

**METRO VANCOUVER DISTRICTS'  
AND METRO VANCOUVER HOUSING CORPORATION**

**(OPERATING AS METRO VANCOUVER)**

**Financial Statements**

**Year ended December 31, 2017**

Consolidated Financial Statements of

**METRO VANCOUVER  
REGIONAL DISTRICT**

**(OPERATING AS METRO VANCOUVER)**

Year ended December 31, 2017

# METRO VANCOUVER REGIONAL DISTRICT

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December 31, 2017

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Tel: 604 688 5421  
Fax: 604 688 5132  
vancouver@bdo.ca  
www.bdo.ca

BDO Canada LLP  
600 Cathedral Place  
925 West Georgia Street  
Vancouver BC V6C 3L2 Canada

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## Independent Auditor's Report

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To the members of the Board of Directors of the Metro Vancouver Regional District

We have audited the accompanying financial statements of the Metro Vancouver Regional District, which comprise the Statement Financial Position as at December 31, 2017, and the Statements of Operations, Change in Net Debt and Cash Flows 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 Metro Vancouver Regional District as at December 31, 2017 and the results of its operations, change 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

April 27, 2018

**METRO VANCOUVER DISTRICTS'  
AND METRO VANCOUVER HOUSING CORPORATION  
(Operating as Metro Vancouver)  
MANAGEMENT REPORT**

The Consolidated Financial Statements contained in this report have been prepared by management in accordance with Canadian public sector accounting standards. The integrity and objectivity of these statements are management's responsibility. Management is responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Metro Vancouver Regional District's Board of Directors is responsible for approving the consolidated financial statements and for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Performance and Audit Committee of the Board.

The external auditors, BDO Canada LLP, conduct an independent examination, in accordance with Canadian Auditing Standards, and express their opinion on the consolidated financial statements. Their examination does not relate to the other schedules and statements required by the *Financial Information Act*. The Independent Auditor's Report outlines the scope of the audit for the year ended December 31, 2017.

On behalf of the Metro Vancouver Regional District, Greater Vancouver Sewerage & Drainage District, Greater Vancouver Water District and Metro Vancouver Housing Corporation.



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Phil Trotzuk, Chief Financial Officer

Date: April 27, 2018

# METRO VANCOUVER REGIONAL DISTRICT

## Exhibit A

### Consolidated Statement of Financial Position

Year ended December 31, 2017

	2017	2016
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 126,356,648	\$ 39,672,708
Accounts receivable (note 2)	107,159,964	98,012,317
Due from TransLink and member municipalities (note 3)	1,051,242,224	1,065,454,157
Investments (note 4)	704,252,466	529,060,836
Assets held for sale (note 5)	22,850,898	-
Debt reserve fund (note 6)	56,874,264	56,785,649
	<u>2,068,736,464</u>	<u>1,788,985,667</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 7)	138,600,841	115,925,665
Employee future benefits (note 8)	13,424,900	13,658,500
Landfill closure and post-closure liability (note 9)	31,683,458	30,707,896
Deferred revenue and refundable deposits (note 10)	497,220,962	277,688,704
Debt reserve fund, member municipalities and TransLink (note 6)	37,220,722	38,808,653
Debt (net of sinking funds) (note 11)		
Metro Vancouver Districts and Housing Corporation	945,233,986	906,036,374
Translink and member municipalities	<u>1,040,316,947</u>	<u>1,054,423,155</u>
Total debt	<u>1,985,550,933</u>	<u>1,960,459,529</u>
	<u>2,703,701,816</u>	<u>2,437,248,947</u>
<b>Net Debt</b>	(634,965,352)	(648,263,280)
<b>Non-Financial Assets</b>		
Tangible capital assets (note 12)	4,765,487,071	4,549,205,879
Inventories of supplies	6,734,534	5,829,543
Prepaid land leases (note 13)	5,841,498	6,036,297
Prepaid expenses	4,857,263	4,979,884
	<u>4,782,920,366</u>	<u>4,566,051,603</u>
<b>Accumulated Surplus (note 14)</b>	<u>\$ 4,147,955,014</u>	<u>\$ 3,917,788,323</u>

Commitments (note 15)

Contingencies (note 16)

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



Chief Financial Officer



Board Chair

# METRO VANCOUVER REGIONAL DISTRICT

## Exhibit B

### Consolidated Statement of Operations

Year ended December 31, 2017

	2017 Budget (note 17)	2017 Actual	2016 Actual
<b>Revenue (note 18)</b>			
MVRD property tax requisitions	\$ 52,242,244	\$ 52,242,244	\$ 49,226,433
Metered sale of water	261,710,765	264,484,281	251,217,868
Sewerage and drainage levy	213,889,658	213,889,658	200,250,619
Tipping fees	85,373,222	98,635,607	93,504,371
BODTSS industrial charges	8,658,686	9,838,338	8,495,783
Electricity sales	5,719,900	5,642,942	5,796,681
Development cost charges	6,809,038	5,201,933	6,045,889
Trucked liquid waste fees	1,002,175	1,042,436	1,023,542
Source control fees	1,402,066	1,458,531	1,178,808
Housing property rentals	36,761,446	38,566,301	36,828,554
Grants and other contributions	7,689,701	9,235,091	11,841,641
User fees, recoveries and other revenue	23,882,051	35,353,379	25,586,191
Sinking fund and interest income	24,749,598	32,459,266	28,837,639
Sinking fund income, members and TransLink	22,607,356	30,769,251	30,291,885
	<b>752,497,906</b>	<b>798,819,258</b>	<b>750,125,904</b>
<b>Expenses (note 18)</b>			
Sewer operations	166,973,031	149,853,456	146,263,323
Waste disposal, recycling and regulatory services	90,774,138	97,562,427	99,837,146
Water operations	151,107,960	134,984,262	129,011,787
Housing rental operations	34,149,846	26,325,365	34,119,770
General government services	5,023,578	4,424,441	3,360,879
Regional parks	29,394,759	28,376,649	27,077,972
Air quality	8,725,075	8,655,317	7,386,300
Regional employers services	2,409,741	2,128,059	1,949,153
911 emergency telephone system	4,105,760	4,102,857	4,019,816
Electoral areas	384,405	274,917	396,399
Regional global positioning system	308,296	195,237	481,831
Sasamat volunteer fire department	276,496	245,651	193,903
Regional planning	3,535,156	2,586,165	2,664,939
Integrated Partnership for Regional Emergency Management	382,000	323,344	313,292
Homelessness Partnering Strategy	10,411,745	11,072,419	8,725,922
Corporate program costs	49,835,409	50,013,047	47,441,583
Building operations	20,108,121	16,759,703	13,199,312
Sinking fund income attributed to members and TransLink	22,607,356	30,769,251	30,291,885
	<b>600,512,872</b>	<b>568,652,567</b>	<b>556,735,212</b>
<b>Annual surplus</b>	<b>151,985,034</b>	<b>230,166,691</b>	<b>193,390,692</b>
<b>Accumulated surplus, beginning of year</b>	<b>3,917,788,323</b>	<b>3,917,788,323</b>	<b>3,724,397,631</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 4,069,773,357</b>	<b>\$ 4,147,955,014</b>	<b>\$ 3,917,788,323</b>

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

# METRO VANCOUVER REGIONAL DISTRICT

## Exhibit C

### Consolidated Statement of Change in Net Debt

Year ended December 31, 2017

	2017 Budget (note 16)	2017 Actual	2016 Actual
<b>Annual surplus</b>	\$ 151,985,034	\$ 230,166,691	\$ 193,390,692
<b>Change in tangible capital assets</b>			
Acquisition of tangible capital assets	(425,757,386)	(321,020,991)	(237,318,540)
Amortization of tangible capital assets	77,835,646	78,028,209	74,994,413
Transfer of assets held for sale	-	22,850,898	-
Disposal of tangible capital assets	-	3,860,692	2,178,085
	(347,921,740)	(216,281,192)	(160,146,042)
<b>Change in other non-financial assets</b>			
Acquisition of prepaid expenses	-	(3,131,454)	(3,210,632)
Use of prepaid expenses	-	3,254,075	3,214,192
Amortization of prepaid land leases	194,799	194,799	194,799
Acquisition of inventories of supplies	-	(6,734,534)	(5,829,543)
Consumption of inventories of supplies	-	5,829,543	5,933,767
	194,799	(587,571)	302,583
<b>Change in net debt</b>	(195,741,907)	13,297,928	33,547,233
<b>Net debt, beginning of year</b>	(648,263,280)	(648,263,280)	(681,810,513)
<b>Net debt, end of year</b>	\$ (844,005,187)	\$ (634,965,352)	\$ (648,263,280)

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



# METRO VANCOUVER REGIONAL DISTRICT

## Exhibit D

### Consolidated Statement of Cash Flows

Year ended December 31, 2017

	2017	2016
<b>Cash provided by (used in):</b>		
<b>Operating transactions:</b>		
Annual surplus	\$ 230,166,691	\$ 193,390,692
Items not involving cash		
Amortization of tangible capital assets	78,028,209	74,994,413
Amortization of prepaid land leases	194,799	194,799
Sinking fund income	(61,340,722)	(52,728,352)
Debt reserve fund income	(1,115,359)	(1,578,037)
Accrued interest and unamortized premium or discount	(1,207,069)	(1,234,731)
Loss on disposal of tangible capital assets	1,748,275	1,910,226
Employee future benefit expense	2,615,200	1,807,700
Employee future benefits paid	(2,848,800)	(1,905,200)
Change in landfill closure and post-closure liability	975,562	(904,463)
Change in non-cash assets and liabilities		
Accounts receivable	(9,147,647)	18,455,191
Due from Translink and member municipalities	14,211,933	51,283,457
Accounts payable and accrued liabilities	22,675,176	(18,590,479)
Deferred revenue and refundable deposits	219,532,258	19,585,093
Debt reserve fund, member municipalities and TransLink	(1,587,931)	(902,850)
Inventories of supplies	(904,991)	104,224
Prepaid expenses	122,621	3,560
<b>Net change in cash from operating transactions</b>	<b>492,118,205</b>	<b>283,885,243</b>
<b>Capital transactions:</b>		
Proceeds on sale of tangible capital assets	2,112,417	267,859
Acquisition of tangible capital assets (net)	(321,020,991)	(237,318,540)
<b>Net change in cash from capital transactions</b>	<b>(318,908,574)</b>	<b>(237,050,681)</b>
<b>Investing transactions:</b>		
Acquisition of investments	(484,298,546)	(380,755,680)
Investment maturities	310,313,985	277,142,878
<b>Net change in cash from investing transactions</b>	<b>(173,984,561)</b>	<b>(103,612,802)</b>
<b>Financing transactions:</b>		
Debenture debt and mortgages issued	231,045,712	204,772,377
Debt reserve fund issuances	(2,304,460)	(1,497,724)
Debt reserve fund maturity	3,331,204	2,970,302
Sinking fund payments	(124,398,743)	(130,824,806)
Principal repayments on housing mortgages and serial debt maturity	(20,214,843)	(16,969,306)
Sinking fund retirement	(149,099,080)	139,234,070
Debenture debt maturity	149,099,080	(139,234,070)
<b>Net change in cash from financing transactions</b>	<b>87,458,870</b>	<b>58,450,843</b>
<b>Net change in cash and cash equivalents</b>	<b>86,683,940</b>	<b>1,672,603</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>39,672,708</b>	<b>38,000,105</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 126,356,648</b>	<b>\$ 39,672,708</b>

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

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 1

Year ended December 31, 2017

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## 1. Significant Accounting Policies

The Metro Vancouver Regional District's (the "District") (operating as Metro Vancouver) consolidated financial statements reflect the assets, liabilities, revenues and expenses of four legal entities: the Metro Vancouver Regional District ("MVRD"), the Greater Vancouver Sewerage and Drainage District ("GVS&DD"), the Greater Vancouver Water District ("GVWD") and the Metro Vancouver Housing Corporation ("MVHC").

The MVRD was established under the Local Government Act of British Columbia. It provides a number of specific and agreed upon services directly to the public and its member municipalities, the major one of which is the ownership and operation of a network of regional parks. Its Board of Directors comprises mayors and councilors from the member municipalities appointed for that purpose by the municipalities. The number of directors, and the number of votes each may cast, is based upon the population of the municipality. Under the legislation, all staff, even if their work is under the authority of the related legal entities, are employees of the MVRD. The District serves as the borrowing conduit between member municipalities (excluding the City of Vancouver) and the Municipal Finance Authority of British Columbia (MFA). The GVS&DD and GVWD also access MFA through the MVRD. Prior to the enactment of the South Coast British Columbia Transportation Authority (SCBCTA) in 2007, the District also served as the borrowing conduit for the Greater Vancouver Transportation Authority (GVTA), commonly referred to as "TransLink". The District is no longer the borrowing conduit for TransLink; however, under the terms of the SCBCTA Act, the District, SCBCTA and the municipalities in the transportation service region are jointly and severally liable for obligations arising under a security issued by the District on behalf of TransLink.

The GVS&DD was established by an Act of the same name in 1956. Its two principal responsibilities are the collection, treatment and discharge of liquid waste for the municipalities of the MVRD, and the disposal of solid waste for the municipalities of the MVRD and the public. GVS&DD owns and operates wastewater treatment plants and a related collection network connected to the municipal collection systems, and several solid waste facilities including a waste to energy facility. Its Board of Directors comprises the same councilors and mayors as appointed to the MVRD Board by the participating municipalities. The member municipalities, under the Act, are jointly and severally liable for debts of GVS&DD.

The GVWD was established by an Act of the same name in 1924. Its primary responsibility is the supply of potable water to its member municipalities. Its Board of Directors comprises the same councilors and mayors as appointed to the MVRD Board by the participating municipalities. GVWD owns or holds under a 999 year lease from the Province, an extensive closed watershed network as its source of supply. It owns a series of dams, reservoirs, water treatment plants and a distribution network connecting to the municipal distribution systems. The member municipalities, under the Act, are jointly and severally liable for debts of GVWD. GVWD also owns and is responsible for operating and maintaining office buildings that are leased to MVRD and its related entities.

The MVHC is a wholly-owned subsidiary of the MVRD. The MVHC was incorporated under the Business Corporations Act (British Columbia) to own and operate housing sites within the Lower Mainland for the purpose of providing affordable rental housing on a non-profit basis.

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 2

Year ended December 31, 2017

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## 1. Significant Accounting Policies (continued)

The consolidated financial statements of the District are prepared by management in accordance with Canadian public sector accounting standards ("PSAS"). Significant accounting policies adopted by the District are as follows:

**Basis of Consolidation** The consolidated financial statements reflect the combined assets, liabilities, revenues and expenses of the reporting entity. The reporting entity comprises the MVRD, the GVS&DD, the GVWD and the MVHC. These organizations are controlled by the District. All transactions and balances between these entities have been eliminated on consolidation.

**Basis of Accounting** The District follows the accrual method of accounting for revenue and expenses. Revenue is normally recognized in the year in which it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and/or the legal obligation to pay.

**Government Transfers** Government transfers, 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. The transfer of revenue is initially deferred and then 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.

**Deferred Revenue, Refundable Deposits and Restricted Contributions** Deferred revenue represents licenses, permits, development cost charges, security deposits, restricted contributions and other fees which have been collected, but for which the related services or obligations have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed or obligations and stipulations have been met.

**Sinking Fund, Debt Retirement and Interest Income** Sinking fund, debt retirement and interest income is reported as revenue in the period earned. When required, based on external restrictions, interest income earned on deferred revenue is added to and forms part of the deferred revenue balance and is recognized into income when related stipulations are met.

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 3

Year ended December 31, 2017

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## 1. Significant Accounting Policies (continued)

**Debenture Issue Costs** Debenture issue costs are recorded as an expense in operations as incurred.

**Cash Equivalents** Cash equivalents include highly liquid financial instruments with a term to maturity of ninety days or less at the date of acquisition. Cash equivalents are recorded at the lower of cost plus accrued interest and market value.

**Investments** Investments consist of both long and short-term instruments and are recorded at amortized cost. Short-term investments consist primarily of money market instruments with an original maturity greater than ninety days at the date of acquisition but less than one year. Long-term investments consist primarily of bonds and fixed income securities with maturity greater than one year at the date of acquisition.

**Employee Future Benefits** The District and its employees participate in the Municipal Pension Plan. The Municipal Pension Plan is a multi-employer contributory defined benefit pension plan. Payments made in the year are expensed.

Under the terms of various collective agreements and compensation policies, the District provides paid sick leave to eligible employees and in certain agreements allows unused sick days to accumulate. There are no payouts of unused sick days at termination. In addition, employees acquire certain employee benefits on termination and retirement. These include days for severance based on years of service, vacation based on years of service, Worker's Compensation top-up, and a full year's vacation entitlement in the year of retirement. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under these benefit plans is accrued based on projected benefits as the employees render services necessary to earn the future benefits. Actuarial gains and losses are amortized over the expected average remaining service period of the related employee group, commencing the year after the gain or loss arises.

**Landfill Closure and Post-Closure Liability** The estimated present value of landfill closure and post-closure costs is recognized as a liability. This liability is recognized based on estimated future expenses, including estimated inflation discounted to the current date and accrued based on the proportion of the total capacity of the landfill used as of the date of the statement of financial position. The change in this estimated liability during the year is recorded as an expense in operations. These estimates are reviewed and adjusted annually and any changes are recorded on a prospective basis.

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 4

Year ended December 31, 2017

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## 1. Significant Accounting Policies (continued)

**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.

**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, except land, is amortized over their estimated useful lives. All assets are amortized on a straight line basis as follows:

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Asset	Useful Life – Years
Buildings	
• Housing	25 – 35
• Parks	50
• Watershed	25
• Corporate – Head Office	40
Infrastructure	
• Sewer	
○ Wastewater treatment, pumping stations	50
○ Interceptors and trunk sewer, drainage	100
• Solid Waste	25 – 30
• Water	
○ Dams, reservoirs	150
○ Supply mains	100
○ Distribution systems, drinking water treatment	50
• Parks	
○ Bridges, culverts, fencing	20 – 40
○ Trails	100
○ Roads, erosion protection, water and sewer systems	100
• Information technology systems and networks	5 – 10
Vehicles	5 – 20
Machinery, Equipment, Furniture and Fixtures	5 – 20

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# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 5

Year ended December 31, 2017

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## 1. Significant Accounting Policies (continued)

### Non-Financial Assets (continued)

#### *Tangible*

#### *Capital Assets*

a. Annual amortization

Annual amortization begins when the asset is put in service and is expensed over its useful life. Assets under construction are transferred to the appropriate asset class and are amortized from the date the asset is put into productive use.

b. Contributions of tangible capital assets

Contributions of tangible capital assets are recorded at their fair value at the date of receipt and as contribution revenue.

c. Works of art and cultural and historic assets

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

d. Interest capitalization

The Districts do not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

#### *Inventories of Supplies*

Inventories of supplies held for consumption are recorded at the lower of weighted-average cost and replacement cost.

