



**COWICHAN VALLEY
REGIONAL DISTRICT**

FINANCIAL STATEMENTS
December 31, 2017

COWICHAN VALLEY REGIONAL DISTRICT

ELECTED AND APPOINTED OFFICIALS 2017

BOARD OF DIRECTORS

City of Duncan	S. Jackson
Town of Ladysmith	A. Stone
Town of Lake Cowichan	B. Day
District of North Cowichan	T. Walker
District of North Cowichan	J. Lefebure (Chair)
District of North Cowichan	K. Marsh
Electoral Area "A" - Mill Bay/Malahat	K. Davis
Electoral Area "B" - Shawnigan Lake	S. Acton
Electoral Area "C" - Cobble Hill	M. Clement
Electoral Area "D" - Cowichan Bay	L. Iannidinaro
Electoral Area "E" - Cowichan Station/Sahtlam/Glenora	A. Nicholson
Electoral Area "F" - Cowichan Lake South/Skutz Falls	I. Morrison (Vice-Chair)
Electoral Area "G" - Saltair/Gulf Island	M. Dorey
Electoral Area "H" - North Oyster/Diamond	M. Marcotte
Electoral Area "I" - Youbou/Meade Creek	K. Kuhn

OFFICERS

Chief Administrative Officer	B. Carruthers
Corporate Legislative Officer	J. Barry
Corporate Financial Officer	M. Kueber

COWICHAN VALLEY REGIONAL DISTRICT

**FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Management's Responsibility for Financial Reporting
Independent Auditor's Report

FINANCIAL STATEMENTS

- 1 Statement of Financial Position
 - 2 Statement of Operations
 - 3 Statement of Changes in Net Debt
 - 4 Statement of Cash Flows
- Summary of Significant Accounting Policies
Notes to the Financial Statements
Statement of Operating Surplus by Function



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Management's Responsibility for Financial Reporting

Management is responsible for the preparation and fair presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors are composed of Directors who are neither management nor employees of the Regional District. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual financial statements. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management including internal controls over the financial reporting process, auditing matters and financial reporting issues.

BDO Canada LLP, an independent firm of Chartered Professional Accountants, is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to management and the Board to discuss their audit findings.

A blue ink signature of Brian Carruthers, consisting of a stylized 'B' and 'C' followed by a horizontal line.

Brian Carruthers
Chief Administrative Officer

A blue ink signature of Mark Kueber, featuring a large, stylized 'M' and 'K' with a horizontal line underneath.

Mark Kueber, CPA, CGA
General Manager, Corporate Services

May 9, 2018



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Cowichan Valley Regional District

We have audited the accompanying financial statements of the Cowichan Valley Regional District, which comprise the Statement of Financial Position as at December 31, 2017, and the Statements of Operations, Change in Net Debt and Cash Flow for the year then ended, and 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 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.

Auditor's 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 the auditor's 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, the auditor considers 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 the Cowichan Valley Regional District as at December 31, 2017 and its results of operations, changes in net debt, and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

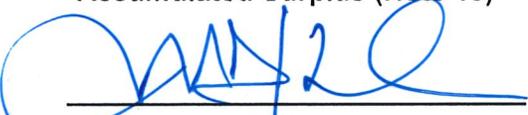
Chartered Professional Accountants

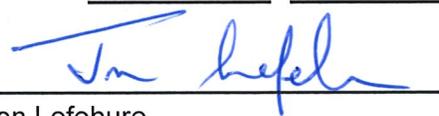
Vancouver, British Columbia

May 9, 2018

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017**

	2017	2016
Financial Assets		
Cash (Note 1)	\$ 28,571,847	\$ 23,538,278
Portfolio Investments (Note 2)	5,067,967	5,019,089
Accounts Receivable (Note 3)	3,108,977	2,214,480
Land Held for Resale (Note 6)	147,000	147,000
Debt Recoveries from Members (Note 4)	<u>35,483,413</u>	<u>37,457,017</u>
	<u>\$ 72,379,204</u>	<u>\$ 68,375,864</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	\$ 4,487,047	\$ 3,203,445
Deferred Revenue (Note 8)	2,339,979	1,212,225
Restricted Contributions and Performance Deposits (Note 9)	1,870,053	1,452,594
Employee Future Benefits (Note 10)	328,019	374,063
Landfill Closure and Post Closure Costs (Note 12)	1,463,335	2,085,165
Short-term Debt (Note 13 & 25)	4,456,222	4,009,176
Long-term Debt		
Regional District (Note 13 & 26)	13,607,137	15,134,162
Members (Note 4)	<u>35,483,413</u>	<u>37,457,017</u>
	<u>\$ 64,035,205</u>	<u>\$ 64,927,847</u>
Net Financial Assets	<u>\$ 8,343,999</u>	<u>\$ 3,448,017</u>
Non-Financial Assets		
Tangible Capital Assets (Note 24)	\$ 148,249,861	\$ 144,484,201
Inventories	29,484	31,116
Prepaid Expenses	<u>134,375</u>	<u>148,155</u>
	<u>148,413,720</u>	<u>144,663,472</u>
Accumulated Surplus (Note 18)	<u>\$ 156,757,719</u>	<u>\$ 148,111,489</u>


 Mark Kueber, CPA, CGA
 General Manager, Corporate Services


 Jon Lefebure
 Chairperson

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 Budget (Note 17)	2017 Actual	2016 Actual
Revenues			
Tax Requisition	\$ 36,041,665	\$ 36,041,665	\$ 34,007,525
User Fees	3,585,137	3,387,089	3,431,420
Parcel Taxes	2,469,217	2,470,690	2,309,152
Government Transfers	3,868,275	4,425,967	4,618,944
Services Provided to Other Local Governments	52,621	53,360	52,570
Revenue from Own Sources	9,348,622	9,478,596	9,112,444
Other Revenue	1,483,257	1,958,460	1,960,835
Interest Income	76,000	256,738	175,073
Donations	210,310	1,577,150	1,663,385
	<u>\$ 57,135,104</u>	<u>\$ 59,649,715</u>	<u>\$ 57,331,348</u>
Expenses (Note 27)			
General Government Services	7,582,316	6,526,412	5,719,895
Vancouver Island Regional Library	1,781,821	1,781,820	1,692,096
Transportation Services	3,125,274	3,086,757	3,013,174
Electoral Area Services	3,936,386	3,741,939	3,397,042
Protective Services	3,218,683	3,131,496	3,368,154
Parks and Recreation	15,378,366	18,021,455	17,111,256
Environmental Services	9,914,794	8,761,130	7,706,538
Sewer and Water Utilities	4,274,970	5,952,476	5,618,448
	<u>49,212,610</u>	<u>51,003,485</u>	<u>47,626,603</u>
Annual Surplus	7,922,494	8,646,230	9,704,745
Accumulated Surplus, Beginning of Year	<u>148,111,489</u>	<u>148,111,489</u>	<u>138,406,744</u>
Accumulated Surplus, End of Year (Note 18)	<u><u>\$156,033,983</u></u>	<u><u>\$156,757,719</u></u>	<u><u>\$148,111,489</u></u>

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF CHANGES IN NET DEBT
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017 Budget (Note 17)	2017 Actual	2016 Actual
Annual Surplus	\$ 7,922,494	\$ 8,646,230	\$ 9,704,745
Additions of Tangible Capital Assets	(22,932,563)	(8,404,882)	(5,541,233)
Contributed Tangible Capital Assets	-	(1,396,016)	(1,534,514)
Amortization of Tangible Capital Assets	-	6,035,238	5,910,115
Reclassification - Land for Resale	-	-	147,000
Change in Inventories	-	1,632	1,367
Change in Prepaid Expenses	-	13,780	(34,847)
Increase/(Decrease) in Net Assets	(15,010,069)	4,895,982	8,652,633
Opening Net Financial Assets (Net Debt)	<u>3,448,017</u>	<u>3,448,017</u>	<u>(5,204,616)</u>
Closing Net Financial Assets (Statement 1)	<u>\$ (11,562,052)</u>	<u>\$ 8,343,999</u>	<u>\$ 3,448,017</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS
AS AT DECEMBER 31, 2017**

