$ 9,691,641</u>

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.

	2019	2018
West Popkum Drainage	\$ 248,192	\$ 244,245
Lakeside Trail	296,908	303,495
Bell Acres Water	19,685	19,372
Parkview Water	71,529	70,391
Area D Water	123,749	76,955
Deroche Water	135,333	133,181
Area C Parks Cash in Lieu	18,786	18,487
Area D Parks Cash in Lieu	122,723	100,522
Area D Parks VCC	66,280	65,226
Area F Parks Cash in Lieu	41,897	41,231
Area H Parks Cash in Lieu	<u>52,589</u>	<u>26,453</u>
	<u>\$ 1,197,671</u>	<u>\$ 1,099,558</u>

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2019

8. Development Levies and Deferred Revenue (continued)

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

	2019	2018
Deferred Revenue - Utilities	1,014	4,105
Deferred Revenue	318,885	308,158
Deferred Grants - Capital projects	10,630,728	10,500,247
Deferred Revenue - Vedder Campground	9,120	11,500
Deferred Revenue - Animal Control	311,063	309,653
Deferred Revenue - Hope Recreation	<u>113,080</u>	<u>117,249</u>
	<u>11,383,890</u>	<u>11,250,912</u>
Total development levies and deferred revenue	<u>12,581,561</u>	<u>12,350,470</u>

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

	2019	2018
Opening balance of unspent funds	\$ 3,243,102	\$ 3,374,481
Add: Amount received during the year	1,611,287	790,069
Interest earned	74,156	109,521
Less: Amount spent on projects	<u>(265,350)</u>	<u>(1,030,969)</u>
	<u>\$ 4,663,195</u>	<u>\$ 3,243,102</u>

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2019

10. Tangible Capital Assets

Cost	Balance at December 31, 2018	Additions	Transfers and Disposals	Balance at December 31, 2019
Land	\$ 3,651,553	\$ -	\$ -	\$ 3,651,553
Engineering structures	34,797,735	96,713	-	34,894,448
Buildings and building improvements	14,861,485	-	-	14,861,485
Vehicles, machinery and equipment	11,641,442	1,982,370	(76,516)	13,547,296
Assets under construction	2,484,922	4,280,616	(366,286)	6,399,252
Total	\$ 67,437,137	\$ 6,359,699	\$ (442,802)	\$ 73,354,034

Accumulated amortization	Balance at December 31, 2018	Disposals	Amortization expense	Balance at December 31, 2019
Engineering structures	\$ 8,924,213	\$ -	\$ 663,249	\$ 9,587,462
Buildings and building improvements	7,361,158	-	512,709	7,873,867
Vehicles, machinery and equipment	7,945,498	(53,935)	763,635	8,655,198
Total	\$ 24,230,869	\$ (53,935)	\$ 1,939,593	\$ 26,116,527

	Net book value December 31, 2018	Net book value December 31, 2019
Land	\$ 3,651,553	\$ 3,651,553
Engineering structures	25,873,522	25,306,987
Buildings and building improvements	7,500,327	6,987,618
Vehicles, machinery and equipment	3,695,944	4,892,098
Assets under construction	2,484,922	6,399,252
Total	\$ 43,206,268	\$ 47,237,508

(a) Assets Under Construction

Assets under construction having a value of \$6,339,252 (2018 - \$2,484,922) 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, 2019

11. Intangible Capital Assets

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

Cost	Balance at December 31, 2018	Additions	Transfers and Disposals	Balance at December 31, 2019
Campground license	\$ 608,500	\$ -	\$ -	\$ 608,500
Total	\$ 608,500	\$ -	\$ -	\$ 608,500

Accumulated amortization	Balance at December 31, 2018	Disposals	Amortization expense	Balance at December 31, 2019
Campground license	\$ 60,850	\$ -	\$ 30,425	\$ 91,275
Total	\$ 60,850	\$ -	\$ 30,425	\$ 91,275

	Net book value December 31, 2018	Net book value December 31, 2019
Campground license	\$ 547,650	\$ 517,225
	\$ 547,650	\$ 517,225

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2019

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, 2019, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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 actuarial valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The Regional District paid \$581,607 (2018 - \$574,839) for employer contributions to the plan in fiscal 2019.

The next valuation will be as at December 31, 2021, with results available in 2022.

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.

13. Subsequent Event

In March 2020, the COVID-19 outbreak has caused governments worldwide to enact emergency measures to combat the spread of the coronavirus. These measures, which include the implementation of facility closures, travel restrictions, self-isolation periods, and social and physical distancing, will have a significant impact on local and global economies.

At the time of approval of these financial statements, the Regional District has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Experienced temporary declines in investment income
- Closure of facilities including recreation and administrative buildings from March 16, 2020 to the date of the auditor's report based on public health recommendations. The Regional District office remains operating but is closed to the public.

At this time it is not possible to reliably estimate the length and severity of the COVID-19 outbreak and how it may impact the regional district's financial results for 2020.

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2019

14. Contingent liabilities

a) Legal Actions

As at December 31, 2019 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.

15. Contractual Rights

In addition to the debenture charges recoverable from member municipalities as disclosed in note 6(b), the Regional District is entitled to the following payments under contract as at December 31, 2019.

	Total
2020	\$ 226,383
2021	160,456
2022	123,033
2023	25,299
2024	18,157
Thereafter	289,409
	<u>842,737</u>

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2019

16. 2019 Plan

The budget data presented in these financial statements was included in the Fraser Valley Regional District 2019 - 2023 Financial Plan, adopted through Bylaw No. 1520, 2019 on March 20, 2019. The following table reconciles the approved budget to the budget figures in these consolidated financial statements.

	<u>2019</u>
Revenues:	
Budget	\$ 41,025,198
Less:	
Internal Recoveries/Debt servicing paid on behalf of municipalities	<u>(11,588,715)</u>
Budgeted revenues per Statement of Operations	<u><u>29,436,483</u></u>
Expenses:	
Budget	33,514,045
Less:	
Internal Recoveries/Debt servicing paid on behalf of municipalities	<u>(8,502,115)</u>
Budgeted expenses per Statement of Operations	<u><u>\$ 25,011,930</u></u>

17. 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.

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2019

15. 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 five (5) sanitary sewer systems.