#### *Prepaid Land Leases*

Prepaid land leases are recorded at historical cost less accumulated amortization. Upon expiration of the lease contract, the property will revert to the lessor. Prepaid land leases are amortized on a straight-line basis over the lease term.

#### **Revenue Recognition**

Property tax revenues and sewerage and drainage revenues from member municipalities are recognized in the year they are levied. Metered sale of water, tipping fees, permits, cost sharing and other revenue are recognized as revenue on an accrual basis according to the usage and rates approved and set by the Board. Housing property rental revenue is recognized over the rental period once the tenant commences occupancy, rent is due and collection is assured.

#### **Segmented Information**

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The District has provided definitions of the District's segments as well as presented financial information in segmented format in note 18.

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 6

Year ended December 31, 2017

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## 1. Significant Accounting Policies (continued)

**Liability for Contaminated Sites** A liability for remediation of a contaminated site is recognized when the site is no longer in productive use and the following criteria are satisfied: an environmental standard exists; contamination exceeds the standard; the District is either directly responsible or has accepted responsibility for remediation; it is expected that future economic benefits will be given up and a reasonable estimate of the liability can be made. Liabilities for contaminated sites is reported in accounts payable and accrued liabilities (note 7).

**Use of Estimates** The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. These estimates and assumptions are based on management's best information and judgment and may differ from actual results. Adjustments, if any, will be reflected in the financial statements in the period that the change in estimate is made, as well as in the period of settlement if the amount is different.

Significant areas requiring the use of management's judgment relate to the determination of accrued liabilities, contaminated sites liabilities, the employee future benefits liability, the amortization rates for tangible capital assets, the landfill closure and post-closure liability in GVS&DD and the assessment of all contingencies.

## 2. Accounts Receivable

	2017	2016
GVWD	\$ 55,887,752	\$ 53,062,184
GVS&DD	44,443,366	37,983,399
MVHC	369,052	480,267
MVRD	6,459,794	6,486,467
	<u>\$ 107,159,964</u>	<u>\$ 98,012,317</u>

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 7

Year ended December 31, 2017

### 3. Due from TransLink and Member Municipalities

The District is reimbursed for amounts paid to the MFA for the obligations incurred on behalf of its member municipalities and TransLink whose undertakings were financed out of the proceeds of these obligations (refer to note 11). The amount recoverable is net of sinking funds and includes accrued interest as follows:

	Net Debt Recoverable	Accrued Interest	2017	2016
TransLink	\$ 490,125,316	\$ 5,712,873	\$ 495,838,189	\$ 565,173,824
Member Municipalities	550,191,631	5,212,404	555,404,035	500,280,333
	\$ 1,040,316,947	\$ 10,925,277	\$ 1,051,242,224	\$ 1,065,454,157

### 4. Investments

	Yields	Maturity Dates	2017	2016
Bonds:				
Government	1.75 - 3.11%	September 2018 - March 2031	\$ 86,890,762	\$ 74,328,472
Corporate	1.50 - 3.19%	January 2018 - December 2026	404,667,264	302,764,943
Unamortized premium or discount			(1,805,560)	(3,012,629)
			489,752,466	374,080,786
Term deposits	1.58 - 2.45%	January 2018 - August 2019	187,000,000	145,000,000
Money market	0.86%	February 2017	-	4,980,050
GICs	1.72% - 2.21%	May 2018 - November 2019	27,500,000	5,000,000
<b>Total</b>			\$ 704,252,466	\$ 529,060,836

Government bonds include debt securities issued by the federal and provincial governments of Canada, and the Municipal Finance Authority of British Columbia. Corporate bonds include Schedule I and II chartered banks of Canada.

Market value of investments at December 31, 2017 was \$704,809,975 (2016 - \$533,609,625).

### 5. Assets Held for Sale

During 2017, head office operations for MVRD and its related entities were relocated. As at December 31, 2017, the two former head office buildings were available for sale. The net book value of assets held for sale previously classified in tangible capital assets is as follows:

	2017	2016
Land	\$ 10,253,864	\$ -
Building	12,597,034	-
	\$ 22,850,898	\$ -



# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 8

Year ended December 31, 2017

## 6. Debt Reserve Fund

The MFA provides financing for regional districts and member municipalities. The MFA is required to establish a Debt Reserve Fund for each debenture issue equal to one-half the average annual installment of principal and interest. The debt reserve fund is comprised of cash deposits equal to 1% of the principal amount borrowed and a non-interest bearing demand note for the remaining requirement. Cash deposits held by the MFA are payable with interest to the ultimate borrower when the final obligations under the respective loan agreements have been made.

If, at any time, the District has insufficient funds to meet payments due on its obligations to MFA, the payments will be made from the debt reserve fund. The demand notes are callable only if there are additional requirements to be met to maintain the level of the debt reserve fund. At December 31, 2017, \$94,933,241 (2016 - \$95,527,519) in callable demand notes were outstanding and have not been recorded in the statement of financial position.

	2017	2016
Cash deposits held by MFA on behalf of:		
Translink and member municipalities	\$ 37,220,722	\$ 38,808,653
Metro Vancouver Districts	19,653,542	17,976,996
	\$ 56,874,264	\$ 56,785,649

## 7. Accounts Payable and Accrued Liabilities

	2017	2016
Trade accounts	\$ 88,029,421	\$ 76,039,265
Construction holdbacks	14,865,152	6,801,938
Accrued interest on debt	20,725,606	20,472,302
Wage accruals	12,664,673	12,445,558
Contaminated sites (a)	2,125,350	-
Other	190,639	166,602
	\$ 138,600,841	\$ 115,925,665

- a) The District accrued \$2,125,350 for estimated current costs to remediate contaminated soils for two properties. Plans for remediation of the sites is underway and expected to be substantially completed in 2018.

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 9

Year ended December 31, 2017

## 8. Employee Future Benefits

The employee future benefits have been based on the results of an actuarial valuation done by an independent actuarial firm. A full valuation was performed as of December 31, 2016.

Information about liabilities for the District's employee benefit plans is as follows:

	2017	2016
Accrued benefit liability:		
Accrued benefit obligation, end of year	\$ 18,117,800	\$ 18,970,500
Unamortized actuarial loss	(4,692,900)	(5,312,000)
Accrued benefit liability, end of year	\$ 13,424,900	\$ 13,658,500

	2017	2016
Accrued benefit obligation:		
Balance, beginning of year	\$ 18,970,500	\$ 16,409,600
Current service cost	1,508,000	1,014,400
Interest cost	558,300	511,700
Benefits paid	(2,848,800)	(1,905,200)
Actuarial (gain) / loss	(70,200)	2,940,000
Accrued benefit obligation, end of year	\$ 18,117,800	\$ 18,970,500

	2017	2016
Employee future benefit expense:		
Current service cost	\$ 1,508,000	\$ 1,014,400
Interest cost	558,300	511,700
Amortization of the actuarial loss (gain)	548,900	281,600
	\$ 2,615,200	\$ 1,807,700

The significant actuarial assumptions adopted in measuring the District's accrued benefit obligation are as follows:

	2017	2016
Discount rates	2.90%	3.00%
Expected future inflation rates	1.80%	1.80%
Expected average remaining service period	11 years	11 years

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 10

Year ended December 31, 2017

## 9. Landfill Closure and Post-Closure Liability

The District is responsible for its share of closure and post-closure costs at the four landfill sites, Vancouver, Cache Creek, Coquitlam and Port Mann. The closure and post-closure liability associated with these landfills is as follows:

	2017	2016
Vancouver	\$ 31,071,458	\$ 30,107,896
Cache Creek	612,000	600,000
Total closure and post-closure liability	\$ 31,683,458	\$ 30,707,896

- a) The Vancouver landfill is located in Delta, BC. In accordance with an agreement with the City of Vancouver, the District is responsible for its proportionate share of the closure and post-closure liability based on usage. The present value of the District's estimated future liability for these expenses is recognized as the landfill site's capacity is used follows:

	2017	2016
Opening Balance	\$ 30,107,896	\$ 26,746,521
Impact due to changes in:		
Utilization	1,822,750	1,910,136
Assumptions	(2,854,153)	1,229,745
Discount rate	1,944,965	221,494
Closing balance	\$ 31,071,458	\$ 30,107,896

The closure and post-closure liability and annual expense is calculated based on the ratio of actual utilization to total expected utilization of the site's capacity at the date of closure. It is based on estimates and assumptions with respect to events extending over the remaining life of the Vancouver landfill, including provisions contained in Metro Vancouver's Integrated Solid Waste and Resource Management Plan. The significant estimates and assumptions adopted in measuring the District's share of the closure and post-closure liability are as follows:

	2017	2016
Current actual utilization (in tonnes)	19,847,920	19,227,644
Expected utilization at closure (in tonnes)	26,012,639	25,505,982
Permitted capacity (in tonnes)	33,039,183	33,039,183
Proportionate share of liability	30.2%	28.8%
Percent of utilization at closure	78.7%	75.4%
Discount rate	3.12%	3.68%
Expected post-closure period	30 years	30 years
Expected closure date	December 31, 2037	December 31, 2037

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 11

Year ended December 31, 2017

## 9. Landfill Closure and Post-Closure Liability (continued)

- b) The Cache Creek landfill is located in the Village of Cache Creek, BC. The landfill permit obligates the Village of Cache Creek and a third party service provider to undertake closure and post-closure activities. The District, in accordance with an agreement with the Village, is required to contribute quarterly to a trust fund, held with the Province of British Columbia, to a Post Closure Maintenance and Repair Fund at rates consistent with the operational certificate for the landfill. The agreement indemnifies the Village for any post closure liabilities which are not covered by this fund. At December 31, 2017, the trust had \$15,422,726 (2016 - \$14,833,227). The Cache Creek landfill was closed July 2016. The closure and post-closure liability and annual expense is calculated based on the ratio of actual utilization to total expected utilization of the site's capacity at the date of closure. In 2017, no closure costs were paid by the District. (2016 - \$4,083,002). The present value of the District's estimated future liability for closure and post-closure is as follows:

	2017	2016
Opening balance	\$ 15,433,227	\$ 19,226,069
Closure costs paid	-	(4,083,002)
Impact due to change in:		
Utilization	-	62,114
Assumptions	601,499	228,046
Closing balance	\$ 16,034,726	\$ 15,433,227
Less post-closure fund	(15,422,726)	(14,833,227)
Closure liability	\$ 612,000	\$ 600,000

The liability is based on significant estimates and assumptions adopted in measuring the closure and post-closure liability and are as follows:

	2017	2016
Current actual utilization (in tonnes)	10,318,780	10,318,780
Expected utilization at closure (in tonnes)	10,318,780	10,318,780
Permitted capacity (in tonnes)	10,371,594	10,371,594
Percent of utilization at closure	99.5%	99.5%
Discount rate	3.12%	3.68%
Expected post-closure period	30 years	30 years
Expected closure date	n/a	n/a

- c) The Coquitlam landfill and Port Mann Landfill were closed in 1983 and 1997, respectively and there are no further closure and post-closure liabilities.

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 12

Year ended December 31, 2017

## 10. Deferred Revenue and Refundable Deposits

The deferred revenue reported on the consolidated statement of financial position consists of the following:

	2017	2016
MVHC restricted funds (a)		
i) Rental operations – Section 27	\$ -	\$ 3,473,106
i) Rental operations – BCHMC agreements	1,834,915	1,799,364
ii) Replacement projects	4,656,334	6,662,922
	6,491,249	11,935,392
GVS&DD development cost charges (b)	287,702,326	260,907,487
Provincial grant to fund capital expenditures (c)	195,933,312	-
Facility rental security deposits	2,414,141	1,906,906
Other	4,679,934	2,938,919
Total	\$ 497,220,962	\$ 277,688,704

a) Amounts received under the following MVHC programs have been recorded as deferred revenue:

- i) Section 27 Rental Operations: In 2017, MVRD paid \$5,909,096 on behalf of MVHC for an early payout of five mortgages related to Section 27 agreements with British Columbia Housing Management Commission ("BCHMC"); MVHC refinanced these mortgages with MVRD at a variable internal rate; in addition, funds deferred under these agreements were no longer restricted and recorded as revenue in the Statement of Operations.
- ii) Section 95 Rental Subsidy: Pursuant to Section 95 of the National Housing Act ("NHA") a portion of the funds received from rental operations to a cumulative maximum of \$500 per unit are restricted and can only be used by MVHC according to the terms of the agreement with BCHMC. The amounts are recorded as deferred revenue and are used when expenditures exceed revenue in the program.
- iii) Replacement Projects: Under operating agreements entered into with Canada Mortgage and Housing Corporation ("CMHC") and administered by BCHMC, a portion of the funds received from rental operations are restricted for the replacement of equipment and specified building components. These funds are deferred until spent on approved items.

In accordance with the original CMHC agreements (Section 95), from the inception of a project, a maximum of 1% per annum of the original construction cost of the building is restricted and recorded as deferred revenue. With the administrative approval of BCHMC, the potential of restricted contributions may be adjusted from time to time based on an asset life cycle analysis. Expenditures funded from deferred revenue are periodically reviewed by BCHMC, and are restricted to the replacement of equipment and specified building components.

In accordance with BCHMC agreements (Homes BC and Seniors project), any receipts in excess of expenses are restricted for approved projected capital repairs and replacements for each project. These revenues are deferred until spent on approved items.

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 13

Year ended December 31, 2017

## 10. Deferred Revenue and Refundable Deposits (continued)

- b) The GVS&DD Act restricts the District to applying money raised from development cost charges to funding sewer capital projects, including the repayment of debt raised to fund such projects. The balance of these amounts at December 31, 2017 is \$290,635,638 (2016 - \$260,907,487) and is included in deferred revenue until spent on approved purposes.
- c) In 2017, the GVS&DD received a grant from the Province of British Columbia in the amount of \$193,000,000 for future costs associated with the construction of the new Lions Gate Wastewater Treatment Plant Facility. Included in deferred revenue is \$195,933,312 which represents the full amount of the grant funding plus interest earned.

Continuity of deferred revenue and refundable deposits is as follows:

	2017	2016
Balance, beginning of year	\$ 277,688,704	\$ 258,103,611
Externally restricted contributions received:		
GVS&DD development cost charges	26,836,133	22,232,062
MVHC restricted funds	5,791,759	3,638,266
Provincial government grant	193,000,000	-
Interest earned	8,093,951	4,917,964
Other grants and deposits	2,209,827	663,484
Total contributions received	235,931,670	31,451,776
Contributions used and recognized in revenue	(16,525,131)	(11,968,136)
Net change in externally restricted contributions	219,406,539	19,483,640
Change in deposits and other deferred revenues	125,719	101,453
	219,532,258	19,585,093
Balance, end of year	\$ 497,220,962	\$ 277,688,704

## 11. Debt

- a) All monies borrowed are upon the District's credit at large and, in the event of any default, would constitute an indebtedness for which its members are jointly and severally liable.

Debt servicing requirements comprising sinking fund contributions, serial and mortgage principal repayments and interest are funded as incurred by revenue earned during the year.

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 14

Year ended December 31, 2017

## 11. Debt (continued)

b) In addition to debt incurred directly by the District, the District has also incurred long-term debt on behalf of its member municipalities and TransLink through agreements with the MFA. Under the terms of these agreements, the District is required to provide for and pay to the MFA certain sums. Debt incurred on behalf of others is also presented as due from TransLink and member municipalities (note 3). Where the MFA has determined that sufficient resources exist to retire a debenture on its maturity date without further installments, debenture installments are suspended by the MFA. If the sums provided for are not sufficient, such deficiency shall be a liability of the District to the MFA until legally extinguished.

The District is reimbursed for amounts paid to the MFA for the obligations incurred on behalf of the member municipalities and TransLink whose undertakings were financed out of the proceeds of these obligations.

The following summarizes the debt incurred by the District as well as debt incurred on behalf of the member municipalities and TransLink.

	<b>Mortgages and Debenture Debt</b>	<b>Less Sinking Funds</b>	<b>Net Debt 2017</b>	<b>Net Debt 2016</b>
MVRD	\$ 1,235,000	\$ 1,081,585	\$ 153,415	\$ 288,998
GVS&DD	264,000,000	60,917,560	203,082,440	114,611,800
GVWD	1,264,550,930	569,328,854	695,222,076	729,446,528
MVHC	46,776,055	-	46,776,055	61,689,048
	<b>1,576,561,985</b>	<b>631,327,999</b>	<b>945,233,986</b>	<b>906,036,374</b>
TransLink	1,011,581,129	521,455,813	490,125,316	558,957,741
Member Municipalities	669,177,735	118,986,104	550,191,631	495,465,414
	<b>1,680,758,864</b>	<b>640,441,917</b>	<b>1,040,316,947</b>	<b>1,054,423,155</b>
	<b>\$ 3,257,320,849</b>	<b>\$ 1,271,769,916</b>	<b>\$ 1,985,550,933</b>	<b>\$ 1,960,459,529</b>

c) Sinking fund installments are invested by the MFA and earn income which, together with principal payments, are expected to be sufficient to retire the sinking fund debt at maturity. For sinking fund agreements, the MFA has established either a normal sinking fund or a capital repayment equalization fund.

d) Debt (net of sinking funds) reported on the statement of financial position is comprised of the following and includes varying maturities up to 2047, with interest rates ranging from 0.03% to 7.20%.