	2017	2016
OPERATING ACTIVITIES		
Annual Surplus	\$ 8,646,230	\$ 9,704,745
Non-cash items included in surplus		
Amortization of Tangible Capital Assets	6,035,238	5,910,115
Contributed Tangible Capital Assets	(1,396,016)	(1,534,514)
Debt Actuarial Adjustment	(591,994)	(586,204)
Employee Future Benefits	(46,044)	(45,682)
Landfill Closure and Post Closure Costs	(621,830)	(3,239,519)
Change in non-cash working capital balances related to operations		
Accounts Receivable	(894,497)	68,314
Inventories	1,632	1,367
Prepaid Expenses	13,780	(34,847)
Accounts Payable and Accrued Liabilities	1,283,602	(748,309)
Deferred Revenue	1,127,754	(66,743)
Restricted Contributions and Performance Bonds	417,459	(240,134)
Change in Portfolio Investments	<u>(48,878)</u>	<u>(39,573)</u>
Cash provided by operating activities	13,926,436	9,149,016
CAPITAL ACTIVITIES		
Acquisition of Tangible Capital Assets	<u>(8,404,882)</u>	<u>(5,541,233)</u>
Cash used in capital activities	(8,404,882)	(5,541,233)
FINANCING ACTIVITIES		
Long-Term Debt Issued	-	85,000
Short-Term Debt Issued	2,579,658	1,689,073
Long-Term Debt Repayment	(935,031)	(992,932)
Short-Term Debt Repayment	<u>(2,132,612)</u>	<u>(2,169,393)</u>
Cash used in financing activities	(487,985)	(1,388,252)
Increase in cash	5,033,569	2,219,531
Cash - Beginning of Year	<u>23,538,278</u>	<u>21,318,747</u>
Cash - End of Year (Statement 1)	<u>\$ 28,571,847</u>	<u>\$ 23,538,278</u>
Interest Paid for Year	\$ 1,021,299	\$ 1,089,313
Interest Capitalized for Tangible Capital Assets	\$ 4,880	\$ -

The accompanying notes are an integral part of these financial statements.

COWICHAN VALLEY REGIONAL DISTRICT

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED DECEMBER 31, 2017

1) Summary of Significant Accounting Policies

(a) General

The Regional District was incorporated in 1967 under the provisions of the *Local Government Act*, a statute of the Province of B.C. Its principal activities are the provision of district wide local government services to the residents of the nine electoral areas and four municipalities, within its boundaries. These services include general government administration, bylaw enforcement, planning and development services, building inspection, fire protection and emergency response planning, public transportation, parks and recreation, water supply and sewage collection, wastewater disposal, solid waste/recycling collection and disposal, and street lighting.

(b) Basis of Presentation

The Consolidated Financial Statements of the Cowichan Valley Regional District (the Regional District), are prepared in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. The Consolidated Financial Statements reflect the combined results and activities of the reporting entity which is comprised of the Operating, Capital and Reserve Funds. The financial statements include the financial position, operations, changes in net debt and cash flows of the regional district. Inter-fund and inter-departmental transactions have been eliminated on consolidation.

- i. Operating Funds: These funds include the General, Water and Sewer operations of the Regional District, and are used to record the operating costs of the services provided.
- ii. Capital Funds: These funds include the General, Water and Sewer Capital Funds. They are used to record the acquisition, disposal and amortization of property and equipment and their related financing.
- iii. Reserve Funds: These funds are established by bylaw for capital expenditures or other specified purposes. Money in a reserve fund, and interest earned thereon, must be expended by bylaw only for the purpose for which the fund was established.

(c) Portfolio Investments

Investments are comprised entirely of Municipal Finance Authority (MFA) pooled money market funds. The Regional District funds invested with MFA are pooled with other local governments and managed independently by Phillips, Hager & North Ltd and CIBC Mellon Trust. Interest income on investments has been included in deferred revenue, Reserve Funds and Operating Funds based on relative equity in each fund. The investments are carried at market value which approximates cost.

COWICHAN VALLEY REGIONAL DISTRICT

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED DECEMBER 31, 2017

1) Summary of Significant Accounting Policies (continued)

(d) Financial Instruments

Financial instruments consist of cash, portfolio investments, receivables, debt and accounts payable. Unless otherwise noted, it is management's opinion that the Regional District is not exposed to significant interest rate, currency or credit risk from these financial instruments.

(e) Land Held for Sale

Land held for sale include real estate properties which are ready and available to be sold and for which there is an available market. They are valued at the lower or cost or expected net realizable value. No amortization is recorded once classified as land held for sale.

(f) Liability for Contaminated Sites

Governments are required to accrue a liability for the costs to remediate a contaminated site. Liabilities are recognized when an environmental standard exists, contamination exceeds the standard, the government has responsibility for remediation, future economic benefits will be given up, and a reasonable estimate can be made.

Management has assessed its potential liabilities, including sites that are no longer in productive use and sites for which the Regional District accepts responsibility. There is a portion of a site, at Bings Creek Drop off Depot, which has been determined to have evidence of contamination. At this time it has not been determined if this contamination is in excess of an environmental standard requiring remediation at this time. Therefore, no liability was recognized as at December 31, 2017 or 2016. Further assessment will continue to be made in regard to the site and potential contamination. Should a liability be determined to exist they will be recorded when it is determined.

(g) Landfill Closure and Post Closure

The estimate cost to close and provide post closure maintenance to the former landfill sites are based on estimated future expenses in current dollars, discounted and adjusted for estimated inflation. Post closure maintenance is required indefinitely and therefore all estimates use CVRD borrowing for the expected 25 year period at a rate of 3.30% annually.

(h) Long-Term Debt

Long-term debt is recorded net of repayment and actuarial adjustments.

COWICHAN VALLEY REGIONAL DISTRICT

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED DECEMBER 31, 2017

1) Summary of Significant Accounting Policies (continued)

(i) Non-Financial Assets

Non-financial assets are held for use in the provision of services and are not normally available to discharge liabilities. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year together with the net surplus (deficit) for the year, provides the change in the net debt for the year.

(j) Tangible Capital Assets

Tangible capital assets are non-financial assets that are to be used on a continuing basis, are not for sale in the ordinary course of operations and have useful economic lives extending beyond a single year. Tangible capital assets are recorded at cost and amortized. Contributed tangible capital assets are reported at their estimated fair market value. The costs of tangible capital assets includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost recorded, less any estimated residual value, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset Category	Useful Life Range (years)
Land	N/A
Building	20 - 50
Vehicles, Machinery & Equipment	5 - 20
Engineering Structures	10 - 60
Parks	10 - 60
Other Tangible Capital Assets	10 - 50

Assets under construction are not amortized until the asset is put into use.

(k) Inventories

Inventories of merchandise held for sale are recorded at lower of cost and net realizable value on the Statement of Financial Position. Inventories of materials and supplies are included as expenses in the Statement of Operations when consumed.

(l) Deferred Revenue

Funds received for specific purposes which are externally restricted by regulation, legislation or agreement and are not available for general purposes, are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of operations in the year in which it is used for the specified purposes.

COWICHAN VALLEY REGIONAL DISTRICT

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED DECEMBER 31, 2017

1) Summary of Significant Accounting Policies (continued)

(m) Accrued Employee Benefits

As determined by collective agreements and contractual arrangements, employee benefit accruals, which include an allowance for vacation entitlement and banked time earned but unpaid, are recorded in the year in which they are earned. Prior approval is required for carry over of vacation entitlement.

(n) Pension Liability

The long-term, post employment benefit liability of the regional district will be met by the Municipal Pension Plan into which both the employee and the regional district contribute.

(o) Revenue Recognition

Revenues are recorded on an accrual basis and are recognized in the period in which they are earned. Property tax revenues in the form of local government requisitions are recognized in the year they are levied. Parcel Taxes are recognized in the year they are levied. Interest income is recognized as earned as income in the Statement of Operations, except interest on restricted liabilities or reserves where the income is deferred until spent. Operating grants are recognized as earned. Donations are recorded when received. Grants in lieu of taxes are recorded on an accrual basis when it is possible to reasonably estimate the amounts receivable. User fees, transit, tipping fees, garbage and recycling collection fees are recognized as revenue on an accrual basis. Permit fees are recognized as revenue when the permit is approved and payment is collected according to rates set in various fees and charges bylaw.