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 15

Year ended December 31, 2017

## 11. Debt (continued)

Issue number	Interest rate - %	Maturity date	Authorized to be issued	Debt Outstanding	
				2017	2016
<b>Municipal Finance Authority ("MFA") Debt</b>					
<b>Sinking Fund Agreements</b>					
59	7.20	November 10, 2019	11,282,400 \$	750,000 \$	750,000
65	4.55	April 24, 2017	36,292,080	-	3,586,080
66	4.82	November 5, 2017	83,303,000	-	3,303,000
67	1.75	November 5, 2022	15,000,000	15,000,000	15,000,000
68	4.65	March 24, 2018	63,140,544	1,305,000	1,305,000
69	4.65-5.77	September 24, 2018	103,270,000	13,270,000	13,270,000
70	2.10	June 1, 2019	66,635,000	1,235,000	1,235,000
71	2.10	December 1, 2019	190,436,535	50,436,535	50,436,535
72	2.10	June 1, 2020	55,690,000	2,650,000	2,650,000
73	1.80-2.10	December 1, 2020	61,200,000	1,200,000	48,135,000
74	1.25-1.75	June 1, 2021	168,122,526	90,000,000	90,000,000
75	1.25-1.75	December 1, 2021	62,405,000	55,880,000	55,880,000
77	1.25-1.75	June 1, 2022	100,100,000	99,100,000	99,100,000
78	2.25	December 3, 2022	89,252,000	1,252,000	11,252,000
79	2.10-5.95	June 3, 2023	74,024,580	23,024,580	23,024,580
80	2.40	October 3, 2018	264,000,000	204,000,000	204,000,000
81	2.40	April 22, 2019	47,220,000	20,520,000	20,520,000
85	2.00-5.47	December 2, 2024	69,760,000	59,760,000	59,760,000
86	5.44	December 2, 2024	50,000,000	50,000,000	50,000,000
95	1.80-4.77	October 13, 2025	10,900,000	5,900,000	5,900,000
96	4.61	April 2, 2026	50,000,000	50,000,000	50,000,000
97	1.75-4.93	April 19, 2036	175,000,000	173,000,000	173,000,000
99	1.75-4.99	October 19, 2026	66,300,000	66,300,000	66,300,000
100	4.43-4.59	October 19, 2026	200,000,000	180,000,000	180,000,000
102	2.25	December 1, 2027	436,395,000	369,395,000	436,395,000
103	4.65	April 23, 2023	40,000,000	40,000,000	40,000,000
104	5.15	November 20, 2028	56,280,930	56,280,930	56,280,930
105	4.90	June 3, 2029	68,300,000	68,300,000	68,300,000
106	4.13	October 13, 2039	140,600,000	125,000,000	140,600,000
110	4.50	April 8, 2030	60,730,000	60,730,000	60,730,000
112	3.73	October 6, 2035	74,775,000	74,775,000	74,775,000
116	4.20	April 4, 2036	152,292,000	152,292,000	152,292,000
118	3.40	April 11, 2042	96,000,000	96,000,000	96,000,000
120	0.30	June 29, 2022	2,000,000	2,000,000	2,000,000
121	2.05-2.90	October 4, 2037	74,961,330	72,286,330	74,961,330
124	3.15	April 8, 2043	3,000,000	3,000,000	3,000,000
126	3.85	September 26, 2043	155,209,000	155,209,000	155,209,000
127	3.30	April 7, 2034	115,415,000	115,415,000	115,415,000
130	3.00	October 14, 2029	50,000,000	50,000,000	50,000,000
131	2.20	April 8, 2035	121,500,000	121,500,000	121,500,000
137	2.60	April 19, 2046	149,772,377	149,772,377	149,772,377
139	2.10	October 5, 2031	55,000,000	55,000,000	55,000,000
141	2.80	April 7, 2047	152,463,123	152,463,123	-
142	3.15	October 4, 2047	77,982,900	77,982,900	-
<b>Total sinking fund agreements (carried forward)</b>			<b>\$ 4,196,010,325</b>	<b>\$ 3,161,984,775</b>	<b>\$ 3,080,637,832</b>



# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 16

Year ended December 31, 2017

## 11. Debt (continued)

Issue number	Interest rate - %	Maturity date	Authorized to be issued	Debt Outstanding	
				2017	2016
<b>Total sinking fund agreements (brought forward)</b>			\$ 4,196,010,325	\$ 3,161,984,775	\$ 3,080,637,832
<b>Serial Debt</b>					
93	5.10-5.65	April 7, 2027	79,014,000	38,665,857	42,533,074
111	3.35	October 1, 2025	3,000,000	1,782,591	1,974,161
114	3.65	March 29, 2026	6,300,914	4,177,580	4,563,926
122	2.00	November 1, 2032	1,999,000	1,499,250	1,599,200
123	2.00	March 28, 2033	3,141,602	2,434,742	2,591,822
<b>Total debenture debt</b>			<b>\$ 93,455,516</b>	<b>\$ 48,560,019</b>	<b>\$ 53,262,183</b>
<b>MVHC Mortgages</b>					
	1.00 to 4.87	January 2018 to October 2038		59,648,400	68,984,971
Less GVRD financed mortgages				(12,872,345)	(7,295,923)
<b>Total MVHC Mortgages</b>				<b>46,776,055</b>	<b>61,689,048</b>
<b>Total debt</b>				<b>\$ 3,257,320,849</b>	<b>\$ 3,195,589,063</b>
<b>Less sinking funds</b>				<b>(1,271,769,916)</b>	<b>(1,235,129,534)</b>
<b>Total net debt</b>				<b>\$ 1,985,550,933</b>	<b>\$ 1,960,459,529</b>

- e) Principal payments and sinking fund installments due within the next five years and thereafter are as follows:

	Total Long-Term Debt Payments	Less Recoverable from TransLink and Member Municipalities	Net Debt Payments
2018	\$ 144,186,033	\$ 57,223,114	\$ 86,962,919
2019	130,415,737	53,418,859	76,996,878
2020	121,599,884	51,861,346	69,738,538
2021	121,704,980	51,867,514	69,837,466
2022	109,808,034	49,825,183	59,982,851
Thereafter	676,260,199	349,931,964	326,328,235
	1,303,974,867	614,127,980	689,846,887
Estimated sinking fund income	681,576,066	426,188,967	255,387,099
<b>Total</b>	<b>\$ 1,985,550,933</b>	<b>\$ 1,040,316,947</b>	<b>\$ 945,233,986</b>

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 17

Year ended December 31, 2017

## 12. Tangible Capital Assets

	Cost				Accumulated amortization		Net Book Value December 31, 2017
	Balance at December 31, 2016	Additions	Disposals and Transfers	Balance at December 31, 2017	Balance at December 31, 2016	Amortization Expense	
<b>Land</b>							
Sewer and Drainage District	\$ 65,803,774	\$ 13,696,000	-	\$ 79,499,774	\$ -	\$ -	\$ 79,499,774
Water District	54,539,812	480,000	(10,315,605)	44,704,207	-	-	44,704,207
Regional District	875,236,517	1,650,033	-	876,886,550	-	-	876,886,550
Metro Vancouver Housing Corporation	52,274,381	-	-	52,274,381	-	-	52,274,381
	<u>1,047,854,484</u>	<u>15,826,033</u>	<u>(10,315,605)</u>	<u>1,053,364,912</u>	-	-	<u>1,053,364,912</u>
<b>Infrastructure</b>							
Sewer and Drainage District	1,483,628,349	23,745,655	-	1,507,374,004	563,201,766	28,446,656	915,725,582
Water District	1,810,018,914	276,153,677	-	2,086,172,591	270,967,169	31,941,471	302,908,640
Regional District	100,507,582	3,795,340	(514,342)	103,788,580	45,083,612	5,347,962	49,917,232
Metro Vancouver Housing Corporation	3,394,154,845	303,694,672	(514,342)	3,697,335,175	879,252,547	65,736,089	944,474,294
	<u>3,394,154,845</u>	<u>303,694,672</u>	<u>(514,342)</u>	<u>3,697,335,175</u>	<u>879,252,547</u>	<u>65,736,089</u>	<u>2,752,860,881</u>
<b>Buildings</b>							
Sewer and Drainage District	212,175,294	34,339,823	(33,878,741)	212,636,376	21,210,985	3,103,792	3,033,070
Water District	27,307,759	152,339	(255,100)	27,204,998	7,895,057	569,720	8,356,419
Regional District	194,200,402	-	(2,027,188)	192,173,219	167,223,513	3,218,290	168,414,620
Metro Vancouver Housing Corporation	433,683,455	34,492,162	(36,161,024)	432,014,593	196,329,555	6,891,802	23,759,599
	<u>433,683,455</u>	<u>34,492,162</u>	<u>(36,161,024)</u>	<u>432,014,593</u>	<u>196,329,555</u>	<u>6,891,802</u>	<u>252,210,484</u>
<b>Vehicles</b>							
Sewer and Drainage District	153,854	-	(153,854)	-	153,854	-	-
Water District	28,155,821	3,389,394	(1,919,234)	29,625,981	19,914,801	2,486,412	9,056,538
Regional District	28,309,675	3,389,394	(2,073,088)	29,625,981	20,068,655	2,486,412	20,569,443
Metro Vancouver Housing Corporation	26,864,938	296,893	(15,817,522)	11,344,309	20,893,959	1,049,258	2,331,353
	<u>26,864,938</u>	<u>296,893</u>	<u>(15,817,522)</u>	<u>11,344,309</u>	<u>20,893,959</u>	<u>1,049,258</u>	<u>2,331,353</u>
<b>Machinery, equipment, furniture &amp; fixtures</b>							
Sewer and Drainage District	4,473,075	7,566,841	-	12,039,916	3,112,578	333,472	8,593,866
Water District	16,596,071	2,864,747	(62,278)	19,398,540	13,150,838	1,173,236	5,136,744
Regional District	6,000,144	660,949	(279,030)	6,382,063	4,670,615	357,940	1,632,538
Metro Vancouver Housing Corporation	53,934,228	11,389,430	(16,158,830)	49,164,828	41,827,990	2,913,906	17,694,501
	<u>53,934,228</u>	<u>11,389,430</u>	<u>(16,158,830)</u>	<u>49,164,828</u>	<u>41,827,990</u>	<u>2,913,906</u>	<u>31,470,327</u>
<b>Construction in progress</b>							
Sewer and Drainage District	336,189,592	139,392,745	(655,549)	474,926,788	-	-	474,926,788
Water District	382,768,188	(191,888,278)	-	190,879,910	-	-	190,879,910
Regional District	7,665,084	3,897,595	(21,935)	11,540,744	-	-	11,540,744
Metro Vancouver Housing Corporation	2,125,075	827,238	-	2,952,313	-	-	2,952,313
	<u>728,747,939</u>	<u>(47,770,700)</u>	<u>(677,484)</u>	<u>680,299,755</u>	-	-	<u>680,299,755</u>
<b>Totals 2017</b>	<b>\$ 5,686,684,626</b>	<b>\$ 321,020,991</b>	<b>\$ (65,900,373)</b>	<b>\$ 5,941,805,244</b>	<b>\$ 1,137,478,747</b>	<b>\$ (39,188,783)</b>	<b>\$ 4,765,487,071</b>
<b>Sewer and Drainage District</b>	<b>\$ 1,912,640,507</b>	<b>\$ 177,131,293</b>	<b>\$ (16,626,925)</b>	<b>\$ 2,073,144,875</b>	<b>\$ 584,249,579</b>	<b>\$ (13,084,115)</b>	<b>\$ 1,472,483,497</b>
<b>Water District</b>	<b>\$ 2,463,975,283</b>	<b>\$ 126,652,063</b>	<b>\$ (44,194,346)</b>	<b>\$ 2,546,433,000</b>	<b>\$ 295,290,732</b>	<b>\$ (21,281,707)</b>	<b>\$ 2,237,045,240</b>
<b>Regional District</b>	<b>\$ 1,055,468,834</b>	<b>\$ 15,749,448</b>	<b>\$ (2,772,889)</b>	<b>\$ 1,068,445,393</b>	<b>\$ 86,044,308</b>	<b>\$ (2,516,748)</b>	<b>\$ 975,340,503</b>
<b>Metro Vancouver Housing Corporation</b>	<b>\$ 254,600,002</b>	<b>\$ 1,488,187</b>	<b>\$ (2,306,213)</b>	<b>\$ 253,781,976</b>	<b>\$ 171,894,128</b>	<b>\$ (2,306,213)</b>	<b>\$ 173,164,145</b>
	<u>\$ 5,686,684,626</u>	<u>\$ 321,020,991</u>	<u>\$ (65,900,373)</u>	<u>\$ 5,941,805,244</u>	<u>\$ 1,137,478,747</u>	<u>\$ (39,188,783)</u>	<u>\$ 4,765,487,071</u>

Included in net disposals in 2017 is \$22,850,898 for assets held for sale (note 2). Write offs related to discontinued projects were \$655,549 in 2017 (\$568,178 in 2016).

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 18

Year ended December 31, 2017

## 12. Tangible Capital Assets (continued)

	Cost				Accumulated amortization		Net Book Value December 31, 2016
	Balance at December 31, 2015	Additions	Disposals and Transfers	Balance at December 31, 2016	Balance at December 31, 2015	Amortization Expense	
<b>Land</b>							
Sewer and Drainage District	\$ 65,803,774	\$ -	\$ -	\$ 65,803,774	\$ -	\$ -	\$ 65,803,774
Water District	52,289,812	2,250,000	-	54,539,812	-	-	54,539,812
Regional District	873,712,622	1,530,937	(7,042)	875,236,517	-	-	875,236,517
Metro Vancouver Housing Corporation	52,131,443	142,938	-	52,274,381	-	-	52,274,381
	1,043,937,651	3,923,875	(7,042)	1,047,854,484	-	-	1,047,854,484
<b>Infrastructure</b>							
Sewer and Drainage District	1,408,263,629	75,364,720	-	1,483,628,349	535,695,686	27,506,080	920,426,583
Water District	1,653,936,132	156,114,744	(31,962)	1,810,018,914	242,150,447	28,829,879	1,539,051,745
Regional District	94,156,841	6,853,593	(502,852)	100,507,582	40,322,649	5,263,815	55,423,970
Metro Vancouver Housing Corporation	3,156,356,602	238,333,057	(534,814)	3,394,154,845	818,168,782	61,599,774	2,514,902,298
<b>Buildings</b>							
Sewer and Drainage District	-	-	-	-	-	-	-
Water District	212,154,451	20,843	-	212,175,294	18,798,435	2,412,550	190,964,309
Regional District	23,056,397	4,384,502	(133,140)	27,307,759	7,439,882	548,150	19,412,702
Metro Vancouver Housing Corporation	194,200,402	4,403,395	(133,140)	194,200,402	162,744,130	4,479,383	26,976,889
	429,411,250	4,403,395	(133,140)	433,683,455	188,982,447	7,440,083	237,353,900
<b>Vehicles</b>							
Sewer and Drainage District	153,854	-	-	153,854	153,854	-	-
Water District	-	-	-	-	-	-	-
Regional District	26,025,528	3,449,313	(1,319,020)	28,155,821	19,315,173	1,847,803	8,241,020
Metro Vancouver Housing Corporation	26,179,382	3,449,313	(1,319,020)	28,309,675	19,469,027	1,847,803	8,241,020
<b>Machinery, equipment, furniture &amp; fixtures</b>							
Sewer and Drainage District	28,532,789	290,793	(1,958,644)	26,864,938	20,102,171	2,455,236	5,970,979
Water District	4,473,075	-	-	4,473,075	2,897,930	214,648	1,360,497
Regional District	16,021,975	917,433	(343,337)	16,596,071	12,465,059	1,002,410	3,445,233
Metro Vancouver Housing Corporation	5,492,485	842,819	(335,160)	6,000,144	4,571,316	(335,160)	1,329,529
	54,520,324	2,051,045	(2,637,141)	53,934,228	40,036,476	4,106,753	12,106,238
<b>Construction in progress</b>							
Sewer and Drainage District	289,182,392	47,007,200	-	336,189,592	-	-	336,189,592
Water District	447,937,523	(64,829,234)	(340,101)	382,768,188	-	-	382,768,188
Regional District	6,256,172	2,788,137	(1,379,225)	7,665,084	-	-	7,665,084
Metro Vancouver Housing Corporation	1,935,273	189,802	-	2,125,075	-	-	2,125,075
	745,311,360	(14,844,095)	(1,719,326)	728,747,939	-	-	728,747,939
<b>Totals 2016</b>	\$ 5,455,716,569	\$ 237,318,540	\$ (6,350,483)	\$ 5,686,684,626	\$ 1,066,656,732	\$ (4,172,398)	\$ 4,549,205,879
<b>Sewer and Drainage District</b>	\$ 1,791,936,438	\$ 122,662,713	\$ (1,958,644)	\$ 1,912,640,507	\$ 555,951,711	\$ (1,663,448)	\$ 1,328,990,928
<b>Water District</b>	\$ 2,370,790,993	\$ 93,556,353	\$ (372,063)	\$ 2,463,975,283	\$ 263,846,812	\$ (13,157)	\$ 2,168,684,551
<b>Regional District</b>	\$ 1,039,229,535	\$ 19,923,915	\$ (3,684,616)	\$ 1,055,468,834	\$ 79,542,763	\$ 8,662,178	\$ 969,424,526
<b>Metro Vancouver Housing Corporation</b>	\$ 253,759,603	\$ 1,175,559	\$ (335,160)	\$ 254,600,002	\$ 167,315,446	\$ (335,160)	\$ 82,705,874
	\$ 5,455,716,569	\$ 237,318,540	\$ (6,350,483)	\$ 5,686,684,626	\$ 1,066,656,732	\$ (4,172,398)	\$ 4,549,205,879

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 19

Year ended December 31, 2017

## 13. Prepaid Land Leases

	2017	2016
Balance, beginning of year	\$ 6,036,297	\$ 6,231,096
Amortization	(194,799)	(194,799)
<b>Balance, end of year</b>	<b>\$ 5,841,498</b>	<b>\$ 6,036,297</b>

The lease terms for the properties are as follows:

Asset	Lease Expiry Dates	Lease Term (Years)
Buildings		
• Habitat Villa	February 2029	50
• Walnut Gardens	May 2026	42
• Other prepaid land leases	May 2036 to June 2062	60

## 14. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2017	2016
Reserves	\$ 349,179,450	\$ 318,422,260
Investment in tangible capital assets	3,798,775,564	3,599,366,063
<b>Total</b>	<b>\$ 4,147,955,014</b>	<b>\$ 3,917,788,323</b>

The continuity of reserves is as follows:

	December 31, 2016	Interest	Annual Operating Surplus	Contributions from/ (to) operations	Contributions to Capital	December 31, 2017
<b>Reserve funds</b>						
<b>Designated reserves</b>						
<b>Metro Vancouver Regional District</b>						
<b>General reserves</b>						
Regional parks other	\$ 107,565	\$ 1,941	\$ -	\$ (27,693)	\$ -	\$ 81,813
Regional sustainability funds	17,283,013	329,224	347,000	(6,668,112)	-	11,291,125
Air quality equipment	2,855,735	55,874	-	644,682	-	3,556,291
Electoral area rate stabilization	1,439,799	27,956	95,587	(17,514)	-	1,545,828
Electoral area community works	342,476	6,684	-	58,330	-	407,490
Sustainability enterprise fund	736,598	14,268	-	-	-	750,866
Feasibility study	1,074,145	20,806	-	-	-	1,094,951
Regional growth strategy	489,758	8,706	-	85,266	-	583,730
<b>General reserves (carried forward)</b>	<b>\$ 24,329,089</b>	<b>\$ 465,459</b>	<b>\$ 442,587</b>	<b>\$ (5,925,041)</b>	<b>\$ -</b>	<b>\$ 19,312,094</b>