(p) Government Transfers

Government transfers, which include legislative grants, are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when the transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

When the District is deemed the transferor, the transfer expense is recognized when the recipient is authorized and has met the eligibility criteria.

COWICHAN VALLEY REGIONAL DISTRICT

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED DECEMBER 31, 2017

1) Summary of Significant Accounting Policies (continued)

(q) Expense Recognition

Expenses are recorded on an accrual basis and are recognized in the period in which the goods and services are acquired and a liability is incurred or transfers are due. Expenses include the accrual of interest payable on debt to the end of the fiscal period. Estimates of employee future benefits are recorded as expenses in the year they are earned by employees. Landfill closure and post closure costs are recorded as estimated expenses as set out in the regulatory requirement to close and maintain active and inactive landfill sites.

(r) Segment Disclosure

The Cowichan Valley Regional District is a diversified local government providing a wide range of services to over 83,730 residents, including parks, recreation centres, community halls, fire protection, water and sewer services. As a requirement of the Local Government Act, separate financial records must be kept for each service providing detailed allocations of assets and liabilities, revenues and expenditures, information concerning reserve funds and other pertinent financial details.

(s) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant areas requiring management estimates are the determination of landfill closure and post closure liabilities, provisions for contingencies, estimation of employee future benefits, estimated useful life of tangible capital assets, and provisions for contaminated sites. Actual results may vary from those estimates and adjustments will be reported in operations as they become known.

COWICHAN VALLEY REGIONAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1) Cash

	2017	2016
Restricted Cash		
Statutory Reserves	\$ 5,482,055	\$ 6,874,012
Restricted Revenues	<u>1,870,053</u>	<u>1,452,594</u>
	7,352,108	8,326,606
Unrestricted Cash	<u>21,219,739</u>	<u>15,211,672</u>
Total Cash	<u><u>\$ 28,571,847</u></u>	<u><u>\$ 23,538,278</u></u>

2) Portfolio Investments

Portfolio investments are MFA Money Market funds of \$ 5,067,967 (2016 - \$ 5,019,089). The yield on funds for 2017 was 0.97% (2016 - 0.81%).

3) Receivables

	2017	2016
Federal Governments	\$ 2,178,173	\$ 693,325
Provincial Governments	32,483	418,714
Local Governments	80,230	56,970
Other Trade Receivables	<u>818,091</u>	<u>1,045,471</u>
	<u><u>\$ 3,108,977</u></u>	<u><u>\$ 2,214,480</u></u>

4) Debt Recoverable from Members

Pursuant to the Local Government Act, the Regional District acts as the agency through which its members borrow funds from the Municipal Finance Authority. The annual cost of servicing the debt is recovered entirely from the borrowing member. However, the Regional District is joint and severally liable for member debt in the event of default.

	2017	2016
City of Duncan	\$ 1,031,320	\$ 1,148,258
District of North Cowichan	21,319,266	22,529,238
Town of Ladysmith	12,229,401	12,855,236
Vancouver Island Regional Library	<u>903,426</u>	<u>924,285</u>
	<u><u>\$ 35,483,413</u></u>	<u><u>\$ 37,457,017</u></u>

COWICHAN VALLEY REGIONAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

5) Municipal Finance Authority Debt Reserve Fund

The Municipal Finance Authority (Authority) of British Columbia provides capital financing for Regional Districts and their Members. The Authority is required to establish a Debt Reserve Fund into which each Regional District and Members, who share in the proceeds of a debt issue through the District, are required to pay certain amounts set out in the debt agreements.

Interest earned on these funds (less administrative expenses) becomes an obligation of the Authority to the Regional District. If at any time insufficient funds are provided by the Regional District or their Members, the Authority will then use these funds to meet payments on its obligations. When this occurs, the Regional District may be called upon to restore the fund. These amounts are not reported in the financial statements.

	2017	2016
Cash Deposits - Cowichan Valley Regional District	\$ 417,076	\$ 434,175
Cash Deposits - Members	568,128	601,359
Demand Notes - Cowichan Valley Regional District	801,096	861,994
Demand Notes - Members	<u>1,200,344</u>	<u>1,272,517</u>
	<u>\$ 2,986,644</u>	<u>\$ 3,170,045</u>

6) Land Held for Resale

During 2016 the Regional District Board determined that land donated in 2016 for a Community Park was surplus to the Regional District's needs. Currently the process is underway to sell this land.

7) Accounts Payable

	2017	2016
Federal Governments	\$ 839	\$ 2,508
Provincial Governments	30,117	18,408
Local Governments	99,796	187,884
Accrued Payroll	1,086,633	775,012
Other Trade Payables	<u>3,269,662</u>	<u>2,219,633</u>
	<u>\$ 4,487,047</u>	<u>\$ 3,203,445</u>

Accrued Payroll as at December 31, 2017 includes \$168,836 (2016 - \$ 55,949) in unpaid vacation was accrued. Banked time accrued as at December 31st will be paid out on the first pay period of 2018. The accrual for bank time at December 31, 2017 amounted to \$ 16,204 (2016 - \$ 9,850)

COWICHAN VALLEY REGIONAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

8) Deferred Revenue

	2016	Externally restricted inflows	Revenue earned	2017
Trail Project Grants	\$ 386,076	\$ 685,101	\$ (414,450)	\$ 656,727
Clean Water & Wastewater Grant	-	390,136	-	390,136
Flood Mitigation Grant	-	300,000	-	300,000
Recreation Deposits	195,571	239,185	(174,833)	259,923
Developer Capital Contributions	156,498	-	(73,971)	82,527
Other	66,384	119,669	(41,559)	144,494
	<u>804,529</u>	<u>1,734,091</u>	<u>(704,813)</u>	<u>1,833,807</u>
Subtotal (Schedule A)				
Parkland Cash-in-lieu Contributions	407,696	98,476	-	506,172
	<u>\$ 1,212,225</u>	<u>\$ 1,832,567</u>	<u>\$ (704,813)</u>	<u>\$ 2,339,979</u>

- Trail Project Grants consists of grants for the Cowichan Valley and Trans Canada Trail, funded by Bike BC and the Trans Canada Trail Foundation.
- Clean Water & Wastewater Grant is for the Mesachie Lake Wastewater Treatment and Collection upgrade project (Area F), funded by the Federal Government & Province of BC.
- Flood Mitigation Grant from Emergency Management BC for an assessment of Koksilah Village (Cowichan Bay) area to determine options to reduce flooding and opportunities to reduce risk of failure.
- Recreation Deposits consists of payments in advance for recreation programs, unredeemed recreation program awards, and facility rental deposits.
- Developer Capital Contributions were contributed for improvements to the Shawnigan Lake Water System.
- Other funds include Woodstove Exchange Grant, dog licenses, bus passes, and miscellaneous deferred revenue.
- Parkland Cash-in-Lieu Contributions consists of funds collected from developers under the authority of Section 941 of the *Local Government Act*, in lieu of land for parkland purposes as a condition of the subdivision. These funds are restricted for future purchases of parkland.

COWICHAN VALLEY REGIONAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

9) Restricted Contributions and Performance Deposits

	2017	2016
Warranty Deposits	\$ 1,050,985	\$ 800,820
Kinsol Trestle Donations	155,045	139,545
Holdbacks	221,911	77,725
Cowichan Lake Water Protection	76,000	76,000
Arts & Sports Scholarship Fund	40,950	42,537
Nature and Habitat	34,467	34,467
Cowichan Performing Arts - CFI	13,468	33,339
Other	277,227	248,161
	<u>\$ 1,870,053</u>	<u>\$ 1,452,594</u>

- Warranty Deposits are funds received from the developer for warranty and deficiencies on various infrastructure projects and also includes developer landscape bonds. Should the funds be required they are recognized in the year of the applicable expenditure. Upon successful completion of the warranty period funds will be returned to the developer.
- Kinsol Trestle Donations are funds received for major restoration work on the Kinsol Trestle.
- Holdback funds are monies held from payments to contractors for work on the Meade Creek Capital Project, and Arbutus Park washroom to ensure completion of said projects.
- Cowichan Lake Water Protection funds are received when a lot is sold at Creekside Development. The interest earned on these deposits is used to fund projects for the protection of waters and riparian areas on Cowichan Lake.
- The Arts & Sports Scholarship Fund was established by monies received from the Province of B.C. as a Legacy of Appreciation for hosting the BC Festival of Arts and monies received from BC Hydro Cowichan and Chemainus Valley's Commonwealth Games Power Smart Sport and Culture Tour Committee. The interest earned is added to the fund and annually two Arts and two Sports Scholarships are provided to deserving local students.
- Nature and Habitat funds are received through voluntary contributions for projects that environmentally enhance Electoral Area I-Youbou/Meade Creek.
- Cowichan Performing Arts (CFI) are funds received through a capital improvement fee on ticket sales at the Cowichan Performing Arts Centre. During 2017 a lighting board was partially financed by these funds.

COWICHAN VALLEY REGIONAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

10) Employee Future Benefits

The discounted value of future amounts payable for this benefit is based on an actuarial evaluation prepared every three years (latest was December 31, 2015), by an independent firm and is updated annually. Due to the change to an actuarial evaluation an actuarial gain of \$503,541 occurred in 2012. This actuarial gain is amortized over the estimated employees' average remaining service lifetime, currently 6 years.

	2017	2016
Discount rates	2.90%	3.30%
Expected future inflation rates	2.00%	2.00%
Expected wages/salary increase	2.08 - 4.00%	2.08 - 4.00%

Accrued Benefit Obligation as at December 31, 2017

	2017	2016
Accrued benefit obligation - beginning	\$ 106,800	\$ 102,400
Current service cost	11,000	11,000
Interest on accrued benefit obligation	3,700	3,400
Benefits paid during the year	(8,800)	(8,300)
Actuarial (gain)/loss	3,800	(1,700)
Ending benefit obligation	116,500	106,800
Unamortized net actuarial gain	211,519	267,263
Accrued Unfunded Benefit Liability	<u>\$ 328,019</u>	<u>\$ 374,063</u>

The total expense related to these benefits was:

	2017	2016
Current service costs	\$ 11,000	\$ 11,000
Interest on benefit obligation	3,700	3,400
Actuarial (gain)/loss	3,800	(1,700)
Amortization of actuarial gain	(55,744)	(50,082)
Total recovery	<u>\$ (37,244)</u>	<u>\$ (37,382)</u>

The total recovery is included in wages and benefits expense.

11) Pension Liability

The Regional District and its employees contribute to the Municipal Pension Plan (the Plan), a jointly-trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of the 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

COWICHAN VALLEY REGIONAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

11) Pension Liability (continued)

approximately 90,000 retired members. Active members include approximately 38,000 contributors from local government.

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 to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged. The next valuation will be as at December 31, 2018, with results available in late 2019.

Employers participating in the plan record their pension expense as the amount of the employer contributions made during the fiscal year (defined contributions 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.

The Cowichan Valley Regional District paid \$1,443,233 (2016 - \$1,374,237) for employer contributions, while employees contributed \$1,259,360 (2016 - \$1,211,884) to the plan in fiscal 2017.

12) Landfill Closure and Post Closure Costs

The provincial Environmental Management Act, as well as the BC Landfill Criteria for Municipal Solid Waste (LCMSW), sets out the regulatory requirements to close and maintain active and inactive landfill sites.

Several solid waste program initiatives are included in the Cowichan Valley Regional District (CVRD) Solid Waste Management Plan (SWMP) Amendment No. 3, which was approved by the Minister of Environment in 2007. The CVRD is committed to ensuring that its landfills are managed in a fiscally responsible manner, which includes setting aside funds to pay for landfill closure and post-closure activities. During 2011, the CVRD instituted a \$2 per tonne tipping fee surcharge on all municipal solid waste received for disposal in order to fund borrowing for closure of historic landfill and ash landfill sites. These funds are held in the Remediation Reserve fund.

Although the CVRD does not operate an active landfill site, the Regional District is responsible for four former landfills, three of which are associated with old Thermal Reduction Plants (TRPs, municipal solid waste incinerators).

COWICHAN VALLEY REGIONAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

12) Landfill Closure and Post Closure Costs (continued)

At the Meade Creek ashfill site, the Regional District is currently completing works to consolidate and encapsulate the ash waste on site which allows for on-site risk management. During fiscal 2017 \$ 2,534,411 was spent on the project, the estimated cost for completion in 2018 is \$ 893,857 with an additional \$12,000 per year of post closure monitoring requirements beginning 2019, for up to 25 years.

The Peerless Road remediation and closure works were completed in 2015. The post-closure maintenance costs are estimated at \$15,000 annually for 25 years.

The Regional District currently maintains an inactive landfill site on Koksilah Road which has been closed for 20 years. The Regional District is responsible for long-term groundwater monitoring at this location at a cost estimated at \$7,000 annually for 25 years.

Also on Koksilah Road is a former ash landfill site. This site is on Cowichan Tribes land and was closed by Cowichan Tribes with funding provided by Aboriginal Affairs and Northern Development Canada (AANDC). A portion of the ash waste was exported to an out-of-region landfill with the remainder being encapsulated on-site. Long term monitoring is being undertaken by Cowichan Tribes. The CVRD estimates that it will not be required to contribute towards any long term monitoring costs and therefore has reported no liability in respect of this site.

The table below sets out the closure and post closure liability based on consultant and senior staff estimates. This estimate, plus the current costs incurred for closure works, less the Remediation Reserve fund has resulted in a net reduction to landfill expense of \$621,830 (2016 decrease - \$3,239,519). The annual provision is included in environmental services expenses on the Statement of Operations and the liability on the Statement of Financial Position.

	2017	2016
Meade Creek TRP	\$ 1,153,103	\$ 1,725,225
Peerless Road TRP	324,057	333,223
Koksilah Road	<u>151,227</u>	<u>155,504</u>
Gross liability	1,628,387	2,213,952
Less: cash held in Remediation Reserve Fund	<u>(165,052)</u>	<u>(128,787)</u>
	<u>\$ 1,463,335</u>	<u>\$ 2,085,165</u>

13) MFA Debt

Debt is recorded and payable in Canadian dollars. It is the current policy of the Municipal Finance Authority to secure debt repayable only in Canadian dollars. Details of Short-term debt are summarized in Note 25. Details of Long-term debt, including debt issue numbers, maturity dates, interest rates and outstanding amounts are summarized in Note 26.

COWICHAN VALLEY REGIONAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

13) MFA Debt (continued)

Payments of principal on issued debt of the Regional District, not including other members debt, for the next five years are:

	Short-term Debt	Long-term Debt
2018	\$ 2,413,284	\$ 892,456
2019	1,191,984	756,364
2020	663,319	737,542
2021	173,394	706,824
2022	14,241	703,497
Thereafter	-	9,810,454
	<u>\$ 4,456,222</u>	<u>\$ 13,607,137</u>

14) Consolidated Schedule of Expense by Object

	2017 BUDGET (Note 17)	2017 ACTUAL	2016 ACTUAL
Operations and Maintenance	\$ 16,299,586	\$ 12,804,908	\$ 13,204,833
Wages and Benefits	20,853,993	21,331,597	20,131,994
Contract for Services	7,304,324	6,920,813	6,902,286
Landfill Closure and Post Closure Costs	-	(621,830)	(3,239,519)
Debt Charges - Interest	1,126,576	1,021,299	1,089,313
Contributions to Community Facilities	158,762	142,547	221,005
Grants to Organizations	671,967	578,672	563,144
Library Services	1,781,821	1,781,820	1,692,096
Fire & Recreation Services Provided by Other Governments	875,581	875,581	824,709
Amortization	-	6,035,238	5,910,115
Contributions to Third Party Capital	140,000	132,840	326,627
	<u>\$ 49,212,610</u>	<u>\$ 51,003,485</u>	<u>\$ 47,626,603</u>

15) Contingent Liabilities

As at December 31, 2017 there existed outstanding claims against the Regional District. These claims have been referred to legal counsel and the Regional District's liability insurers. It is not possible to determine the Regional District's potential liability, if any, with respect to these matters. However, at such time that a liability becomes known, it will be reflected in the Regional District's financial statements.