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 20

Year ended December 31, 2017

## 14. Accumulated Surplus (continued)

	December 31, 2016	Interest	Annual Operating Surplus	Contributions from/ (to) operations	Contributions to Capital	December 31, 2017
<b>Metro Vancouver Regional District</b>						
<b>General reserves (brought forward)</b>	\$ 24,329,089	\$ 465,459	\$ 442,587	\$ (5,925,041)	\$ -	\$ 19,312,094
<b>Capital reserves</b>						
Regional parkland acquisition	11,713,439	245,524	-	3,770,000	(1,704,907)	14,024,056
Regional parks legacy fund	2,613,626	50,580	-	(53,000)	-	2,611,206
Regional parks capital maintenance	577,022	11,200	-	(132,552)	(117,120)	338,550
Regional parks capital replacement	8,636,383	168,742	-	1,682,000	(2,448,766)	8,038,359
Regional parks site reclamation	265,267	4,619	-	-	(138,070)	131,816
Cultural grants	2,333,727	63,565	-	(110,000)	-	2,287,292
Sasamat volunteer fire department	1,131,978	22,221	34,651	(483,580)	-	705,270
	<u>27,271,442</u>	<u>566,451</u>	<u>34,651</u>	<u>4,672,868</u>	<u>(4,408,863)</u>	<u>28,136,549</u>
<b>Other reserves</b>						
Asset and equipment replacement	8,957,719	132,038	4,757,401	-	(6,992,698)	6,854,460
Self insurance	2,684,287	50,334	(154,220)	-	-	2,580,401
	<u>11,642,006</u>	<u>182,372</u>	<u>4,603,181</u>	<u>-</u>	<u>(6,992,698)</u>	<u>9,434,861</u>
	<u>63,242,537</u>	<u>1,214,282</u>	<u>5,080,419</u>	<u>(1,252,173)</u>	<u>(11,401,561)</u>	<u>56,883,504</u>
<b>Greater Vancouver Water District</b>						
Office building capital improvements	601,933	10,347	-	-	(612,280)	-
Sustainability innovation fund	10,484,512	208,221	-	543,073	-	11,235,806
Equipment replacement	512,669	10,379	-	46,000	-	569,048
Lower Seymour Conservation Reserve	175,816	3,405	-	-	-	179,221
GVWD debt reserve	7,600,144	147,014	-	-	-	7,747,158
	<u>19,375,074</u>	<u>379,366</u>	<u>-</u>	<u>589,073</u>	<u>(612,280)</u>	<u>19,731,233</u>
<b>Greater Vancouver Sewerage and Drainage District</b>						
Building and equipment replacement	23,956,722	-	-	-	(15,441,689)	8,515,033
District sinking fund reserve	40,699,761	1,086,367	-	-	15,441,689	57,227,817
Waste to energy facility	10,222,838	185,467	-	693,683	-	11,101,988
Landfill post closure	7,620,473	198,615	-	2,624,137	-	10,443,225
Sustainability innovation funds	26,910,890	527,690	-	939,137	-	28,377,717
Other	15,861,288	310,132	-	1,961,870	-	18,133,290
	<u>125,271,972</u>	<u>2,308,271</u>	<u>-</u>	<u>6,218,827</u>	<u>-</u>	<u>133,799,070</u>
<b>Metro Vancouver Housing Corporation</b>	<u>12,292,370</u>	<u>371,657</u>	<u>1,060,483</u>	<u>12,540,885</u>	<u>(827,238)</u>	<u>25,437,357</u>
<b>Total designated reserves</b>	<u>220,181,953</u>	<u>4,273,576</u>	<u>6,140,902</u>	<u>18,095,812</u>	<u>(12,841,079)</u>	<u>235,851,164</u>
<b>Non-designated (operating) reserves</b>						
Liquid waste	27,471,313	431,523	8,741,781	391,676	(8,321,202)	28,715,091
Solid waste	11,537,826	185,059	10,824,768	-	(2,764,601)	19,783,052
Water	26,976,541	388,869	17,212,251	(525,371)	(10,857,831)	33,194,459
Regional parks	1,985,171	38,325	1,054,357	(648,563)	-	2,429,290
General government	1,946,842	39,175	1,173,247	-	-	3,159,264
Air quality	1,479,303	27,745	141,107	(1,189,655)	-	458,500
Regional employer services	1,655,034	32,243	214,110	-	-	1,901,387
Regional planning	517,662	10,512	701,317	(160,556)	-	1,068,935
911 telephone	644,406	12,482	-	-	-	656,888
Global positioning system	748,166	14,614	141,623	-	-	904,403
West Nile Virus	331,940	6,429	-	-	-	338,369
Integrated Partnership for Regional Emergency Management	322,177	6,208	-	(38,345)	-	290,040
Corporate programs	22,623,926	512,667	3,208,214	(5,916,199)	-	20,428,608
	<u>98,240,307</u>	<u>1,705,851</u>	<u>43,412,775</u>	<u>(8,087,013)</u>	<u>(21,943,634)</u>	<u>113,328,286</u>
<b>Total non-designated reserves</b>	<u>98,240,307</u>	<u>1,705,851</u>	<u>43,412,775</u>	<u>(8,087,013)</u>	<u>(21,943,634)</u>	<u>113,328,286</u>
<b>Total reserves</b>	<b>\$318,422,260</b>	<b>\$ 5,979,427</b>	<b>\$ 49,553,677</b>	<b>\$ 10,008,799</b>	<b>\$(34,784,713)</b>	<b>\$ 349,179,450</b>

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 21

Year ended December 31, 2017

## 14. Accumulated Surplus (continued)

Investment in tangible capital assets is calculated as follows:

	2017	2016
Tangible capital assets	\$ 4,765,487,071	\$ 4,549,205,879
Prepaid land leases	5,841,498	6,036,297
Amount financed by:		
Long-term debt, net of members, TransLink and sinking fund	(945,233,986)	(906,036,353)
Working capital (temporary financing)	(27,319,019)	(49,839,760)
	<u>\$ 3,798,775,564</u>	<u>\$ 3,599,366,063</u>
<b>Change in the investment in tangible capital assets</b>		
Acquisition of tangible capital assets	\$ 321,020,991	\$ 237,318,540
Amortization of tangible capital assets	(78,028,209)	(74,994,413)
Transfer of asset held for sale	(22,850,898)	-
Disposal of tangible capital assets	(3,860,692)	(2,178,085)
	<u>216,281,192</u>	<u>160,146,042</u>
<b>Less financing (net of members and TransLink debt)</b>		
Sinking fund debt maturity	700,000	55,449,070
Sinking fund and debt retirement	(70,629,716)	(65,043,585)
Sinking fund and debt retirement income	(25,259,657)	(22,599,677)
Debenture debt issued	150,000,000	155,000,000
Debenture debt maturity	(700,000)	(55,449,070)
Payment of long-term debt	(9,603,586)	(12,386,900)
Amortization of prepaid land leases	194,799	194,799
Increase (decrease) in temporary financing	(27,830,149)	(80,843,557)
	<u>16,871,691</u>	<u>(25,678,920)</u>
<b>Change in investment in tangible capital assets</b>	199,409,501	185,824,962
<b>Investment in tangible capital assets, beginning of year</b>	3,599,366,063	3,413,541,101
<b>Investment in tangible capital assets, end of year</b>	<u>\$ 3,798,775,564</u>	<u>\$ 3,599,366,063</u>

## 15. Commitments

As at December 31, 2017, the District had the following commitments relating to projects in progress.

	Authorized and Outstanding Projects	Expended at December 31	Total 2017	Total 2016
GVS&DD	\$ 2,063,966,377	\$ (589,911,391)	\$ 1,474,054,986	\$ 689,165,982
GVWD	870,600,000	(554,000,000)	316,600,000	306,300,000
MVRD	7,247,500	(4,643,845)	2,603,655	2,965,214
MVHC	5,650,000	(2,952,313)	2,697,687	4,641,635
Total	<u>\$ 2,947,463,877</u>	<u>\$ 1,151,507,549</u>	<u>\$ 1,795,956,328</u>	<u>\$ 1,003,072,831</u>

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 22

Year ended December 31, 2017

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## 16. Contingencies

### **Lawsuits**

As at December 31, 2017, there were various lawsuits pending against the District arising in the ordinary course of business. The District has retained legal counsel to defend against these lawsuits for which the outcomes are not possible to reasonably determine at this time and therefore no accrual has been recognized. Management is of the opinion that the losses, if any, in connection with these lawsuits can be sufficiently funded by reserve funds or covered by insurance. Any ultimate losses are recorded as expenses at the time the amounts are reasonably determinable.

### **Self Insurance Fund**

A self insurance fund has been established within accumulated surplus to cover losses resulting from uninsured liability exposures of the District.

Each year a review is undertaken to determine if it would be beneficial to purchase additional liability insurance. The District transfers amounts to the reserve depending on the fund's adequacy to cover retained liability risk.

An estimate is made for all costs of investigating and settlement of claims annually and an adjustment is made to the fund to maintain an adequate balance to cover potential losses in excess of recorded liabilities. These estimates are changed as additional information becomes known during the course of claims settlement. Any potential costs would be recorded as expenses at the time the losses are known and the amounts are reasonably determinable.

### **Municipal Pension Plan**

The District and its employees contribute to the Municipal Pension Plan (the Plan), a jointly trustee 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 pension plan. Basic pension benefits provided are based on a formula. The plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local government.

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

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 23

Year ended December 31, 2017

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## 16. Contingencies (continued)

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

The District paid \$13,255,516 for employer contributions (2016 - \$12,569,504) while employees contributed \$11,514,699 (2016 - \$10,992,408) to the Plan in fiscal 2017. The next valuation will be at December 31, 2018 with results available in 2019.

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

**BC Homes Repayable Assistance** Under the Umbrella Agreement with BCHMC, the accumulated balance of the repayable assistance is forgiven on a straight line basis over the term of the agreement. As of December 31, 2017 the repayable assistance balance is zero and has been fully forgiven.

**Debt Reserve Fund** The MFA is required to establish a Debt Reserve Fund for each debenture which is comprised of cash deposits and a non-interest bearing demand note (refer to note 6). If, at any time, the District has insufficient funds to meet payments due on its obligations to MFA, the payments will be made from the debt reserve fund. The demand notes are callable only if there are additional requirements to be met to maintain the level of the debt reserve fund, and therefore have not been recorded in the statement of financial position.



# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 24

Year ended December 31, 2017

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## 17. Budget Information

The annual budget presented in these financial statements is based upon the 2017 operating and capital budgets approved by the District's Board in October 2016, with additional approval in April 2017 for adjustments to the budget as a result of the 2016 fiscal year end results. The budget is based on operational and capital expenditure requirements and their associated funding. Amortization is a non-cash item that is not funded for budget purposes. Alternatively, PSAS do not allow presentation of fund balances nor the appropriations of accumulated surplus. Therefore, contributions to or from reserves and debt principal repayments are removed from the approved budget for financial statement presentation. The schedule below reconciles the approved budget to the budget figures reported in these financial statements. Capital expenditures of \$413,970,000 were included in the capital budget approved by the Board in April 2017.

	<b>2017</b>
	<b>Budget</b>
<b>Budgeted annual surplus per Exhibit B - Statement of Operations</b>	\$ 151,985,034
Additional transfers from reserves, approved by Board April 2017	2,074,493
<b>Adjusted annual surplus, based on October approved budget</b>	154,059,527
Items not included in the operating budget	
Amortization of tangible capital assets	77,835,646
Amortization of prepaid land leases	194,799
Sinking fund and debt retirement income	(18,781,212)
Reserve interest	(5,929,275)
Contributions from deferred revenue	(3,382,578)
BCHMC operating subsidy	(116,046)
Items included in budget but not in financial statements	
MVHC's capital replacement expenses per approved budget	6,974,446
Sinking fund and debt retirement payments	(75,362,043)
Transfers to capital fund	(133,488,754)
Transfers from reserve funds	11,609,384
Transfer to reserve funds	(13,613,894)
<b>Annual surplus per approved budget</b>	\$ -

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 25

Year ended December 31, 2017

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## 18. Segmented Information

The District is a diversified municipal government organization that provides a wide range of services directly to the public and its member municipalities through its four legal entities: the MVRD, the GVS&DD, the GVWD and the MVHC. For management reporting purposes, the District's operations and activities are organized and reported by service areas within the legal entities.

The salaries and benefits reported in the segmented information below do not include \$19,331,934 (2016 - \$19,118,163) directly attributable to the construction of tangible capital assets which have been capitalized and included in tangible capital assets in the Statement of Financial Position.

The legal entities disclosed in the segmented information, along with the service areas provided are as follows:

### MVRD

***General  
Government***

General Government includes services responsible for overall direction and monitoring and regional initiatives. This area comprises the Regional Board & Committee Remuneration, Corporate Secretary's Office, Audit, Legal and Insurance costs, Innovation, Regional Emergency Management, Regional Cultural Strategy and External Contributions.

***Regional Parks***

Regional Parks is responsible for managing, maintaining and protecting a diverse network of 24 Regional Parks and an expanding land base of reserves, ecological conservancy areas and greenways, located throughout the Region.

***Air Quality***

Air Quality is responsible for monitoring air quality in the region, controlling industrial, commercial and some residential emissions, creating long-term plans and conducting emission inventories.

***Regional Employee  
Services***

Regional Employee Services provides collective bargaining, job evaluation, research and other related labour relations services to those MVRD municipalities who are members of the function.

***911 Emergency  
Telephone Service***

The District contracts with E-Comm Corporation to provide 9-1-1 service for all municipalities within the region as well as the community of Whistler and the Sunshine Coast Regional District.

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 26

Year ended December 31, 2017

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## 18. Segmented Information (continued)

### MVRD (continued)

#### *Electoral Areas*

The District is responsible for providing general and local services to Electoral Area A. Electoral Area A includes the following:

- the west side of Pitt Lake
- the northern portion of Indian Arm a portion of land between the District of West Vancouver and Squamish
- Lillooet Regional District (excluding the Village of Lions Bay)
- the islands of Bowyer, Passage and Barnston
- the University Endowment Lands (including Pacific Spirit Regional Park)
- the University of British Columbia

General services provided include a variety of tax-supported, regional services that are provided to other member municipalities, such as 9-1-1 emergency telephone, air quality, labour relations, regional parks, strategic planning and general government. Local services provided are specific to the needs of communities within the Electoral Area and include building permit and inspection, local planning, land use planning, election and general administration.

#### *Regional Global Positioning System*

The District's Global Positioning System (GPS) Real-Time Service is offered to member municipalities and to the public in partnership with the B.C. Crown Registry and Geographic Base (CRGB) Branch.

#### *Sasamat Volunteer Fire Department*

The Sasamat Volunteer Fire Department provides volunteer fire department services to the Villages of Anmore and Belcarra. The cost to support this function is borne completely by the members who receive the service.

#### *Regional Planning*

Regional Planning's core responsibilities are focused on regional growth management, utility management and air quality management. Primary activities include development and implementation of a wide range of innovative policies and plans, extensive research, modeling and technical analysis, regulation, business demand management and community education.

#### *Integrated Partnership for Regional Emergency Management*

Integrated Partnership for Regional Emergency Management ("IPREM") is an intergovernmental partnership between the Province of British Columbia and Metro Vancouver (on behalf of the 23 local authorities). IPREM was formed to coordinate regional emergency management planning activities. IPREM is designed to collaboratively engage all levels of government and private sector agencies in regional emergency planning initiatives for the Metro Vancouver region.

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 27

Year ended December 31, 2017

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## 18. Segmented Information (continued)

### MVRD (continued)

**West Nile Virus** The West Nile Virus program provides a proactive approach to the potential arrival of the virus. On lands that it owns, the District controls mosquitoes that may carry the virus. Regionally, the District provides participating member municipalities with communication and program implementation, leadership and facilitation.

**Corporate Programs** Corporate Programs include departments that provide centralized services to the Districts. These departments include the Corporate Planning, External Relations, Financial Services, Human Resources, Legal and Legislative Services and Corporate Services. Costs for these programs are allocated to GVWD, GVS&DD, MVHC and MVRD, and are eliminated upon consolidation of the entities.

### GVS&DD

**Liquid Waste Management Services** The Liquid Waste Management Service is responsible for the collection, treatment and discharge of liquid waste for member municipalities. It operates a number of wastewater treatment plants and a related collection network connected to the member municipalities' systems.

**Solid Waste Management Services** The Solid Waste Management Service is responsible for the disposal of solid waste both for the member municipalities and the public. It owns and operates several solid waste facilities including a waste to energy facility.

### GVWD

**Water Operations** Water Operations is responsible for the supply of potable water to its member municipalities. It owns a series of dams, reservoirs, water treatment plants and a distribution network connected to the member municipalities' systems.

**Building Operations** Building Operations is responsible for operating and maintaining office buildings owned by GVWD. These facilities are leased to MVRD and its related entities for its head office operations as well as to external parties.

### MVHC

Metro Vancouver Housing Corporation is a wholly-owned subsidiary of MVRD, which owns and operates housing sites within the Lower Mainland for the purpose of providing affordable rental housing on a non-profit basis through various housing programs, some federally and some provincially funded. MVHC's portfolio consists of "rent-geared-to-income", partial rent assistance, and low-end-of-market units.

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 28

Year ended December 31, 2017

## 18. Segmented Information (continued)

### a) Total Consolidated

	Other Districts (Note 18(b))	Regional District (note 18(c))	Metro Vancouver Housing Corporation	Inter-district Adjustments	Consolidated Actual 2017	Consolidated Budget 2017	Consolidated Actual 2016
<b>Revenue</b>							
MVRD property tax requisitions	\$ -	\$ 52,242,244	\$ -	\$ -	\$ 52,242,244	\$ 52,242,244	\$ 50,291,409
Metered sale of water	264,484,281	-	-	-	264,484,281	261,710,765	251,217,868
Sewerage and drainage levy	213,889,658	-	-	-	213,889,658	213,889,658	200,250,619
Tipping fees	98,635,607	-	-	-	98,635,607	85,373,222	93,504,371
BODTSS industrial charges	9,838,338	-	-	-	9,838,338	8,658,686	8,495,783
Electricity sales	5,642,942	-	-	-	5,642,942	5,719,900	5,796,681
Development cost charges	5,201,933	-	-	-	5,201,933	6,809,038	6,045,889
Trucked liquid waste fees	1,042,436	-	-	-	1,042,436	1,002,175	1,023,542
Source control fees	1,458,531	-	-	-	1,458,531	1,402,066	1,178,373
Housing property rentals	-	-	38,566,301	-	38,566,301	36,761,446	36,828,554
Grants and other contributions	-	875,082	8,359,684	-	9,234,766	7,689,701	11,841,641
User fees, recoveries and other revenue	30,323,609	14,162,436	7,660,968	(16,793,299)	35,353,714	23,882,040	24,521,650
Sinking fund and interest income	29,325,974	2,888,355	392,630	(147,703)	32,459,256	24,749,609	28,837,639
Sinking fund income, members and TransLink	-	30,769,251	-	-	30,769,251	22,607,356	30,291,885
	659,843,309	100,937,368	54,979,583	(16,941,002)	798,819,258	752,497,906	750,125,904
<b>Expenses</b>							
Salaries and benefits	97,219,820	59,471,031	5,134,180	-	161,825,031	168,469,018	157,907,292
Consulting, contracted and professional services	107,612,975	25,292,370	604,420	-	133,509,765	140,730,464	134,738,706
Asset repairs and maintenance	17,764,332	4,001,879	11,711,414	(3,964,034)	29,513,591	34,540,753	29,397,459
Materials and supplies	21,326,915	4,013,168	62,062	-	25,402,145	31,916,416	25,755,620
Utilities, permits and taxes	21,462,982	1,482,792	6,129,533	-	29,075,307	29,792,324	25,429,294
Corporate costs	41,545,637	(45,793,424)	4,124,930	122,857	-	-	-
Other	30,507,196	39,685,415	1,241,601	(12,952,122)	58,482,090	31,001,372	58,642,877
Amortization of tangible capital assets	-	-	-	-	-	-	-
and prepaid land leases	64,874,649	9,577,330	3,771,029	-	78,223,008	77,835,646	74,994,413
Loss on disposal of tangible capital assets	2,379,368	-	-	-	2,379,368	-	-
Interest on long-term debt	48,294,213	94,054	2,001,698	(147,703)	50,242,262	86,226,879	49,869,551
	452,988,087	97,824,615	34,780,867	(16,941,002)	568,652,567	600,512,872	556,735,212
<b>Annual surplus</b>	\$ 206,855,222	\$ 3,112,753	\$ 20,198,716	\$ -	\$ 230,166,691	\$ 151,985,034	\$ 193,390,692

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 29

Year ended December 31, 2017

## 18. Segmented Information (continued)

### b) Total Other Districts

	Liquid Waste	Solid Waste	Total Sewerage & Drainage District		Water Operations	Building Operations	Elimination Entry	Total Water District	Total Other Districts		Total Other Districts	
									Actual	Budget	Actual	Budget
<b>Revenue</b>												
Metered sale of water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 264,484,281	\$ 264,484,281	\$ 261,710,765	\$ 251,217,868
Sewerage and drainage levy to members	213,889,658	-	213,889,658	-	-	-	-	-	213,889,658	213,889,658	213,889,658	200,250,619
Tipping fees	-	98,635,607	98,635,607	-	-	-	-	-	98,635,607	98,635,607	85,373,222	93,504,371
BODTSS industrial charges	9,838,338	-	9,838,338	-	-	-	-	-	9,838,338	9,838,338	8,658,686	8,495,783
Electricity sales	-	5,642,942	5,642,942	-	-	-	-	-	5,642,942	5,642,942	5,719,900	5,796,681
Development cost charges	5,201,933	-	5,201,933	-	-	-	-	-	5,201,933	5,201,933	6,809,038	6,045,889
Trucked liquid waste fees	1,042,436	-	1,042,436	-	-	-	-	-	1,042,436	1,042,436	1,002,175	1,023,542
Source control fees	1,458,531	-	1,458,531	-	-	-	-	-	1,458,531	1,458,531	1,402,066	1,178,373
Sinking fund and interest income	3,897,623	1,850,034	5,747,657	23,099,186	479,131	-	-	23,578,317	29,325,974	22,759,084	22,759,084	26,755,469
User fees, recoveries and other revenue	1,869,332	5,306,367	7,175,699	6,731,041	21,985,527	(5,568,658)	(5,568,658)	23,147,910	30,323,609	19,969,648	23,997,507	
	237,197,851	111,434,950	348,632,801	294,314,508	22,464,658	(5,568,658)	(5,568,658)	311,210,508	659,843,309	627,294,242	618,266,102	
<b>Expenses</b>												
Salaries and benefits	54,890,741	5,444,364	60,335,105	36,149,870	734,845	-	-	36,884,715	97,219,820	100,543,372	100,543,372	96,016,701
Consulting, contracted and professional serv	22,389,067	74,577,442	96,966,509	9,371,859	1,274,607	-	-	10,646,466	107,612,975	117,792,801	117,792,801	112,483,668
Asset repairs and maintenance	11,864,867	780,546	12,645,413	3,485,676	1,696,795	(63,552)	(63,552)	5,118,919	17,764,332	18,583,418	16,309,182	16,309,182
Materials and supplies	12,511,483	44,571	12,556,054	8,706,031	64,830	-	-	8,770,861	21,326,915	25,797,737	21,850,233	21,850,233
Utilities, permits and taxes	11,627,842	318,061	11,945,903	7,721,769	1,795,310	-	-	9,517,079	21,462,982	21,568,747	18,027,938	18,027,938
Corporate costs	19,588,472	5,207,822	24,796,294	22,156,643	-	-	(5,407,300)	16,749,343	41,545,637	41,440,234	41,440,234	48,914,975
Other	8,327,499	8,491,717	16,819,216	11,200,954	2,584,832	-	(97,806)	13,687,980	30,507,196	23,461,596	22,650,347	22,650,347
Amortization of tangible capital assets	23,877,502	5,618,412	29,495,914	32,241,398	3,137,337	-	-	35,378,735	64,874,649	64,011,666	61,418,393	61,418,393
Loss on disposal of tangible capital assets	655,549	1,723,819	2,379,368	-	-	-	-	-	2,379,368	-	-	-
Interest on long-term debt	6,509,938	(534,410)	5,975,528	36,847,538	5,471,147	-	-	42,318,685	48,294,213	61,379,927	47,222,127	47,222,127
	172,242,960	101,672,344	273,915,304	167,881,738	16,759,703	(5,568,658)	(5,568,658)	179,072,783	452,988,087	474,579,498	444,893,564	
<b>Annual surplus</b>	<b>\$ 64,954,891</b>	<b>\$ 9,762,606</b>	<b>\$ 74,717,497</b>	<b>\$ 126,432,770</b>	<b>\$ 5,704,955</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 132,137,725</b>	<b>\$ 206,855,222</b>	<b>\$ 152,714,744</b>	<b>\$ 173,372,538</b>	

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 30

Year ended December 31, 2017

## 18. Segmented Information (continued)

### c) Total Regional District

	General Government	Regional Parks	Air Quality	Regional Employee Services	9-1-1 Emergency Telephone Service	Electoral Areas	Regional Global Positioning System	Sasamat Volunteer Fire Department	Regional Planning	IPREM	Homelessness Partnering Strategy	West Nile Virus	Corporate Programs	Members and TransLink Sinking Fund Income	Regional District Actual 2017	Regional District Budget 2017	Regional District Actual 2016
<b>Revenue</b>																	
MVRO property tax requisitions	\$ 5,003,653	\$ 33,916,446	\$ 3,950,376	\$ 1,054,360	\$ 4,118,674	\$ 371,734	\$ -	\$ 325,232	\$ 3,351,769	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ 52,242,244	\$ 52,242,244	\$ 49,226,433
Grants and other contributions	647,485	19,267	-	-	-	58,330	-	-	-	150,000	-	-	-	-	875,082	985,834	5,996,845
User fees, recoveries and other revenue	(26,584)	2,198,026	4,694,136	1,283,621	66,426	13,584	399,279	15,000	13,850	-	11,072,419	-	(5,566,321)	-	14,162,436	16,480,318	15,276,147
Sinking fund and interest income	1,194,142	620,066	83,619	32,243	12,482	34,640	14,614	22,221	34,408	6,208	-	6,429	827,283	-	2,888,355	1,771,733	1,786,032
Sinking fund income, members and TransLink	-	-	-	-	-	-	-	-	-	-	-	-	-	30,769,251	22,607,356	30,291,885	
	6,818,696	36,753,805	8,728,131	2,369,224	4,197,582	478,288	413,893	362,453	3,400,027	306,208	11,072,419	6,429	(4,739,038)	30,769,251	100,337,368	94,093,485	102,579,342
<b>Expenses</b>																	
Salaries and benefits	2,290,684	15,576,449	5,614,377	1,994,816	-	232,172	150,512	22,837	1,886,336	292,581	347,815	-	31,062,452	-	59,471,031	62,333,092	56,278,238
Consulting, contracted and professional services	1,473,434	4,589,545	1,785,994	25,910	4,077,591	26,746	661	54,187	600,288	-	10,887,114	-	1,970,890	-	25,292,370	22,578,363	21,765,686
Asset repairs and maintenance	8,848	1,199,116	100,051	2,283	-	-	30,709	86,132	3,347	-	-	-	2,571,393	-	4,001,879	6,019,915	3,136,730
Materials and supplies	32,001	1,385,573	267,679	5,722	-	886	-	25,826	4,169	780	116	-	2,290,406	-	4,013,168	5,932,848	3,835,548
Utilities, permits and taxes	1,329	655,947	101,379	2,906	25,266	2,300	9,716	20,078	1,825	2,844	337	-	658,865	-	1,482,792	1,606,143	1,373,698
Corporate costs	552,044	3,215,317	590,504	292,775	82,115	32,329	62,421	6,571	236,616	15,000	-	-	(50,879,116)	-	(41,020,844)	(43,003,588)	(43,003,588)
Other	618,145	3,911,481	356,868	96,422	-	12,803	3,639	11,560	90,190	27,139	37,037	-	3,750,880	30,769,251	10,808,303	38,157,812	
Amortization of tangible capital assets	-	-	-	-	-	-	-	25,032	-	-	-	-	7,547,264	-	9,577,330	10,236,666	8,662,178
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-	94,054	22,789,140	151,127	
	4,976,485	32,203,547	9,245,821	2,420,834	4,184,972	307,246	257,658	252,223	2,822,781	338,344	11,072,419	-	(1,026,966)	30,769,251	97,824,615	101,283,626	90,357,429
<b>Annual surplus</b>	\$ 1,842,211	\$ 4,550,258	\$ (517,690)	\$ (51,610)	\$ 12,610	\$ 171,042	\$ 156,235	\$ 110,230	\$ 577,246	\$ (32,136)	\$ -	\$ 6,429	\$ (3,715,072)	\$ -	\$ 3,112,753	\$ (7,190,141)	\$ (2,221,913)

# METRO VANCOUVER REGIONAL DISTRICT

Notes to Consolidated Financial Statements, page 31

Year ended December 31, 2017

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## **19. Comparative Figures**

Certain comparative figures have been reclassified to conform with current year's presentation.



# METRO VANCOUVER REGIONAL DISTRICT

## Schedule 1

### Consolidated Schedule of Operating Fund (unaudited)

Year ended December 31, 2017

	2017 Budget	2017 Actual	2016 Actual
<b>Revenue</b>			
MVRD property tax requisitions	\$ 52,242,244	\$ 52,242,244	\$ 49,226,433
Metered sale of water	261,710,765	264,484,281	251,217,868
Sewerage and drainage levy	213,889,658	213,889,658	200,250,619
Tipping fees	85,373,222	98,635,607	93,504,371
BODTSS industrial charges	8,658,686	9,838,338	8,495,783
Electricity sales	5,719,900	5,642,942	5,796,681
Development cost charges	6,809,038	5,201,933	6,045,889
Trucked liquid waste fees	1,002,175	1,042,436	1,023,542
Source control fees	1,402,066	1,458,531	1,178,808
Housing property rentals	36,761,446	38,566,301	36,828,554
Grants and other contributions	7,689,701	9,235,091	6,713,039
Sinking fund and interest income	232,335	773,488	(270,297)
User fees, recoveries and other revenue	23,882,040	30,693,819	24,527,886
	<u>705,373,276</u>	<u>731,704,669</u>	<u>684,539,176</u>
<b>Expenses</b>			
<b>Core functions</b>			
Sewer operations	142,994,667	125,320,405	122,599,852
Waste disposal, recycling and regulatory services	85,105,715	90,220,196	92,991,437
Water operations	120,035,239	102,742,864	99,865,858
Housing rental operations	30,562,532	26,274,376	29,205,928
General government services	5,023,578	4,424,441	3,360,879
Regional parks	27,791,046	26,800,584	25,539,369
Air quality	8,356,835	8,226,348	7,154,109
Regional employers services	2,409,741	2,128,059	1,949,153
911 emergency telephone system	4,105,760	4,102,857	4,019,816
Electoral areas	384,405	274,917	396,399
Regional global positioning system	308,296	195,237	481,831
Sasamat volunteer fire department	245,147	220,619	181,287
Integrated Partnership for Regional Emergency Management	382,000	323,344	313,292
Homelessness Partnering Strategy	10,411,745	11,072,419	8,725,922
Regional planning	3,535,156	2,586,165	2,664,939
	<u>441,651,862</u>	<u>404,912,831</u>	<u>399,450,071</u>
<b>Corporate functions</b>			
Corporate services	15,835,165	14,243,466	17,771,626
Building operations	16,815,963	11,413,521	10,888,164
Corporate planning	875,699	820,551	1,543,933
Legal and legislative services	3,213,379	2,241,992	2,570,338
External relations	5,719,645	5,582,153	4,752,367
Financial services	11,528,405	10,938,379	10,162,767
Human resources	4,429,752	4,360,092	4,233,345
Self insurance	-	154,220	76,303
	<u>58,418,008</u>	<u>49,754,374</u>	<u>51,998,843</u>
	<u>500,069,870</u>	<u>454,667,205</u>	<u>451,448,914</u>
<b>Annual surplus, operating fund</b>	205,303,406	277,037,464	233,090,262
<b>Application of surplus and transfers</b>			
Principal repayment on long-term debt	(10,064,327)	(9,603,587)	(12,386,900)
Transfers from (to):			
Capital and other funds	(136,441,427)	(137,491,031)	(126,265,499)
Investment in non-financial assets	194,799	249,346	241,227
Sinking and debt retirement funds	(64,965,043)	(70,629,716)	(65,043,585)
Reserve funds for:			
Reserves - Operating results	(4,890,152)	(49,553,677)	(30,719,106)
Reserves	10,862,744	(10,008,799)	1,083,601
<b>Change in accumulated surplus from operating fund</b>	-	-	-
<b>Operating fund, beginning of year</b>	-	-	-
<b>Operating fund, end of year</b>	\$ -	\$ -	\$ -

# METRO VANCOUVER REGIONAL DISTRICT

## Schedule 2

### Consolidated Schedule of Capital and Other Funds (unaudited)

Year ended December 31, 2017

	2017 Budget	2017 Actual	2016 Actual
<b>Revenues</b>			
Grants and other contributions	\$ -	\$ -	\$ 4,985,664
Gain (loss) on disposal of assets	-	(1,748,275)	(1,910,226)
Debt reserve fund and interest income	-	446,684	782,933
Other income	-	1,819,632	2,808,445
	-	518,041	6,666,816
<b>Expenses</b>			
Amortization of tangible capital assets	77,835,646	78,028,209	74,994,413
Debenture and mortgage expense	-	599,689	-
	77,835,646	78,627,898	74,994,413
<b>Annual deficit, capital and other funds</b>	<b>(77,835,646)</b>	<b>(78,109,857)</b>	<b>(68,327,597)</b>
<b>Non-financial assets transactions</b>			
Acquisition of tangible capital assets			
Sewer and Drainage District	190,425,000	177,131,293	122,662,713
Water District	209,398,488	126,652,063	93,556,353
Regional District	20,283,898	15,749,448	19,923,915
Housing Corporation	5,650,000	1,488,187	1,175,559
	425,757,386	321,020,991	237,318,540
Amortization of tangible capital assets	(77,835,646)	(78,028,209)	(74,994,413)
Change in prepaid expenses and leases	194,799	249,346	241,227
Transfer of asset held for sale		(22,850,898)	-
Disposal of tangible capital assets	-	(3,860,692)	(2,178,085)
	348,116,539	216,530,538	160,387,269
<b>Financing</b>			
Debenture debt issued	251,605,855	150,000,000	155,000,000
Transfers from:			
Operating funds	136,441,427	137,491,031	126,265,499
Reserve funds	40,717,441	34,784,713	28,098,125
	428,764,723	322,875,433	309,363,624
	80,648,184	106,344,895	148,976,355
<b>Change in capital and other funds</b>	<b>2,812,538</b>	<b>28,235,038</b>	<b>80,648,758</b>
<b>Fund balances, beginning of year</b>	<b>(43,803,463)</b>	<b>(43,803,463)</b>	<b>(124,452,221)</b>
<b>Fund balances, end of year</b>	<b>\$ (40,990,925)</b>	<b>\$ (15,568,425)</b>	<b>\$ (43,803,463)</b>
<b>Capital and Other Funds consists of:</b>			
Prepaid land leases		\$ 5,841,498	\$ 6,036,297
Temporary financing from working capital		(21,409,923)	(49,839,761)
		\$ (15,568,425)	\$ (43,803,464)

Financial Statements of

**GREATER VANCOUVER SEWERAGE  
AND DRAINAGE DISTRICT**

Year ended December 31, 2017

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

## Index to Financial Statements

December 31, 2017

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	<b>Exhibit</b>
Independent Auditor's Report	
Management Report	
Statement of Financial Position	A
Statement of Operations	B
Statement of Change in Net Financial Assets (Net Debt)	C
Statement of Cash Flows	D
Notes to Financial Statements	

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	<b>Schedule</b>
Unaudited Schedules of:	
Operating Fund	1
Capital and Other Funds	2



Tel: 604 688 5421  
Fax: 604 688 5132  
vancouver@bdo.ca  
www.bdo.ca

BDO Canada LLP  
600 Cathedral Place  
925 West Georgia Street  
Vancouver BC V6C 3L2 Canada

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## Independent Auditor's Report

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To the members of the Board of Directors of the Greater Vancouver Sewerage and Drainage District

We have audited the accompanying financial statements of the Greater Vancouver Water District, which comprise the Statement Financial Position as at December 31, 2017, and the Statements of Operations, Change in Net Debt and Cash Flows 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 Greater Vancouver Sewerage and Drainage District as at December 31, 2017 and the results of its operations, change 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  
April 27, 2018

## METRO VANCOUVER SEWERAGE & DRAINAGE DISTRICT

### MANAGEMENT REPORT

The Financial Statements contained in this report have been prepared by management in accordance with Canadian public sector accounting standards. The integrity and objectivity of these statements are management's responsibility. Management is responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Greater Vancouver Sewerage & Drainage District's Board of Directors is responsible for approving the financial statements and for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Performance and Audit Committee of the Board.

The external auditors, BDO Canada LLP, conduct an independent examination, in accordance with Canadian Auditing Standards, and express their opinion on the financial statements. Their examination does not relate to the other schedules and statements required by the *Financial Information Act*. The Independent Auditor's Report outlines the scope of the audit for the year ended December 31, 2017.

On behalf of Greater Vancouver Sewerage & Drainage District.