COWICHAN VALLEY REGIONAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

16) Tangible Capital Assets

	2017	2016
Land	\$ 52,025,810	\$ 50,025,277
Building	22,529,148	22,907,947
Vehicles, Machinery and Equipment	4,635,643	4,087,902
Engineering Structures	48,368,465	49,264,568
Parks	8,044,114	7,161,233
Other Tangible Capital Assets	7,603,542	8,067,633
Work in Progress	5,043,139	2,969,641
	<u>\$ 148,249,861</u>	<u>\$ 144,484,201</u>

For additional information, see the Schedule of Tangible Capital Assets (Note 24).

During the year land, and sewer/water/drainage systems built by others valued at \$ 1,396,016 (2016 - \$ 1,534,514) were accepted and recorded as contributed assets.

17) Budget Figures

Budget figures represent the 2017 Financial Plan Bylaw adopted by the Board on December 14, 2016. The financial plan budgeted for capital expenditures rather than amortization expense, and reflects the use of prior year operating surpluses as part of its annual budget. The carry forward of operating surpluses by the department is a requirement under the Local Government Act of BC. The financial plan forms the basis of taxation and fees and charges rates which may be required for a particular year. The following reconciliation of the "Surplus for the year" is provided to show which items must be added or removed from the budget on Statement 2 to reflect the financial plan.

	2017
Surplus for the year (Statement 2)	\$ 7,922,494
Add:	
Transfer from Reserves	6,549,509
Prior Year Operating Surplus	4,489,205
MFA Funding	8,488,084
Less:	
Debt Principal Repayments/Actuarial Adjustments	(3,268,436)
Transfer to Reserves	(1,248,293)
Purchase of Capital Assets	<u>(22,932,563)</u>
Surplus, per Cowichan Valley Regional District Financial Plan Bylaw No. 4073	<u>\$ -</u>

COWICHAN VALLEY REGIONAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

18) Accumulated Surplus

Accumulated Surplus consists of individual fund surpluses (deficits) and reserves as follows:

	2017	2016
Surplus		
Operating Fund Reserve Fund - Operating Surplus	\$ 12,171,850	\$ 10,113,493
Operating Fund Reserve Fund - Community Works	4,752,240	4,228,355
Operating Fund - Future Liabilities - Sick Leave	(328,019)	(374,063)
Operating Fund - Future Liabilities - Landfill Costs	(1,463,335)	(2,085,165)
Equity in Tangible Capital Assets	<u>130,333,502</u>	<u>125,487,863</u>
Total Surplus	145,466,238	137,370,483
Statutory Reserve Funds	11,456,533	10,869,797
Less: Restricted Remediation Reserve	<u>(165,052)</u>	<u>(128,787)</u>
Accumulated Surplus (Statement 1)	<u><u>\$ 156,757,719</u></u>	<u><u>\$ 148,111,493</u></u>

The Regional District tracks the unspent amounts received under the Renewed Gas Tax Agreement in the Community Works Reserve Fund. The continuity of this fund is presented in the table below:

	2017	2016
Community Works Reserve, opening balance	\$ 4,228,355	\$ 3,802,399
Add:		
Community works funds received in year	1,568,871	1,558,407
Interest earned	55,682	30,377
Less:		
Amounts spent on projects	<u>(1,100,668)</u>	<u>(1,162,828)</u>
Community Works Reserve, Ending Balance	<u><u>\$ 4,752,240</u></u>	<u><u>\$ 4,228,355</u></u>

The Community Works Reserve is included in Operating Surplus (Schedule A).

The Regional District has established a reserve fund for the purpose of paying the costs of undertaking feasibility studies of services it proposes to provide. The net accumulated costs to December 31, 2017, which have not yet been recovered and that are repayable to the Feasibility Reserve upon establishment of the service, is \$ 252,320 (2016 - \$ 262,270).

COWICHAN VALLEY REGIONAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

19) Segment Disclosure

Segmentation has been determined on a functional basis with consideration to service delivery and departmental accountabilities. Categories of service that have been separately disclosed in the segmented information on Note 27 provide the following services:

General Government

General Government is comprised of electoral area governance, general administration which includes legislative services, finance, human resources and information systems, feasibility studies and economic development.

Vancouver Island Regional Library

Vancouver Island Regional Library is comprised of the Vancouver Island Regional Island.

Transportation Services

Transportation Services is comprised of local, Handydart, and Commuter transit.

Electoral Area Services

Electoral Area Services is comprised of grants in aid, animal control, building inspection, planning, bylaw enforcement, Cowichan and South Cowichan policing, environmental fund and all street lighting.

Protective Services

Protective Services is comprised of emergency planning, victim services, and all the fire departments.

Parks and Recreation

Parks and Recreation is comprised of all parks, all recreation centres, halls and societies, and the theatre.

Environmental Services

Environmental Services is comprised of the curbside garbage/recycling collection, solid waste site and environmental initiatives.

Sewer & Water Utilities

Sewer and Water utilities are comprised of all the drainage, water and sewer systems within the Regional District.

COWICHAN VALLEY REGIONAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

20) Commitments

911 Agreement

The tri-party 5 year agreement with the Regional District of Nanaimo and the City of Nanaimo commenced January 1, 2016 to provide for emergency answering and fire dispatch service. The net operating costs are shared based on the populations of the jurisdictions of the parties. The Regional District's commitment for 2018 is \$600,000 or 44% of the 911 Central Island call centre expenses.

BC Transit Corporation

The Regional District's transit includes Handydart, Commuter, Youbou, Ladysmith and local service. The remainder due on the 2017/2018 annual transit operating agreement for these services is \$715,745.

City of Duncan

A five year agreement for the delivery of fire protection services to the Eagle Heights Fire Service Area, commenced December 2003 and is currently running year to year. Termination of this agreement requires 12 months notice prior to expiration. The 2018 commitment is \$191,941.

Town of Lake Cowichan

A five year agreement for the delivery of fire protection services to the Cowichan Lake Fire Service Area, commenced March 2005 and is currently running year to year. Termination of this agreement requires 12 months notice prior to expiration. The 2018 commitment is \$272,682.

Island Corridor Foundation

The Board committed to a \$488,100 contribution for bridge and trestle upgrades along the rail line between Victoria and Courtney. The parties entered into an agreement in 2014 setting out the payment terms. The 2018 budget included a \$488,100 Regional Grant in Aid which was not paid and continues to be held in surplus.

Town of Ladysmith and Municipality of North Cowichan

A five year agreement for the delivery of fire protection services to Saltair Fire Service Area commenced July 1972 and is currently running year to year. Termination of this agreement requires 12 months notice prior to expiration. The 2018 commitment is \$180,636.

COWICHAN VALLEY REGIONAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

21) Cowichan Valley Regional Hospital District

The Cowichan Valley Regional Hospital District is related to the Cowichan Valley Regional District since the same individuals are members of the board of directors of both organizations. As legislated by the Hospital District Act, the officers and employees of the Regional District are the corresponding officers and employees of the hospital district. The Regional District and the Hospital District are separate legal entities as defined by the separate letters patent and authorized by separate legislation.

During the year, administrative support services supplied to the Hospital District by the Regional District totaled \$60,000 (2016 - \$60,000). In addition, staff resources supplied to the Hospital District to assist with purchasing a potential hospital site totaled \$ 4,589 (2016 - \$ 3,327).

22) Environmental Regulations

The Regional District is subject to environmental regulations, which apply to a number of its operations. These regulations may require future expenditures to meet applicable standards and subject the Regional District to possible penalties for violations. Amounts required to meet these obligations will be charged to operations when incurred and/or when they can be reasonably estimated.

23) Comparative Figures

Certain 2016 comparative figures have been reclassified to confirm to the current years presentation specially within the Statement of Operations and Consolidated Schedule of Segment Disclosure.