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Phil Trotzuk, Chief Financial Officer

Date: April 27, 2018

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

## Exhibit A

### Statement of Financial Position

Year ended December 31, 2017

	2017	2016
<b>Financial Assets</b>		
Cash	\$ 44,321,035	\$ 65,822
Accounts receivable	44,443,366	37,983,399
Due from Metro Vancouver Regional District	656,829,441	449,780,240
Debt reserve fund (note 2)	3,051,130	2,173,788
	<u>748,644,972</u>	<u>490,003,249</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 3)	69,470,508	53,019,506
Landfill closure and post-closure liability (note 4)	31,683,458	30,707,896
Deferred revenue (note 5)	483,635,638	260,907,487
Debt (net of sinking funds) (note 6)	203,082,440	114,611,800
	<u>787,872,044</u>	<u>459,246,689</u>
<b>Net Financial Assets (Net Debt)</b>	<b>(39,227,072)</b>	<b>30,756,560</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (note 7)	1,472,483,497	1,328,390,928
Inventories of supplies	4,341,637	3,678,141
Prepaid expenses	1,728,411	1,783,347
	<u>1,478,553,545</u>	<u>1,333,852,416</u>
<b>Accumulated surplus (note 8)</b>	<b>\$ 1,439,326,473</b>	<b>\$ 1,364,608,976</b>

Commitments (note 9)

Contingencies (note 10)

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



Chief Financial Officer



Board Chair

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

## Exhibit B

### Statement of Operations

Year ended December 31, 2017

	2017 Budget (note 11)	2017 Actual	2016 Actual
<b>Revenue (note 12)</b>			
Sewerage and drainage levy to members	\$ 213,889,658	\$ 213,889,658	\$ 200,250,619
Tipping fees	85,373,222	98,635,607	93,504,371
BODTSS Industrial Charges	8,658,686	9,838,338	8,495,783
Electricity sales	5,719,900	5,642,942	5,796,681
Development cost charges (note 5)	6,809,038	5,201,933	6,045,889
Trucked liquid waste fees	1,002,175	1,042,436	1,023,542
Source control fees	1,402,066	1,458,531	1,178,808
Sinking and debt retirement fund income	2,515,334	2,751,567	3,248,236
Interest income	3,043,150	2,996,090	2,977,829
User fees, recoveries and other revenue	4,684,350	7,175,699	8,932,932
	<u>333,097,579</u>	<u>348,632,801</u>	<u>331,454,690</u>
<b>Expenses (note 12)</b>			
Liquid waste	186,561,502	172,242,960	168,632,884
Solid waste	94,645,272	101,672,344	104,675,645
	<u>281,206,774</u>	<u>273,915,304</u>	<u>273,308,529</u>
<b>Annual surplus</b>	51,890,805	74,717,497	58,146,161
<b>Accumulated surplus, beginning of year</b>	1,364,608,976	1,364,608,976	1,306,462,815
<b>Accumulated surplus, end of year</b>	<u>\$ 1,416,499,781</u>	<u>\$ 1,439,326,473</u>	<u>\$ 1,364,608,976</u>

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



# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

## Exhibit C

### Statement of Change in Net Financial Assets (Net Debt)

Year ended December 31, 2017

	2017 Budget (note 11)	2017 Actual	2016 Actual
<b>Annual surplus</b>	\$ 51,890,805	\$ 74,717,497	\$ 58,146,161
<b>Change in tangible capital assets:</b>			
Acquisition of tangible capital assets	(190,425,000)	(177,131,293)	(122,662,713)
Amortization of tangible capital assets	29,646,787	29,495,914	29,961,316
Disposal of tangible capital assets	-	3,542,810	295,196
	<u>(160,778,213)</u>	<u>(144,092,569)</u>	<u>(92,406,201)</u>
<b>Change in other non-financial assets:</b>			
Acquisition (use) of prepaid expenses (net)	-	54,936	(14,095)
Acquisition of inventories of supplies	-	(4,341,637)	(3,678,141)
Consumption of inventories of supplies	-	3,678,141	3,754,854
	<u>-</u>	<u>(608,560)</u>	<u>62,618</u>
<b>Changes in net financial assets</b>	(108,887,408)	(69,983,632)	(34,197,422)
<b>Net financial assets, beginning of year</b>	30,756,560	30,756,560	64,953,982
<b>Net financial assets (net debt), end of year</b>	<b>\$ (78,130,848)</b>	<b>\$ (39,227,072)</b>	<b>\$ 30,756,560</b>

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

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

## Exhibit D

### Statement of Cash Flows

Year ended December 31, 2017

	2017	2016
<b>Cash provided by (used in):</b>		
<b>Operating transactions:</b>		
Annual surplus	\$ 74,717,497	\$ 58,146,161
Items not involving cash:		
Amortization	29,495,914	29,961,316
Sinking fund income	(2,751,567)	(3,248,236)
Debt reserve fund income	(71,237)	(57,954)
Loss on disposal of tangible capital assets	2,379,368	253,127
Change in landfill closure and post-closure liability	975,562	(904,463)
Change in non-cash assets and liabilities:		
Accounts receivable	(6,459,967)	178,103
Prepaid expenses	54,936	(14,095)
Accounts payable and accrued liabilities	16,451,002	1,319,629
Deferred revenue	222,728,151	21,104,137
Inventories of supplies	(663,496)	76,713
<b>Net change in cash from operating transactions</b>	<b>336,856,163</b>	<b>106,814,438</b>
<b>Capital transactions:</b>		
Proceeds on sale of tangible capital assets	1,163,442	42,069
Acquisition of tangible capital assets	(177,131,293)	(122,662,713)
<b>Net change in cash from capital transactions</b>	<b>(175,967,851)</b>	<b>(122,620,644)</b>
<b>Financing transactions:</b>		
Due from Metro Vancouver Regional District	(207,049,201)	(31,651,212)
Debenture debt issued	100,000,000	55,000,000
Debt reserve fund issuance	(1,000,000)	-
Debt reserve fund maturity	193,895	258,964
Sinking fund payments	(8,777,793)	(7,859,692)
Debenture debt maturity	(10,000,000)	(44,000,000)
Sinking fund retirement	10,000,000	44,000,000
<b>Net change in cash from financing transactions</b>	<b>(116,633,099)</b>	<b>15,748,060</b>
<b>Net change in cash and cash equivalents</b>	<b>44,255,213</b>	<b>(58,146)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>65,822</b>	<b>123,968</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 44,321,035</b>	<b>\$ 65,822</b>

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

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 1

Year ended December 31, 2017

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## 1. Significant Accounting Policies

The Greater Vancouver Sewerage and Drainage District (the "District") was established by an Act of the same name in 1956. Its two primary responsibilities are the collection, treatment and discharge of liquid waste for the municipalities of the Metro Vancouver Regional District ("MVRD"), and the disposal of solid waste both for the municipalities of the MVRD and the public.

The District owns and operates a number of wastewater treatment plants and a related collection network connected to the municipal collection systems, and several solid waste facilities including a waste to energy facility. Its Board of Directors comprises the same councilors and mayors as appointed to the MVRD Board by the participating municipalities. The member municipalities under the Act are jointly and severally liable for its debts.

The District's financial statements are prepared by management in accordance with Canadian public sector accounting standards. Significant accounting policies adopted by the District are as follows:

**Basis of Accounting** The District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the legal obligation to pay.

**Government Transfers** Government transfers 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. The transfer of revenue is initially deferred and then 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.

**Deferred Revenue** Deferred revenue represents development cost charges and a Province of BC Grant which have been collected, but for which the related services or obligations have yet to be performed. These amounts will be recognized as revenue in the fiscal year the services are performed or obligations and stipulations have been met.

**Sinking Fund, Debt Retirement and Interest Income** Sinking fund, debt retirement and interest income is reported as revenue in the period earned. When required, based on external restrictions, interest income earned on deferred revenue is added to and forms part of the deferred revenue balance and is recognized into income when related stipulations are met.

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 2

Year ended December 31, 2017

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## 1. Significant Accounting Policies (continued)

<b>Debenture Issue Costs</b>	Debenture issue costs are recorded as an expense in operations as incurred.
<b>Cash and Investments</b>	In order to improve cash management, the general practice of the Metro Vancouver Districts is to accumulate cash and investment transactions in pooled accounts held by the MVRD. Investments held by the MVRD consist of bonds issued by governments and Canadian chartered banks, money market instruments and term deposits. Interest earned on GVS&DD's fund balances is included in the amount owing from MVRD and is recorded as interest income in the Statement of Operations.
<b>Employee Future Benefits</b>	<p>Employees who provide services for the District are employees of the MVRD. Employee related costs are allocated by the MVRD to the District based on services rendered. These costs are shown as expenses in the financial statements and are included in amounts owing from MVRD.</p> <p>Post-employment benefits of the MVRD, including accumulated banked sick and vacation pay, retirement severance and Worker's Compensation top-up benefits for employees pursuant to certain policies and union agreements, are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under these benefit plans is allocated to the District based on projected benefits as the employees render services necessary to earn the future benefits and included in amounts owing to MVRD.</p>
<b>Landfill Closure and Post-Closure Liability</b>	The estimated present value of landfill closure and post-closure costs is recognized as a liability. This liability is recognized based on estimated future expenses, including estimated inflation discounted to the current date and accrued based on the proportion of the total capacity of the landfill used as of the date of the statement of financial position. The change in this estimated liability during the year is recorded as an expense in operations. These estimates are reviewed and adjusted annually and any changes are recorded on a prospective basis.
<b>Non-Financial Assets</b>	Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They generally have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 3

Year ended December 31, 2017

## 1. Significant Accounting Policies (continued)

### Non-Financial Assets (continued)

**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, except land, is amortized over their estimated useful lives. All assets are amortized on a straight line basis as follows:

Asset	Useful Life – Years
Infrastructure	
• Interceptors and trunk sewers, drainage	100
• Wastewater treatment, pumping stations	50
• Solid Waste – incinerators, transfer stations	30
• Solid Waste – landfills	25 - 30
• Information technology systems and networks	5
Vehicles	10 - 20
Machinery, Equipment, Furniture and Fixtures	5 - 20

a. Annual amortization:

Annual amortization begins when the asset is put into service and is expensed over its useful life. Assets under construction are transferred to the appropriate asset class and are amortized from the date the asset is put into productive use.

b. Contributions of tangible capital assets:

Contributions of tangible capital assets are recorded at their fair value at the date of receipt and as contribution revenue.

c. Interest capitalization:

The District does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

**Inventories of Supplies** Inventories of supplies held for consumption are recorded at the lower of weighted-average cost and replacement cost.

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 4

Year ended December 31, 2017

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## 1. Significant Accounting Policies (continued)

<b>Revenue Recognition</b>	Tipping fees, levies, electricity sales, permits, user fees and other revenue are recognized as revenue on an accrual basis according to the usage and rates approved and set by the Board in various fees and charges bylaws.
<b>Segmented Information</b>	A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. Definitions of the District's segments and their related financial information are presented in note 12.
<b>Liability for Contaminated Sites</b>	A liability for remediation of a contaminated site is recognized when the site is no longer in productive use and the following criteria are satisfied: an environmental standard exists; contamination exceeds the standard; the District is either directly responsible or has accepted responsibility for remediation; it is expected that future economic benefits will be given up and a reasonable estimate of the liability can be made.
<b>Use of Estimates</b>	<p>The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent liabilities. These estimates and assumptions are based on management's best information and judgment and may differ from actual results. Adjustments, if any, will be reflected in the financial statements in the period that the change in estimate is made, as well as in the period of settlement if the amount is different.</p> <p>Significant areas requiring the use of management's judgment relate to the determination of landfill closure and post closure liability, contaminated sites liabilities and accrued liabilities, the useful lives of tangible capital assets and the assessment of all contingencies.</p>

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 5

Year ended December 31, 2017

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## 2. Debt Reserve Fund

The Municipal Finance Authority (“MFA”) provides financing for regional districts and member municipalities. The MFA is required to establish a Debt Reserve Fund for each debenture issue equal to one-half the average annual installment of principal and interest. The debt reserve fund is comprised of cash deposits equal to 1% of the principal amount borrowed and a non-interest bearing demand note for the remaining requirement. Cash deposits held by the MFA are payable with interest to the ultimate borrower when the final obligations under the respective loan agreements have been made.

If, at any time, the District has insufficient funds to meet payments due on its obligations to MFA, the payments will be made from the debt reserve fund. The demand notes are callable only if there are additional requirements to be met to maintain the level of the debt reserve fund. At December 31, 2017, \$8,666,384 (2016 - \$5,893,758) in callable demand notes were outstanding and have not been recorded in the statement of financial position.

## 3. Accounts Payable and Accrued Liabilities

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	2017	2016
Trade accounts	\$ 60,725,006	\$ 47,668,449
Construction holdbacks	6,975,404	4,284,530
Accrued interest on debt	1,721,620	1,031,689
Other	48,478	34,838
	<hr/> \$ 69,470,508	<hr/> \$ 53,019,506

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# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 6

Year ended December 31, 2017

## 4. Landfill Closure and Post-Closure Liability

The District is responsible for its share of closure and post-closure costs at the four landfill sites, Vancouver, Cache Creek, Coquitlam and Port Mann. The closure and post-closure liability associated with these landfills is as follows:

	2017	2016
Vancouver	\$ 31,017,458	\$ 30,107,896
Cache Creek	612,000	600,000
Total closure and post-closure liability	\$ 31,683,458	\$ 30,707,896

- a) The Vancouver landfill is located in Delta, BC. In accordance with an agreement with the City of Vancouver, the District is responsible for its proportionate share of the closure and post-closure liability based on usage. The present value of the District's estimated future liability for these expenses is recognized as the landfill site's capacity is used follows:

	2017	2016
Opening Balance	\$ 30,107,896	\$ 26,746,521
Impact due to changes in:		
Utilization	1,822,750	1,910,136
Assumptions	(2,854,153)	1,229,745
Discount rate	1,994,965	221,494
Closing balance	\$ 31,071,458	\$ 30,107,896

The closure and post-closure liability and annual expense is calculated based on the ratio of actual utilization to total expected utilization of the site's capacity at the date of closure. It is based on estimates and assumptions with respect to events extending over the remaining life of the Vancouver landfill, including provisions contained in Metro Vancouver's Integrated Solid Waste and Resource Management Plan. The significant estimates and assumptions adopted in measuring the District's share of the closure and post-closure liability are as follows:

	2017	2016
Current actual utilization (in tonnes)	19,847,920	19,227,644
Expected utilization at closure (in tonnes)	26,012,639	25,505,982
Permitted capacity (in tonnes)	33,039,183	33,039,183
Proportionate share of liability	30.2%	28.8%
Percent of utilization at closure	78.7%	75.4%
Discount rate	3.12%	3.68%
Expected post-closure period	30 years	30 years
Expected closure date	December 31, 2037	December 31, 2037



# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 7

Year ended December 31, 2017

## 4. Landfill Closure and Post-Closure Liability (continued)

- b) The Cache Creek landfill is located in the Village of Cache Creek, BC. The landfill permit obligates the Village of Cache Creek and a third party service provider to undertake closure and post-closure activities. The District, in accordance with an agreement with the Village, is required to contribute quarterly to a trust fund, held with the Province of British Columbia, to a Post Closure Maintenance and Repair Fund at rates consistent with the operational certificate for the landfill. The agreement indemnifies the Village for any post closure liabilities which are not covered by this fund. At December 31, 2017, the trust had \$15,422,726 (2016 - \$14,833,227). The Cache Creek landfill was closed July 2016. The closure and post-closure liability and annual expense is calculated based on the ratio of actual utilization to total expected utilization of the site's capacity at the date of closure. In 2017, no closure costs were paid by the District (2016 - \$4,083,002). The present value of the District's estimated future liability for closure and post-closure is as follows:

	2017	2016
Opening balance	\$ 15,433,227	\$ 19,226,069
Closure costs paid	-	(4,083,002)
Impact due to change in:		
Utilization	-	62,114
Assumptions	601,499	228,046
Closing balance	\$ 16,034,726	\$ 15,433,227
Less post-closure fund	(15,422,726)	(14,833,227)
Closure liability	\$ 612,000	\$ 600,000

The liability is based on significant estimates and assumptions adopted in measuring the closure and post-closure liability and are as follows:

	2017	2016
Current actual utilization (in tonnes)	10,318,780	10,318,780
Expected utilization at closure (in tonnes)	10,318,780	10,318,780
Permitted capacity (in tonnes)	10,371,594	10,371,594
Percent of utilization at closure	99.5%	99.5%
Discount rate	3.12%	3.68%
Expected post-closure period	30 years	30 years
Expected closure date	n/a	n/a

- c) The Coquitlam landfill and Port Mann Landfill were closed in 1983 and 1997, respectively and there are no further closure and post-closure liabilities.

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 8

Year ended December 31, 2017

## 5. Deferred Revenue

The deferred revenue reported on the statement of financial position consists of the following:

	2017	2016
Development cost charges (a)	\$ 287,702,326	\$ 260,907,487
Provincial grant to fund capital expenditures (b)	195,933,312	-
<b>Total</b>	<b>\$ 483,635,638</b>	<b>\$ 260,907,487</b>

- a) The GVS&DD Act restricts the District to applying money raised from development cost charges to funding sewer capital projects, including the repayment of debt raised to fund such projects. The balance of these amounts is included in deferred revenue until spent on approved purposes.
- b) In 2017, the District received a grant from the Province of British Columbia in the amount of \$193,000,000 for future costs associated with the construction of the new Lions Gate Wastewater Treatment Plant Facility. Included in deferred revenue is the full amount of the grant funding plus interest earned.

Continuity of deferred revenue is as follows:

	2017	2016
Balance, beginning of year	\$ 260,907,487	\$ 239,803,350
Deferred grant received in the year	193,000,000	-
Development cost charges received	26,836,133	22,232,062
Interest earned	8,093,951	4,917,964
Amounts spent and recognized as revenue	(5,201,933)	(6,045,889)
<b>Total change in deferred revenue</b>	<b>222,728,151</b>	<b>21,104,137</b>
<b>Balance, end of year</b>	<b>\$ 483,635,638</b>	<b>\$ 260,907,487</b>

## 6. Debt

- a) All borrowings for the District are obtained from MFA by the MVRD on the District's behalf, although the District maintains the right to finance debt without MFA involvement.

Debt, debentures or other security issued by the District is a direct, joint and several obligation and liability of the District and each and every member municipality.

Debt servicing requirements comprising sinking fund contributions, serial repayments and interest are funded as incurred by revenue earned during the year.

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 9

Year ended December 31, 2017

## 6. Debt (continued)

- b) Debt (net of sinking funds) reported on the statement of financial position comprises the following and includes varying maturities up to 2032 with interest rates ranging from 1.75% to 5.15%.

Issue number	Interest rate - %	Maturity Date	Debentures authorized to be issued	Debenture debt outstanding	
				2017	2016
Sinking fund					
78	2.10	December 3, 2017	\$ -	\$ -	\$ 10,000,000
79	2.10	June 3, 2018	10,000,000	10,000,000	10,000,000
80	2.40	October 3, 2018	4,000,000	4,000,000	4,000,000
81	2.40	April 22, 2019	10,000,000	10,000,000	10,000,000
99	1.75	October 19, 2021	10,000,000	10,000,000	10,000,000
104	5.15	November 20, 2023	15,000,000	15,000,000	15,000,000
106	4.13	October 13, 2024	20,000,000	20,000,000	20,000,000
116	4.20	April 4, 2026	20,000,000	20,000,000	20,000,000
118	3.40	April 11, 2027	20,000,000	20,000,000	20,000,000
139	2.10	October 5, 2031	55,000,000	55,000,000	55,000,000
141	2.80	April 7, 2032	50,000,000	50,000,000	-
142	3.15	October 4, 2032	50,000,000	50,000,000	-
<b>Total debt</b>			<b>\$ 264,000,000</b>	<b>\$ 264,000,000</b>	<b>\$ 174,000,000</b>
<b>Less sinking funds</b>				<b>(60,917,560)</b>	<b>(59,388,200)</b>
<b>Total net debt</b>				<b>\$ 203,082,440</b>	<b>\$ 114,611,800</b>

- c) Principal payments and sinking fund installments due within the next five years and thereafter are as follows:

2018	\$ 13,691,028
2019	13,042,236
2020	12,578,814
2021	12,578,814
2022	12,079,403
Thereafter	92,117,196
Sub-total	156,087,491
Estimated sinking fund income	46,994,949
<b>Total</b>	<b>\$ 203,082,440</b>

- d) Sinking fund installments are invested by the MFA and earn income which, together with principal payments, are expected to be sufficient to retire the sinking fund debt at maturity. For sinking fund agreements, the MFA has established either a normal sinking fund or a capital repayment equalization fund.

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 10

Year ended December 31, 2017

## 7. Tangible Capital Assets

	Cost				Accumulated amortization			Net book value December 31, 2017
	Balance at December 31, 2016	Additions (Net of Transfers)	Balance at December 31, 2017	Disposals	Balance at December 31, 2016	Disposals	Amortization Expense 2017	
Land	\$ 65,803,774	\$ 13,696,000	\$ 79,499,774	\$ -	\$ -	\$ -	\$ -	\$ 79,499,774
Infrastructure								
Utilities	1,477,372,191	23,745,655	1,501,117,846	-	556,945,607	-	28,446,656	585,392,263
Information technology	6,256,159	-	6,256,159	-	6,256,159	-	-	6,256,159
Vehicles	153,854	-	-	(153,854)	153,854	(153,854)	-	-
Machinery, equipment, furniture & fixtures	26,864,939	296,893	11,344,310	(15,817,522)	20,893,959	(12,930,261)	1,049,258	9,012,956
Assets under construction	336,189,590	139,392,745	474,926,786	(655,549)	-	-	-	474,926,786
	\$ 1,912,640,507	\$ 177,131,293	\$ 2,073,144,875	\$ (16,626,925)	\$ 584,249,579	\$ (13,084,115)	\$ 29,495,914	\$ 600,661,378

Write-offs in 2017 were \$655,549 related to discontinued projects (2016 - \$28,077).

	Cost				Accumulated amortization			Net book value December 31, 2016
	Balance at December 31, 2015	Additions	Balance at December 31, 2016	Disposals	Balance at December 31, 2015	Disposals	Amortization Expense 2016	
Land	\$ 65,803,774	\$ -	\$ 65,803,774	\$ -	\$ -	\$ -	\$ -	\$ 65,803,774
Infrastructure								
Utilities	1,402,007,471	75,364,720	1,477,372,191	-	529,439,527	-	27,506,080	920,426,584
Information technology	6,256,159	-	6,256,159	-	6,256,159	-	-	6,256,159
Vehicles	153,854	-	153,854	-	153,854	-	-	153,854
Machinery, equipment, furniture & fixtures	28,532,790	290,793	26,864,939	(1,958,644)	20,102,171	(1,663,448)	2,455,236	20,893,959
Assets under construction	289,182,390	47,007,200	336,189,590	-	-	-	-	336,189,590
	\$ 1,791,936,438	\$ 122,662,713	\$ 1,912,640,507	\$ (1,958,644)	\$ 555,951,711	\$ (1,663,448)	\$ 29,961,316	\$ 584,249,579

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 11

Year ended December 31, 2017

## 8. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2017	2016
Reserves	\$ 182,297,213	\$ 164,281,111
Investment in tangible capital assets	1,257,029,260	1,200,327,865
<b>Total</b>	<b>\$ 1,439,326,473</b>	<b>\$ 1,364,608,976</b>

Continuity of reserves is as follows:

	December 31, 2016	Interest	Annual Operating Surplus	Contributions from/(to) operations	Contributions to capital	December 31, 2017
<b>Designated reserves</b>						
Building and equipment replacement	\$ 23,956,722	\$ -	-	-	(15,441,689)	\$ 8,515,033
General debt reserve fund	40,699,761	1,086,367	-	-	15,441,689	57,227,817
Waste to energy facility	10,222,837	185,467	-	693,683	-	11,101,987
Landfill post-closure	7,620,473	198,615	-	2,624,137	-	10,443,225
Sustainability innovation funds	26,910,891	527,690	-	939,137	-	28,377,718
Other	15,861,288	310,132	-	1,961,870	-	18,133,290
	125,271,972	2,308,271	-	6,218,827	-	133,799,070
<b>Non-designated reserves</b>						
Liquid Waste operating	27,471,313	431,523	8,741,781	391,676	(8,321,202)	28,715,091
Solid waste operating	11,537,826	185,059	10,824,768	-	(2,764,601)	19,783,052
<b>Total Reserves</b>	<b>\$ 164,281,111</b>	<b>\$ 2,924,853</b>	<b>\$ 19,566,549</b>	<b>\$ 6,610,503</b>	<b>\$ (11,085,803)</b>	<b>\$ 182,297,213</b>

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 12

Year ended December 31, 2017

## 8. Accumulated Surplus (continued)

Investment in tangible capital assets is calculated as follows:

	2017	2016
Tangible capital assets	\$ 1,472,483,497	\$ 1,328,390,928
Amounts financed by:		
Long-term debt	(203,082,440)	(114,611,800)
Working capital (temporary financing)	(12,371,797)	(13,451,263)
	<u>\$ 1,257,029,260</u>	<u>\$ 1,200,327,865</u>
<b>Change in the investment in tangible capital assets</b>		
Acquisition of tangible capital assets	\$ 177,131,293	\$ 122,662,713
Disposal of tangible capital assets	(3,542,810)	(295,196)
Amortization of tangible capital assets	(29,495,914)	(29,961,316)
	<u>144,092,569</u>	<u>92,406,201</u>
<b>Less funding of tangible capital assets</b>		
Sinking fund debt maturity	-	44,000,000
Sinking fund and debt retirement	(8,777,793)	(7,859,692)
Sinking fund and debt retirement income	(2,751,567)	(3,248,236)
Debenture debt issued	100,000,000	55,000,000
Debenture debt maturity	-	(44,000,000)
Decrease in temporary financing	(1,079,466)	(1,560,436)
	<u>87,391,174</u>	<u>42,331,636</u>
<b>Change in investment in tangible capital assets</b>	56,701,395	50,074,565
<b>Investment in tangible capital assets, beginning of year</b>	1,200,327,865	1,150,253,300
<b>Investment in tangible capital assets, end of year</b>	<u>\$ 1,257,029,260</u>	<u>\$ 1,200,327,865</u>

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 13

Year ended December 31, 2017

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## 9. Commitments

As at December 31, 2017 the District had the following commitments outstanding related to capital projects in progress:

	2017	2016
Authorized for outstanding projects	\$ 2,063,966,377	\$ 1,123,207,377
Expended at December 31	(589,911,391)	(434,041,395)
Commitment remaining	\$ 1,474,054,986	\$ 689,165,982

## 10. Contingencies

### Lawsuits

As at December 31, 2017, there were various lawsuits pending against the District arising in the ordinary course of business. The District has retained legal counsel to defend against these lawsuits for which the outcomes are not possible to reasonably determine at this time and therefore no accrual has been recognized. Management is of the opinion that the losses, if any, in connection with these lawsuits can be sufficiently funded by reserve funds or covered by insurance. Any ultimate losses are recorded as expenses at the time the amounts are reasonably determinable.

### Self Insurance Fund

A self insurance fund has been established within accumulated surplus of the MVRD to cover losses resulting from uninsured liability exposures of the District, other Metro Vancouver Districts and the MVHC.

Each year a review is undertaken to determine if it would be beneficial to purchase additional liability insurance. The District, other Metro Vancouver Districts and the MVHC transfer amounts to the reserve depending on the fund's adequacy to cover retained liability risk.

An estimate is made for all costs of investigating and settlement of claims annually and an adjustment is made to the fund to maintain an adequate balance to cover potential losses in excess of recorded liabilities. These estimates are changed as additional information becomes known during the course of claims settlement. Any potential costs would be recorded as expenses at the time the losses are known and the amounts are reasonably determinable.

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 14

Year ended December 31, 2017

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## 10. Contingencies (continued)

**Debt Reserve Fund** The MFA is required to establish a Debt Reserve Fund for each debenture which is comprised of cash deposits and a non-interest bearing demand note (refer to note 2). If, at any time, the District has insufficient funds to meet payments due on its obligations to MFA, the payments will be made from the debt reserve fund. The demand notes are callable only if there are additional requirements to be met to maintain the level of the debt reserve fund, and therefore have not been recorded in the statement of financial position.

**First Nations Negotiations** The District is currently involved in negotiations with First Nations regarding compensation for the use of their land on which District assets reside. The compensation associated with these negotiations cannot be reasonably determined at this time and therefore no liabilities have been recorded at December 31, 2017.

## 11. Budget Information

The annual budget presented in these financial statements is based upon the 2017 operating and capital budgets approved by the District's Board in October 2016, with additional approval in April 2017 for adjustments to the budget as a result of the 2016 fiscal year end results. The budget is based on operational and capital expenditure requirements and their associated funding. Amortization is a non-cash item that is not funded for budget purposes. In addition, PSAS do not allow the presentation of fund balances nor the appropriations of accumulated surplus. Therefore, contributions to or from reserves and debt principal repayments are removed from the approved budget for financial statement presentation. The schedule below reconciles the approved budget to the budget figures reported in these financial statements. Capital expenditures of \$163,675,000 were included in the capital budget approved by the Board in April 2017.



# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 15

Year ended December 31, 2017

## 11. Budget Information (continued)

	<b>2017 Budget</b>
<b>Budgeted annual surplus per Exhibit B - Statement of Operations</b>	\$ 51,890,805
Additional transfers from reserves, approved by Board April 2017	-
<b>Adjusted annual surplus, based on October approved budget</b>	51,890,805
Items not included in the operating budget	
Amortization of tangible capital assets	29,646,787
Sinking and debt retirement fund income	(2,515,334)
Reserve interest	(3,043,150)
Items included in the budget but not in financial statements	
Debt principal payments	(8,777,793)
Transfers to capital	(64,788,365)
Transfers from reserves	(2,412,950)
<b>Annual surplus per approved budget</b>	<b>\$ -</b>

## 12. Segmented Information

The District's primary responsibilities are the collection, treatment and discharge of liquid waste for the municipalities of the MVRD and the disposal of solid waste both for the municipalities of the MVRD and the public. For management reporting purposes, the District's operations and activities are organized and reported by these two primary areas of service.

The information reported in the segmented information does not include \$6,647,569 (2016 - \$5,732,138) of salaries and benefits directly attributable to the construction of tangible capital assets which have been included in the cost of tangible capital assets in the Statement of Financial Position.

The services disclosed in the Segmented Information are as follows:

***Liquid Waste  
Management  
Services***

The Liquid Waste Management Service is responsible for the collection, treatment and discharge of liquid waste for member municipalities. It operates a number of wastewater treatment plants and a related collection network connected to the member municipalities' systems.

***Solid Waste  
Management  
Services***

The Solid Waste Management Service is responsible for the disposal of solid waste both for the member municipalities and the public. It owns and operates several solid waste facilities including a waste to energy facility.

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

Notes to Financial Statements, page 16

Year ended December 31, 2017

## 12. Segmented Information (continued)

	2017			2017	2016
	Total	Liquid	Solid	Total	Total
	Budgeted	Waste	Waste		
<b>Revenue</b>					
Sewerage and drainage levy to members	\$ 213,889,658	\$ 213,889,658	\$ -	\$ 213,889,658	\$ 200,250,619
Tipping fees	85,373,222	-	98,635,607	98,635,607	93,504,371
BODTSS Industrial Charges	8,658,686	9,838,338	-	9,838,338	8,495,783
Electricity sales	5,719,900	-	5,642,942	5,642,942	5,796,681
Development cost charges	6,809,038	5,201,933	-	5,201,933	6,045,889
Trucked liquid waste fees	1,002,175	1,042,436	-	1,042,436	1,023,542
Source control fees	1,402,066	1,458,531	-	1,458,531	1,178,373
Sinking fund and debt retirement income	2,515,334	1,728,160	1,023,407	2,751,567	3,248,236
Interest income	3,043,150	2,169,463	826,627	2,996,090	2,977,829
User fees, recoveries and other income	4,684,350	1,869,332	5,306,367	7,175,699	8,933,367
	<b>333,097,579</b>	<b>237,197,851</b>	<b>111,434,950</b>	<b>348,632,801</b>	<b>331,454,690</b>
<b>Expenses</b>					
Salaries and benefits	63,131,117	54,890,741	5,444,364	60,335,105	59,805,271
Consulting, contracted and professional services	102,082,628	22,389,067	74,577,442	96,966,509	103,495,279
Asset repairs and maintenance	11,846,605	11,864,867	780,546	12,645,413	12,537,075
Materials and supplies	14,486,713	12,511,483	44,571	12,556,054	13,160,885
Utilities, permits and taxes	10,909,050	11,627,842	318,061	11,945,903	11,241,907
Corporate costs	24,690,885	19,588,472	5,207,822	24,796,294	25,050,515
Other	13,689,626	8,327,499	8,491,717	16,819,216	12,977,529
Amortization of tangible capital assets	29,646,787	23,877,502	5,618,412	29,495,914	29,961,316
Loss on disposal of tangible capital assets	-	655,549	1,723,819	2,379,368	253,127
Interest on long-term debt	10,723,363	6,509,938	(534,410)	5,975,528	4,825,625
	<b>281,206,774</b>	<b>172,242,960</b>	<b>101,672,344</b>	<b>273,915,304</b>	<b>273,308,529</b>
<b>Annual surplus</b>	<b>\$ 51,890,805</b>	<b>\$ 64,954,891</b>	<b>\$ 9,762,606</b>	<b>\$ 74,717,497</b>	<b>\$ 58,146,161</b>

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

## Schedule 1

### Schedule of Operating Fund (unaudited)

Year ended December 31, 2017

	2017 Budget	2017 Actual	2016 Actual
<b>Revenue</b>			
Sewerage and drainage levy to members	\$ 213,889,658	\$ 213,889,658	\$ 200,250,619
Tipping fees	85,373,222	98,635,607	93,504,371
BODTSS Industrial Charges	8,658,686	9,838,338	8,495,783
Electricity sales	5,719,900	5,642,942	5,796,681
Development cost charges	6,809,038	5,201,933	6,045,889
Trucked liquid waste fees	1,002,175	1,042,436	1,023,542
Source control fees	1,402,066	1,458,531	1,178,808
User fees, recoveries and other revenue	4,684,350	6,370,680	8,361,616
	327,539,095	342,080,125	324,657,309
<b>Expenses</b>			
Liquid waste	132,691,915	121,611,500	119,435,738
Solid waste	83,453,824	89,653,309	93,784,659
Corporate costs	24,690,885	24,796,294	25,050,515
Interest on long-term debt	10,723,363	5,978,919	4,823,174
	251,559,987	242,040,022	243,094,086
<b>Annual surplus, operating fund</b>	75,979,108	100,040,103	81,563,223
<b>Application of surplus and transfers</b>			
Transfers from (to):			
Capital	(64,788,365)	(65,085,258)	(60,541,480)
Sinking and debt retirement funds	(8,777,793)	(8,777,793)	(7,859,692)
Reserve funds for:			
Reserves - Operating results	(4,890,152)	(19,566,549)	(11,907,004)
Reserves	2,477,202	(6,610,503)	(1,255,047)
<b>Change in operating fund</b>	-	-	-
<b>Operating fund, beginning of year</b>	-	-	-
<b>Operating fund, end of year</b>	\$ -	\$ -	\$ -

# GREATER VANCOUVER SEWERAGE AND DRAINAGE DISTRICT

## Schedule 2

### Schedule of Capital Fund (unaudited)

Year ended December 31, 2017

	2017 Budget	2017 Actual	2016 Actual
<b>Revenue</b>			
Interest on debt reserve fund	\$ -	\$ 71,237	\$ 57,954
Other income	-	805,019	571,316
	-	876,256	629,270
<b>Expenses</b>			
Amortization of tangible capital assets	29,646,787	29,495,914	29,961,316
Loss on disposal of tangible capital asset	-	2,379,368	253,127
	29,646,787	31,875,282	30,214,443
<b>Annual deficit, capital fund</b>	<b>(29,646,787)</b>	<b>(30,999,026)</b>	<b>(29,585,173)</b>
<b>Tangible capital assets transactions</b>			
Acquisition of tangible capital assets	190,425,000	177,131,293	122,662,713
Amortization of tangible capital assets	(29,646,787)	(29,495,914)	(29,961,316)
Disposal of tangible capital assets	-	(3,542,810)	(295,196)
	160,778,213	144,092,569	92,406,201
<b>Financing</b>			
Debenture debt issued	117,315,433	100,000,000	55,000,000
Transfers from:			
Operating fund	64,788,365	65,085,258	60,541,480
Reserve funds	8,321,202	11,085,803	8,010,330
	190,425,000	176,171,061	123,551,810
	29,646,787	32,078,492	31,145,609
<b>Change in capital fund</b>	<b>-</b>	<b>1,079,466</b>	<b>1,560,436</b>
<b>Capital fund balance, beginning of year</b>	<b>(13,451,263)</b>	<b>(13,451,263)</b>	<b>(15,011,699)</b>
<b>Capital fund balance, end of year</b>	<b>\$ (13,451,263)</b>	<b>\$ (12,371,797)</b>	<b>\$ (13,451,263)</b>

Financial Statements of

**GREATER VANCOUVER  
WATER DISTRICT**

Year ended December 31, 2017

# GREATER VANCOUVER WATER DISTRICT

## Index to Financial Statements

December 31, 2017

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	<b>Exhibit</b>
Independent Auditor's Report	
Management Report	
Statement of Financial Position	A
Statement of Operations	B
Statement of Change in Net Debt	C
Statement of Cash Flows	D
Notes to Financial Statements	

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	<b>Schedule</b>
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Unaudited Schedules of:

Operating Fund	1
Capital and Other Funds	2



Tel: 604 688 5421  
Fax: 604 688 5132  
vancouver@bdo.ca  
www.bdo.ca

BDO Canada LLP  
600 Cathedral Place  
925 West Georgia Street  
Vancouver BC V6C 3L2 Canada

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## Independent Auditor's Report

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To the members of the Board of Directors of the Greater Vancouver Water District

We have audited the accompanying financial statements of the Greater Vancouver Water District, which comprise the Statement Financial Position as at December 31, 2017, and the Statements of Operations, Change in Net Debt and Cash Flows 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 Greater Vancouver Water District as at December 31, 2017 and the results of its operations, change 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  
April 27, 2018

## GREATER VANCOUVER WATER DISTRICT

### MANAGEMENT REPORT

The Financial Statements contained in this report have been prepared by management in accordance with Canadian public sector accounting standards. The integrity and objectivity of these statements are management's responsibility. Management is responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Greater Vancouver Water District's Board of Directors is responsible for approving the financial statements and for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Performance and Audit Committee of the Board.