COWICHAN VALLEY REGIONAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

24) Consolidated Schedule of Tangible Capital Assets

	Engineering Structures										2017 Total	2016 Total
	Land	Buildings	Vehicles, Machinery and Equipment	Water Engineering Structures	Sewer Engineering Structures	Other Engineering Structures	Parks	Other Tangible Capital Assets	Work in Progress			
Cost												
Opening Balance	\$ 50,025,277	\$ 45,063,918	\$ 22,356,597	\$ 42,533,727	\$ 37,109,227	\$ 693,992	\$ 17,177,832	\$ 11,879,145	\$ 2,969,641	\$ 229,809,356	\$ 223,159,075	
Add: Additions	2,000,533	1,081,510	1,232,630	1,012,676	50,631	-	2,233,661	115,758	5,043,139	12,770,538	8,359,434	
Less: Completed W.I.P.	-	-	-	-	-	-	-	-	(2,969,641)	(2,969,641)	(1,423,923)	
Less: Disposals	-	-	(227,935)	-	-	-	(37,307)	-	-	(265,242)	(285,228)	
Closing Balance	52,025,810	46,145,428	23,361,292	43,546,403	37,159,858	693,992	19,374,186	11,994,903	5,043,139	239,345,011	229,809,358	
Accumulated Amortization												
Opening Balance	-	22,155,970	18,268,695	16,995,944	13,905,686	170,747	10,016,598	3,811,512	-	85,325,152	79,693,507	
Add: Amortization	-	1,460,310	684,889	982,082	947,286	30,043	1,350,781	579,849	-	6,035,240	5,910,115	
Less: Disposals	-	-	(227,935)	-	-	-	(37,307)	-	-	(265,242)	(278,465)	
Closing Balance	-	23,616,280	18,725,649	17,978,026	14,852,972	200,790	11,330,072	4,391,361	-	91,095,150	85,325,157	
Net Book Value for the year ended December 31, 2017	<u>\$ 52,025,810</u>	<u>\$ 22,529,148</u>	<u>\$ 4,635,643</u>	<u>\$ 25,568,377</u>	<u>\$ 22,306,886</u>	<u>\$ 493,202</u>	<u>\$ 8,044,114</u>	<u>\$ 7,603,542</u>	<u>\$ 5,043,139</u>	<u>\$ 148,249,861</u>		
Net Book Value for the year ended December 31, 2016	<u>\$ 50,025,277</u>	<u>\$ 22,907,948</u>	<u>\$ 4,087,902</u>	<u>\$ 25,537,783</u>	<u>\$ 23,203,541</u>	<u>\$ 523,245</u>	<u>\$ 7,161,234</u>	<u>\$ 8,067,633</u>	<u>\$ 2,969,641</u>		<u>\$ 144,484,201</u>	

COWICHAN VALLEY REGIONAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

25) Schedule of Short-term Debt

	Board Resolution	Maturity Dates	Originally Authorized	Principal Payment 2017	Net Unmatured December 31, 2017	Net Unmatured December 31, 2016
Administration	14-222	2019	\$ 347,775	\$ 84,910	\$ 175,627	\$ 260,537
Com Parks - Area B - Land	12-558T	2018	294,500	59,380	62,040	121,420
Com Parks - Area B - Land	13-412-3	2018	140,000	28,436	29,295	57,731
Com Parks - Area B - Land	15-521.2.2	2020	1,259,903	230,235	821,816	1,052,051
Com Parks - Area C - Boatswain	14-555-1	2021	169,500	33,132	103,971	137,103
Com Parks - Area G - Saltair Land	14-328	2019	136,930	30,400	60,630	91,030
Com Parks - Area D - Land	14-112	2019	155,000	30,705	63,926	94,631
CLR - Truck/Sports Court Flooring	15-246	2020	57,132	10,977	34,448	45,425
CLR - Dehumidifier	16-131	2020	141,483	29,214	83,024	112,238
CLR - Chiller & Digital Sign	17-24	2022	249,947	51,618	198,329	-
Eng Services - Truck	13-428	2019	35,738	7,248	7,530	14,778
Eng Utilities - Truck	15-239	2020	30,218	5,231	6,887	12,118
Eng Utilities - Vans	16-69.1	2020	85,956	16,527	64,929	81,456
ISC - Capital Improvements	14-66-2	2019	335,000	101,767	-	101,767
KPR - Capital Improvements	13-637	2019	1,750,000	308,163	637,406	945,569
KPR - Arena Improvements	13-637	2021	260,000	44,914	139,863	184,777
Parks & Trails - Truck	15-234	2020	40,000	9,885	20,449	30,334
Parks & Trails - Portable	16-554-2	2021	18,567	2,645	8,506	11,151
Regional Parks - Portable	16-554-2	2021	18,567	1,762	5,654	7,416
Regional Parks - CVT Malahat	16-393.3	2022	450,000	54,764	190,836	-
Reg Parkland - Heart/Stocking	16-597	2022	775,000	720,416	54,584	-
Sahtlam Fire - Fire Truck	15-187-10.2	2020	184,085	35,916	112,709	148,625
Saltair Rec - Saltair C.C.	14-328	2019	167,030	34,796	35,475	70,271
SLCC - Elsie Miles School	12-558T	2018	310,500	62,350	64,400	126,750
SWM - Roll off Truck and Bins	17-54.4	2022	192,397	38,824	153,573	-
SWM - Excavator	15-536.2.2	2019	243,298	47,572	98,590	146,162
SWM - Bings Solar Project	16-75.2.3	2020	47,622	11,274	27,312	38,586
SWM - Bings Energy Project	16-75.2.2	2020	72,784	14,311	44,141	58,452
SWM - Meade Creek Capital Prj	4135	2022	1,000,000	-	1,000,000	-

COWICHAN VALLEY REGIONAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

25) Schedule of Short-term Debt (continued)

	Board Resolution	Maturity Dates	Originally Authorized	Principal Payment 2017	Net Unmatured December 31, 2017	Net Unmatured December 31, 2016
Honeymoon Bay Water - Well	13-509-5	2019	78,720	15,693	16,048	31,741
Brulette Sewer - Treatment Plant	3559	2022	48,608	-	48,608	-
Cobble Hill Sewer - Upgrades	16-550-4	2022	24,009	-	24,009	-
Kerry Village Sewer - Upgrades	13-270-2	2018	10,433	2,133	2,174	4,307
Shawnigan Beach Sewer - Upgrades	16-366-12	2022	44,097	-	44,097	-
Youbou Sewer - Land	14-340	2019	60,000	7,414	15,336	22,750
				<u>\$ 2,132,612</u>	<u>\$ 4,456,222</u>	<u>\$ 4,009,176</u>

Debt bears interest at a variable rate which is paid monthly.

The weighted average interest rate at December 31, 2017 was 1.56% (December 31, 2016 1.44%).

Regular principal payments are not required but debt must be paid within five years of borrowing.

COWICHAN VALLEY REGIONAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

26) Schedule of Long-term Debt

	L/A Bylaw	Term	Maturity Dates	Originally Authorized	Principal Payment 2017	Net Unmatured December 31, 2017	Interest Rate
Issued by the Municipal Finance Authority for the Regional District							
Administration Building	2339	20	2022	3,020,000	\$ 180,832	\$ 1,049,174	2.10 %
Cowichan Lake Recreation	3197	20	2029	2,500,000	110,478	1,726,425	4.13 %
Cowichan Lake Recreation	3197	20	2030	3,700,000	157,219	2,718,617	4.50 %
Kerry Park Recreation	2439	20	2023	1,700,000	96,946	692,387	4.90 %
Island Savings Centre	1801	20	2017	700,000	53,495	-	4.55 %
Island Savings Centre	2501	20	2024	2,500,000	135,778	1,160,784	4.90 %
Honeymoon Bay Fire	2982	10	2017	207,000	24,540	-	4.82 %
Malahat Fire	3630	15	2028	265,000	14,887	208,801	3.15 %
Sahtlam Fire	3272	10	2020	130,000	13,701	44,479	4.50 %
Curbside Collection	3607	15	2028	1,600,000	89,883	1,260,683	3.15 %
Curbside Collection	3607	15	2029	175,000	9,453	147,718	3.30 %
Solid Waste Mgmt Complex	1866	20	2018	4,500,000	327,521	343,897	4.65 %
Solid Waste Mgmt Complex	2011	20	2020	600,000	39,320	128,898	4.50 %
Solid Waste Mgmt Complex	3277	20	2030	590,000	25,070	433,509	4.50 %
Solid Waste Mgmt Complex	3278	20	2030	720,000	30,594	529,028	3.73 %
Solid Waste Mgmt Complex	3277	20	2033	780,000	29,464	668,769	3.85 %
Solid Waste Mgmt Complex	3727	20	2034	871,000	31,636	779,694	3.30 %
Arbutus Ridge Water	3287	20	2031	100,000	4,086	77,725	3.25 %
Carlton Water	3628	10	2024	50,000	4,504	37,000	3.00 %
Central Youbou Water	2665	25	2033	488,000	16,036	363,993	5.15 %
Dogwood Ridge Water	3281	25	2036	94,000	2,746	79,029	3.25 %
Douglas Hill Water	3383	20	2031	150,000	6,129	116,588	4.20 %
Fern Ridge Water	2995	20	2029	23,175	1,024	16,004	4.13 %
Honeymoon Bay Water	2973	20	2030	37,000	1,572	27,186	3.73 %

COWICHAN VALLEY REGIONAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

26) Schedule of Long-term Debt (continued)

	L/A		Maturity	Originally	Principal	Net	Interest
	Bylaw	Term	Dates	Authorized	Payment	Unmatured	Rate
					2017	December	
						31, 2017	
Lambourn Water	3062	20	2030	100,000	4,249	73,476	3.73 %
Satellite Park Water	2982	10	2017	50,000	5,927	-	4.82 %
Satellite Park Water	3029	20	2029	160,000	7,071	110,491	4.13 %
Shellwood Water	3625	20	2036	85,000	3,006	81,994	2.10 %
Youbou Water	2092	20	2030	120,000	5,099	88,171	3.73 %
Arbutus Ridge Sewer	3289	20	2031	125,000	5,107	97,157	3.25 %
Brulette Place Sewer	3297	15	2029	24,713	1,335	20,860	3.00 %
Cobble Hill Sewer	3106	10	2019	25,000	2,740	5,814	4.13 %
Cowichan Bay Sewer	2439	10	2013	600,000	34,216	244,372	4.90 %
Kerry Village Sewer	3019	20	2030	80,000	3,399	58,781	4.50 %
Lambourn Sewer	3063	20	2030	150,000	6,374	110,214	3.73 %
Shawnigan Lake Sewer	1964	20	2019	505,000	34,670	74,120	4.50 %
Shawnigan Lake Sewer	2194	20	2021	110,000	6,916	31,299	3.05 %
Regional District Total					<u>1,527,023</u>	<u>13,607,137</u>	
Grand Total					<u>\$1,527,023</u>	<u>\$13,607,137</u>	

COWICHAN VALLEY REGIONAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

27) Consolidated Schedule of Segment Disclosure

	General Government Services	Vancouver Island Regional Library	Transportation Services	Electoral Area Services	Protective Services	Parks and Recreation	Environmental Services	Sewer and Water Utilities	2017 Consolidated
Revenues									
Tax Requisition	\$ 2,554,561	\$ 1,814,783	\$ 2,544,516	\$ 3,893,374	\$ 3,743,136	\$ 16,280,563	\$ 5,145,231	\$ 65,501	\$ 36,041,665
User Fees	-	-	-	2,403	-	(26,547)	797,142	2,614,091	3,387,089
Parcel Taxes	-	-	-	33,499	-	10,000	22,213	2,404,978	2,470,690
Government Transfers	1,873,642	-	73,993	65,812	13,581	362,785	2,036,133	21	4,425,967
Services Provided Other Local Govt	-	-	-	-	53,360	-	-	-	53,360
Revenue from Own Sources	130,892	-	783,670	1,104,898	28,898	4,458,373	2,967,615	4,250	9,478,596
Other Revenue	85,770	-	28,086	1,305	148,050	182,124	898,232	614,893	1,958,460
Interest Income	146,935	-	-	1,822	24,817	48,182	8,614	26,368	256,738
Donations	-	-	-	-	5,500	1,180,250	-	391,400	1,577,150
Services Provided to Other Functions	50,736	-	-	-	-	(12,429)	(501,680)	463,373	-
	<u>4,842,536</u>	<u>1,814,783</u>	<u>3,430,265</u>	<u>5,103,113</u>	<u>4,017,342</u>	<u>22,483,301</u>	<u>11,373,500</u>	<u>6,584,875</u>	<u>59,649,715</u>
Expenses									
Operations and Maintenance	1,805,464	-	49,555	940,404	1,052,174	4,872,918	2,251,860	1,832,533	12,804,908
Wages and Benefits	4,338,246	-	124,490	2,213,856	565,578	9,123,597	3,199,633	1,766,197	21,331,597
Contract for Services	166,716	-	2,912,712	116,061	646,129	210,912	2,756,888	111,395	6,920,813
Landfill Closure/Post Closure Costs	-	-	-	-	-	-	(621,830)	-	(621,830)
Debt Charges - Interest	67,386	-	-	-	25,496	429,197	393,723	105,497	1,021,299
Contributions to Community Facilities	-	-	-	-	-	142,547	-	-	142,547
Grants to Organizations	-	-	-	418,727	-	139,045	20,900	-	578,672
Library Services	-	1,781,820	-	-	-	-	-	-	1,781,820
Fire and Recreation Services Provided by Other Governments	-	-	-	-	569,671	305,910	-	-	875,581
Amortization	148,600	-	-	52,891	272,448	2,797,329	759,956	2,004,014	6,035,238
Contributions to Third Party Capital	-	-	-	-	-	-	-	132,840	132,840
	<u>6,526,412</u>	<u>1,781,820</u>	<u>3,086,757</u>	<u>3,741,939</u>	<u>3,131,496</u>	<u>18,021,455</u>	<u>8,761,130</u>	<u>5,952,476</u>	<u>51,003,485</u>
Net Annual Surplus	<u>\$ (1,683,876)</u>	<u>\$ 32,963</u>	<u>\$ 343,508</u>	<u>\$ 1,361,174</u>	<u>\$ 885,846</u>	<u>\$ 4,461,846</u>	<u>\$ 2,612,370</u>	<u>\$ 632,399</u>	<u>\$ 8,646,230</u>

COWICHAN VALLEY REGIONAL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

27) Consolidated Schedule of Segment Disclosure (continued)

	General Government Services	Vancouver Island Regional Library	Transportation Services	Electoral Area Services	Protective Services	Parks and Recreation	Environmental Services	Sewer and Water Utilities	2016 Consolidated
Revenues									
Tax Requisition	\$ 2,504,903	\$ 1,724,670	\$ 2,453,758	\$ 3,572,542	\$ 3,437,226	\$ 15,689,615	\$ 4,555,231	\$ 69,580	\$ 34,007,525
User Fees	-	-	-	2,319	-	(23,246)	784,354	2,667,993	3,431,420
Parcel Taxes	-	-	-	29,800	-	10,000	28,441	2,240,911	2,309,152
Government Transfers	2,074,940	-	73,107	6,656	46,080	628,227	1,789,853	81	4,618,944
Services Provided Other Local Govt	-	-	-	-	52,570	-	-	-	52,570
Revenue from Own Sources	62	-	782,041	1,035,105	27,975	3,866,737	3,400,096	428	9,112,444
Other Revenue	144,208	-	1,517	11,487	147,800	492,556	888,027	275,240	1,960,835
Interest Income	87,196	-	-	1,510	20,700	38,864	5,641	21,162	175,073
Donations	-	-	-	-	6,000	1,657,385	-	-	1,663,385
Services Provided to Other Functions	50,381	-	-	-	-	(12,074)	(545,498)	507,191	-
	<u>4,861,690</u>	<u>1,724,670</u>	<u>3,310,423</u>	<u>4,659,419</u>	<u>3,738,351</u>	<u>22,348,064</u>	<u>10,906,145</u>	<u>5,782,586</u>	<u>57,331,348</u>
Expenses									
Operations and Maintenance	1,385,098	-	37,690	856,842	1,111,889	4,208,875	3,841,729	1,762,710	13,204,833
Wages and Benefits	3,984,328	-	98,724	1,969,583	521,777	8,832,123	3,075,696	1,649,763	20,131,994
Contract for Services	130,253	-	2,876,760	111,318	634,619	243,804	2,791,847	113,685	6,902,286
Landfill Closure/Post Closure Costs	-	-	-	-	-	-	(3,239,519)	-	(3,239,519)
Debt Charges - Interest	68,322	-	-	-	24,928	458,117	427,364	110,582	1,089,313
Contributions to Community Facilities	-	-	-	-	-	221,005	-	-	221,005
Grants to Organizations	-	-	-	402,566	-	133,288	27,290	-	563,144
Library Services	-	1,692,096	-	-	-	-	-	-	1,692,096
Fire and Recreation Services Provided by Other Governments	-	-	-	-	524,032	300,677	-	-	824,709
Amortization	151,894	-	-	56,733	246,421	2,713,367	782,131	1,959,569	5,910,115
Contributions to Third Party Capital	-	-	-	-	304,488	-	-	22,139	326,627
	<u>5,719,895</u>	<u>1,692,096</u>	<u>3,013,174</u>	<u>3,397,042</u>	<u>3,368,154</u>	<u>17,111,256</u>	<u>7,706,538</u>	<u>5,618,448</u>	<u>47,626,603</u>
Net Annual Surplus	<u>\$ (858,205)</u>	<u>\$ 32,574</u>	<u>\$ 297,249</u>	<u>\$ 1,262,377</u>	<u>\$ 370,197</u>	<u>\$ 5,236,808</u>	<u>\$ 3,199,607</u>	<u>\$ 164,138</u>	<u>\$ 9,704,745</u>

**STATEMENT OF OPERATING SURPLUS BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2017**

Function	2017	2016
General Government Services	\$ 1,218,293	\$ 1,147,313
Community Health Network	219,005	249,233
Administration Office	244,602	209,307
I.T. / H.R. / M.I.A. / G.I.S	337,006	234,260
Commuter Transit	277,866	237,829
Transit	98,894	95,576
9-1-1	160,994	83,987
Grant in Aid	105,385	55,392
Environmental Services	225,214	157,041
Emergency Planning	398,624	345,755
Economic Development	194,299	260,984
Regional Tourism	16,048	30,886
Electoral Feasibility Studies	52,887	52,887
Electoral Area Services	263,604	200,168
Victim Services	210	230
Victim Services - West	6	17
Community Parks	563,608	429,084
Parks & Trails	(33,755)	13,277
Regional Parks	293,324	104,010
Kinsol Trestle	156,978	82,064
Bright Angel Park	(4,186)	1,032
South Cowichan Community Parks	13,652	1,999
Regional Parkland Acquisition	1,295,181	1,283,748
Animal Control	2,661	11,530
Enforcement & Inspection	374,480	342,223
Community Planning	269,905	32,466
North Oyster Fire Protection	506,629	484,502
Mesachie Lake Fire Protection	24,168	25,011
Sahtlam Fire Protection	90,105	60,932
Malahat Fire Protection	76,524	(3,994)
Honeymoon Bay Fire Protection	4,273	12,608
Youbou Fire Protection	326,131	272,200
GM Community Services/Facilities	76,539	58,551
Arts & Culture	37,750	13,982
Cowichan Lake Recreation	107,872	149,124
Kerry Park Recreation	104,930	130,730
Island Savings Centre	386,350	262,130
Theatre - Area B	114	114
Cowichan Sportsplex - Area A	3	-
Cowichan Sportsplex - Area C	3	-
Mill Bay Recreation	305	302

**STATEMENT OF OPERATING SURPLUS BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2017**

Function	2017	2016
Saltair Recreation	33,196	33,681
Lake Cowichan Activity Centre	27	335
Cowichan Aquatic Centre - Area F	5	10
Shawnigan Lake Community Centre	179,021	84,281
Cobble Hill Historical Society	3	-
Cobble Hill Hall Recreation	4	-
Shawnigan Lake Historical Society	14	15
Cowichan Station Assoc - Area E	-	4
Senior Centre Grant	8	33
Kaatza Historical Society	15	42
Mill Bay/Malahat Historical Society	3	-
Cowichan Station Assoc - Area B	4	-
Shawnigan Basin Society	40	42
Nature and Habitat - Area I	348	14
Thetis Island Wharf	58,607	58,208
Thetis Island Boat Launch	4,771	3,814
Cowichan Lake Water Protection	2,823	2,086
Safer Futures	65	71
Social Planning	120	131
South Cowichan Community Policing	22	19
Cowichan Community Policing	465	475
Cowichan Valley Hospice	122	115
Curbside Collection Garbage/Recycling	611,346	798,315
Solid Waste Management Complex	294,740	120,843
Cowichan Flood Management	105,365	-
South Cowichan Water Study Plan	25,561	48,289
Liquid Waste Plan - Central Sector	135,477	48,644
Liquid Waste Plan - South Sector	16,644	16,644
Critical Street Lighting "A"	2,073	1,630
Critical Street Lighting "B"	2,296	1,822
Critical Street Lighting "C"	3,003	2,576
Critical Street Lighting "D"	2,819	2,249
Critical Street Lighting "E"	611	409
Critical Street Lighting "I"	560	530
Mesachie Lake Street Lighting	741	650
Youbou Street Lighting	7,879	5,669
Cowichan Bay Street Lighting	176	243
Honeymoon Bay Street Lighting	3,181	2,636
Cobble Hill Street Lighting	(176)	615
Wilmot Road Street Lighting	7,010	6,529
Sentinel Ridge Street Lighting	5,843	6,597

**STATEMENT OF OPERATING SURPLUS BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2017**

Function	2017	2016
Twin Cedars Street Lighting	(739)	(719)
Arbutus Mtn. Street Lighting	3,800	3,700
Mill Springs Street Lighting	14,499	10,479
Engineering Services	104,840	17,977
Engineering - Utilities	156,016	169,872
Wilmot Road Drainage System	11,357	9,372
Sentinel Ridge Drainage System	14,115	12,466
Shawnigan Lake East Drainage System	5,067	4,265
Arbutus Mtn. Drainage System	21,688	21,416
Lanes Road Drainage System	11,728	11,894
Bald Mtn. Drainage System	11,297	11,021
Cobble Hill Drainage System	24,307	22,984
Arbutus Ridge Drainage System	9,883	(225)
Shawnigan Creek Cleanout System	9,597	6,578
Satellite Park Water System	1,051	(3,159)
Douglas Hill Water System	(3,897)	510
Lambourn Water System	7,450	434
Arbutus Mtn. Water System	10,873	12,641
Fern Ridge Water System	13,702	10,928
Bald Mtn. Water System	69,821	44,015
Dogwood Ridge Water System	7,640	950
Arbutus Ridge Water System	79,005	66,172
Carlton Water System	5,359	(3,136)
Shellwood Water System	(4,712)	(11,756)
Woodley Range Water System	18,046	3,219
Burnum Water System	14,027	61,760
Mesachie Lake Water System	20,346	15,775
Saltair Water System	471,360	342,462
Youbou Water System	202,277	178,147
Honeymoon Bay Water System	20,475	9,030
Honeymoon Bay Water (well 2) Debt	25,744	-
Cherry Point Estates Water System	16,633	11,404
Shawnigan Lake North Water System	130,478	178,066
Kerry Village Water System	14,558	14,028
Cowichan Bay Sewer System	129,734	132,320
Brulette Place Sewer System	32,609	23,197
Sentinel Ridge Sewer System	5,871	7,123
Twin Cedar Sewer System	(9,407)	(1,381)
Lambourn Sewer System	18,238	17,522
Arbutus Mtn. Sewer System	(17,202)	(12,738)
Cobble Hill Village Sewer System	48,411	33,502

**STATEMENT OF OPERATING SURPLUS BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2017**

Function	2017	2016
Mesachie Lake Sewer System	23,395	10,954
Bald Mtn. Sewer System	39,847	25,270
Mill Springs Sewer System	88,676	48,883
Arbutus Ridge Sewer System	150,288	189,997
Eagle Heights Sewer System	(7,301)	(10,642)
Maple Hill Sewer System	47,258	36,373
Shawnigan Beach Estates Sewer System	58,840	(28,000)
Kerry Village Sewer System	3,017	(11,503)
Youbou Sewer System	50,576	43,289
	<hr/>	<hr/>
Operating Fund Surplus Balance	12,171,850	10,113,493
Community Works Reserve Balance	4,752,240	4,228,355
	<hr/>	<hr/>
Operating Fund Balance	\$ 16,924,090	\$ 14,341,848