The external auditors, BDO Canada LLP, conduct an independent examination, in accordance with Canadian Auditing Standards, and express their opinion on the financial statements. Their examination does not relate to the other schedules and statements required by the *Financial Information Act*. The Independent Auditor's Report outlines the scope of the audit for the year ended December 31, 2017.

On behalf of Greater Vancouver Water District.



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Phil Trotzuk, Chief Financial Officer

Date: April 27, 2018



# GREATER VANCOUVER WATER DISTRICT

## Exhibit A

### Statement of Financial Position

Year ended December 31, 2017

	2017	2016
<b>Financial Assets</b>		
Cash	\$ 5,480,762	\$ 2,701,631
Accounts receivable	55,887,752	53,062,184
Assets held for sale (note 2)	22,850,898	-
Debt reserve fund (note 3)	16,576,766	15,761,998
	<u>100,796,178</u>	<u>71,525,813</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	36,447,050	28,823,477
Due from Metro Vancouver Regional District	19,094,746	26,759,046
Debt (net of sinking funds) (note 5)	695,222,076	729,446,525
	<u>750,763,872</u>	<u>785,029,048</u>
<b>Net Debt</b>	(649,967,694)	(713,503,235)
<b>Non-Financial Assets</b>		
Tangible capital assets (note 6)	2,237,045,239	2,168,684,550
Inventories of supplies	2,392,897	2,151,402
	<u>2,239,438,136</u>	<u>2,170,835,952</u>
<b>Accumulated surplus (note 7)</b>	<b>\$ 1,589,470,442</b>	<b>\$ 1,457,332,717</b>

Commitments (note 8)

Contingencies (note 9)

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



Chief Financial Officer



Board Chair

# GREATER VANCOUVER WATER DISTRICT

## Exhibit B

### Statement of Operations

Year ended December 31, 2017

	2017 Budget (note 10)	2017 Actual	2016 Actual
<b>Revenue (note 11)</b>			
Metered sale of water	\$ 261,710,765	\$ 264,484,281	\$ 251,217,868
Sinking fund and debt retirement income	16,265,878	22,434,635	19,259,571
Interest income	934,722	1,143,682	1,269,833
Building income from Metro Vancouver Districts	8,117,712	10,765,388	2,221,516
Building income from external parties	5,989,450	5,749,287	6,362,136
Other revenue	1,178,147	6,094,909	7,092,521
Net gain on disposal of tangible capital assets	-	538,326	-
	<u>294,196,674</u>	<u>311,210,508</u>	<u>287,423,445</u>
<b>Expenses (note 11)</b>			
Water operations	173,264,614	162,313,080	158,997,756
Building operations	22,806,609	16,759,703	13,199,312
	<u>193,372,735</u>	<u>179,072,783</u>	<u>172,197,068</u>
<b>Annual surplus</b>	100,823,939	132,137,725	115,226,377
<b>Accumulated surplus, beginning of year</b>	1,457,332,717	1,457,332,717	1,342,106,340
<b>Accumulated surplus, end of year</b>	<b>\$ 1,558,156,656</b>	<b>\$ 1,589,470,442</b>	<b>\$ 1,457,332,717</b>

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

# GREATER VANCOUVER WATER DISTRICT

## Exhibit C

### Statement of Change in Net Debt

Year ended December 31, 2017

	2017 Budget (note 10)	2017 Actual	2016 Actual
<b>Annual surplus</b>	\$ 100,823,939	\$ 132,137,725	\$ 115,226,377
<b>Change in tangible capital assets:</b>			
Acquisition of tangible capital assets	(209,398,488)	(126,652,063)	(93,556,353)
Amortization of tangible capital assets	34,364,879	35,378,735	31,457,077
Transfer of asset held for sale	-	22,850,898	-
Disposal of tangible capital assets	-	61,741	358,906
	<u>(175,033,609)</u>	<u>(68,360,689)</u>	<u>(61,740,370)</u>
<b>Change in other non-financial assets:</b>			
Acquisition of inventories of supplies	-	(2,392,897)	(2,151,402)
Consumption of inventories of supplies	-	2,151,402	2,178,913
	<u>-</u>	<u>(241,495)</u>	<u>27,511</u>
<b>Changes in net financial assets</b>	(74,209,670)	63,535,541	53,513,518
<b>Net debt, beginning of year</b>	<u>(713,503,235)</u>	<u>(713,503,235)</u>	<u>(767,016,753)</u>
<b>Net debt, end of year</b>	\$ <b>(787,712,905)</b>	\$ <b>(649,967,694)</b>	\$ <b>(713,503,235)</b>

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

# GREATER VANCOUVER WATER DISTRICT

## Exhibit D

### Statement of Cash Flows

Year ended December 31, 2017

	2017	2016
<b>Cash provided by (used in):</b>		
<b>Operating transactions:</b>		
Annual surplus	\$ 132,137,725	\$ 115,226,377
Items not involving cash:		
Amortization	35,378,735	31,457,077
Sinking fund and debt retirement income	(22,434,635)	(19,259,571)
Debt reserve fund income	(314,768)	(425,645)
Gain on disposal of tangible capital assets	(538,326)	358,906
Change in non-cash assets and liabilities:		
Accounts receivable	(2,825,568)	19,570,328
Accounts payable and accrued liabilities	7,623,573	(25,050,414)
Inventories of supplies	(241,495)	27,511
<b>Net change in cash from operating transactions</b>	<b>148,785,241</b>	<b>121,904,569</b>
<b>Capital transactions:</b>		
Proceeds on sale of tangible capital assets	600,067	-
Acquisition of tangible capital assets	(126,652,063)	(93,556,353)
<b>Net change in cash from capital transactions</b>	<b>(126,051,996)</b>	<b>(93,556,353)</b>
<b>Financing transactions:</b>		
Due from Metro Vancouver Regional District	(7,664,300)	(67,772,864)
Debenture debt issued	50,000,000	100,000,000
Debt reserve fund issuance	(500,000)	(1,000,000)
Debt reserve fund maturity	-	192,111
Sinking fund payments	(61,789,814)	(57,091,541)
<b>Net change in cash from financing transactions</b>	<b>(19,954,114)</b>	<b>(25,672,294)</b>
<b>Net change in cash and cash equivalents</b>	<b>2,779,131</b>	<b>2,675,922</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,701,631</b>	<b>25,709</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,480,762</b>	<b>\$ 2,701,631</b>

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

# GREATER VANCOUVER WATER DISTRICT

Notes to Financial Statements, page 1

Year ended December 31, 2017

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## 1. Significant Accounting Policies

The Greater Vancouver Water District (the "District") was established by an Act of the same name in 1924. Its primary responsibility is the supply of potable water to its member municipalities. Its Board of Directors comprises the same councillors and mayors as appointed to the Metro Vancouver Regional District ("MVRD") Board by the participating municipalities.

The District owns or holds under a 999-year lease from the Province an extensive closed watershed network as its source of supply. It owns a series of dams, reservoirs, water treatment plants and a distribution network connecting to the municipal distribution systems. The member municipalities under the Act are jointly and severally liable for its debts. The District also owns and is responsible for operating and maintaining office buildings that are leased to MVRD and its related entities.

The District's financial statements are prepared by management in accordance with Canadian public sector accounting standards ("PSAS"). Significant accounting policies adopted by the District are as follows:

**Basis of Accounting** The District follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and/or the legal obligation to pay.

**Government Transfers** Government transfers 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. The transfer of revenue is initially deferred and then 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.

**Sinking Fund, Debt Retirement and Interest Income** Sinking fund, debt retirement and interest income are reported as revenue in the period earned. When required, based on external restrictions, interest income earned on deferred revenue is added to and forms part of the deferred revenue balance and is recognized into income when related stipulations are met.

**Debenture Issue Costs** Debenture issue costs are recorded as an expense in operations as incurred.

# GREATER VANCOUVER WATER DISTRICT

Notes to Financial Statements, page 2

Year ended December 31, 2017

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## 1. Significant Accounting Policies (continued)

### **Cash and Investments**

In order to improve cash management, the general practice of the Metro Vancouver Districts is to accumulate cash and investment transactions in pooled accounts held by the MVRD. Investments held by the MVRD consist of bonds issued by governments and Canadian chartered banks, money market instruments and term deposits. Interest earned on GVWD's fund balances is included in the amount owing from the MVRD and is recorded as interest income in the Statement of Operations.

### **Employee Future Benefits**

Employees who provide services for the District are employees of the MVRD. Employee related costs are allocated by the MVRD to the District based on services rendered. These costs are shown as expenses in the financial statements and are included in amounts owing to MVRD.

Post-employment benefits of the MVRD, including accumulated banked sick and vacation pay, retirement severance and Worker's Compensation top-up benefits for employees pursuant to certain policies and union agreements, are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under these benefit plans is allocated to the District based on projected benefits as the employees render services necessary to earn the future benefits and included in amounts owing to MVRD.

### **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.

# GREATER VANCOUVER WATER DISTRICT

Notes to Financial Statements, page 3

Year ended December 31, 2017

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## 1. Significant Accounting Policies (continued)

### Non-Financial Assets (continued)

#### *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, is amortized on a straight line basis over the estimated useful lives of the assets as follows:

<b>Asset</b>	<b>Useful Life – Years</b>
Buildings	
• Corporate head office	40
• Watershed	25
Infrastructure	
• Dams and reservoirs	150
• Supply mains	100
• Distribution systems, drinking water treatment	50
• Bridges and roads	50
Vehicles	5 - 10
Machinery, Equipment, Furniture and Fixtures	5 - 20

a. Annual amortization:

Annual amortization begins when the asset is put into service and is expensed over its useful life. Assets under construction are transferred to the appropriate asset class and are amortized from the date the asset is put into productive use.

b. Contributions of tangible capital assets:

Contributions of tangible capital assets are recorded at their fair value at the date of receipt and as contribution revenue.

c. Interest capitalization:

The District does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

#### *Inventories of Supplies*

Inventories of supplies held for consumption are recorded at the lower of weighted-average cost and replacement cost.

# GREATER VANCOUVER WATER DISTRICT

Notes to Financial Statements, page 4

Year ended December 31, 2017

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## 1. Significant Accounting Policies (continued)

**Revenue Recognition** Metered sale of water, building income from external tenants, MVRD's Districts and Housing Corporation, and other income are recognized as revenue on an accrual basis according to the usage and rates approved and set by the Board.

**Use of Estimates** The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent liabilities. These estimates and assumptions are based on management's best information and judgment and may differ from actual results. Adjustments, if any, will be reflected in the financial statements in the period that the change in estimate is made, as well as in the period of settlement if the amount is different.

Significant areas requiring the use of management's judgment relates to the determination of accrued liabilities and contaminated sites liabilities, the amortization rates of tangible capital assets and the assessment of all contingencies.

**Segmented Information** A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. Definitions of the District's segments and their related financial information are presented in note 11.

**Liabilities for Contaminated Sites** A liability for remediation of a contaminated site is recognized when the site is no longer in productive use and the following criteria are satisfied: an environmental standard exists; contamination exceeds the standard; the District is either directly responsible or has accepted responsibility for remediation; it is expected that future economic benefits will be given up and a reasonable estimate of the liability can be made. Liabilities for contaminated sites are reported in accounts payable and accrued liabilities (note 4).



# GREATER VANCOUVER WATER DISTRICT

Notes to Financial Statements, page 5

Year ended December 31, 2017

## 2. Assets Held for Sale

During 2017, head office operations for MVRD and its related Districts were relocated. As at December 31, 2017, the two former head office buildings were made available for sale. The net book value of assets held for sale previously classified in tangible capital assets is as follows:

	2017	2016
Land	\$ 10,253,864	\$ -
Building	12,597,034	-
	\$ 22,850,898	\$ -

## 3. Debt Reserve Fund

The Municipal Finance Authority ("MFA") provides financing for regional districts and member municipalities. The MFA is required to establish a Debt Reserve Fund for each debenture issue equal to one-half the average annual installment of principal and interest. The debt reserve fund is comprised of cash deposits equal to 1% of the principal amount borrowed and a non-interest bearing demand note for the remaining requirement. Cash deposits held by the MFA are payable with interest to the ultimate borrower when the final obligations under the respective loan agreements have been made.

If, at any time, the District has insufficient funds to meet payments due on its obligations to MFA, the payments will be made from the debt reserve fund. The demand notes are callable only if there are additional requirements to be met in order to maintain the level of the debt reserve fund. At December 31, 2017, \$44,131,036 (2016 - \$42,586,871) in callable demand notes were outstanding and have not been recorded in the statement of financial position.

## 4. Accounts Payable and Accrued Liabilities

	2017	2016
Trade accounts	\$ 18,355,843	\$ 18,387,648
Construction holdbacks	7,889,748	2,517,408
Accrued interest on debt	7,953,934	7,796,893
Contaminated sites (a)	2,125,350	-
Other	122,175	121,528
	\$ 36,447,050	\$ 28,823,477

a) The District accrued \$2,125,350 for estimated current costs to remediate contaminated soils for two properties. Plans for remediation of the sites is underway and expected to be substantially completed in 2018.

# GREATER VANCOUVER WATER DISTRICT

Notes to Financial Statements, page 6

Year ended December 31, 2017

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## 5. Debt

- a) All borrowings for the District are obtained from MFA by the MVRD on the District's behalf, although the District maintains the right to finance debt without MFA involvement.

Debt, debentures or other security issued by the District is a direct, joint and several obligation and liability of the District and each and every member municipality.

Debt servicing requirements comprising sinking fund contributions, serial repayments and interest are funded as incurred by revenue earned during the year.

- b) Principal payments and sinking fund installments due within the next five years and thereafter are as follows:

	<b>Total Payments</b>
2018	\$ 64,478,143
2019	52,593,809
2020	50,391,623
2021	50,198,368
2022	47,201,902
Thereafter	222,037,619
Subtotal	486,901,464
Estimated sinking fund income	208,320,612
<b>Total</b>	<b>\$ 695,222,076</b>

- c) Sinking fund installments are invested by the MFA and earn income that, together with principal payments, are expected to be sufficient to retire the sinking fund debt at maturity. For sinking fund agreements, the MFA has established either a normal sinking fund or a capital repayment equalization fund.

# GREATER VANCOUVER WATER DISTRICT

Notes to Financial Statements, page 7

Year ended December 31, 2017

## 5. Debt (continued)

d) Debt (net of sinking funds) reported on the Statement of Financial Position comprises the following and includes varying maturities up to 2032 with interest rates ranging from 1.75% to 5.15%.

Issue number	By-law number	Interest rate - %	Maturity date	Debentures authorized to be issued	Debenture debt outstanding	
					2017	2016
Sinking fund						
77	946	2.10	June 3, 2018	\$ 12,800,000	\$ 12,800,000	\$ 12,800,000
78 PB	994	2.40	October 3, 2018	200,000,000	200,000,000	200,000,000
79 BB	946	2.40	April 22, 2019	8,548,000	8,548,000	8,548,000
79C	946	2.40	April 22, 2019	1,972,000	1,972,000	1,972,000
80	946	2.00	December 02, 2019	37,000,000	37,000,000	37,000,000
81	946	1.80	October 13, 2020	3,600,000	3,600,000	3,600,000
82	946	1.75	April 19, 2021	15,630,930	15,630,930	15,630,930
82	994	1.75	April 19, 2021	4,369,070	4,369,070	4,369,070
83	994	1.75	October 19, 2021	40,000,000	40,000,000	40,000,000
71A	813	4.43	November 5, 2022	14,294,000	14,294,000	14,294,000
71B	853	4.43	November 5, 2022	706,000	706,000	706,000
84	994	2.25	December 1, 2022	80,000,000	80,000,000	80,000,000
85	994	4.65	April 23, 2023	40,000,000	40,000,000	40,000,000
86	994	5.15	November 20, 2023	35,630,930	35,630,930	35,630,930
87	1073	4.90	June 3, 2024	60,000,000	60,000,000	60,000,000
88	1073	4.13	October 13, 2024	80,000,000	80,000,000	80,000,000
89	1073	4.50	April 8, 2025	50,000,000	50,000,000	50,000,000
90	1073	3.73	October 6, 2025	70,000,000	70,000,000	70,000,000
91	1073	4.20	April 4, 2026	30,000,000	30,000,000	30,000,000
92	1073	3.40	April 11, 2027	70,000,000	70,000,000	70,000,000
93	1073	2.90	October 4, 2027	20,000,000	20,000,000	20,000,000
94	1073	3.85	September 26, 2028	70,000,000	70,000,000	70,000,000
95	1073	3.30	April 7, 2029	60,000,000	60,000,000	60,000,000
96	1073	3.00	October 14, 2029	50,000,000	50,000,000	50,000,000
97	1073	2.20	April 8, 2030	60,000,000	60,000,000	60,000,000
98	1073	2.60	April 19, 2031	80,000,000	80,000,000	80,000,000
98	1224	2.60	April 19, 2031	20,000,000	20,000,000	20,000,000
99	1224	2.80	April 7, 2032	50,000,000	50,000,000	-
<b>Total debt</b>				<b>\$ 1,264,550,930</b>	<b>\$ 1,264,550,930</b>	<b>\$ 1,214,550,930</b>
<b>Less sinking funds</b>					<b>(569,328,854)</b>	<b>(485,104,405)</b>
<b>Total net debt</b>					<b>\$ 695,222,076</b>	<b>\$ 729,446,525</b>

# GREATER VANCOUVER WATER DISTRICT

Notes to Financial Statements, page 8

Year ended December 31, 2017

## 6. Tangible Capital Assets

	Year ended December 31, 2017						Net book value December 31, 2017
	Cost			Accumulated amortization			
	Balance at December 31, 2016	Additions	Disposals and Transfers	Balance at December 31, 2017	Balance at December 31, 2016	Amortization Expense	
Land	\$ 54,539,812	\$ 480,000	\$ (10,315,605)	\$ 44,704,207	\$ -	\$ -	\$ 44,704,207
Infrastructure	1,810,018,914	276,153,677	-	2,086,172,591	270,967,169	31,941,471	1,783,263,951
Buildings	212,175,294	34,339,823	(33,878,741)	212,636,376	21,210,985	3,103,792	209,603,306
Machinery, equipment, furniture & fixtures	4,473,075	7,566,841	-	12,039,916	3,112,578	333,472	8,593,866
Assets under construction	382,768,187	(191,888,278)	-	190,879,909	-	-	190,879,909
	\$ 2,463,975,282	\$ 126,652,063	\$ (44,194,346)	\$ 2,546,432,999	\$ 295,290,732	\$ 35,378,735	\$ 2,237,045,239

Included in net disposals in 2017 is \$22,850,898 for assets held for sale (note 2). Write offs related to discontinued projects were \$nil in 2017 (2016 - \$340,101).

	Year ended December 31, 2016						Net book value December 31, 2016
	Cost			Accumulated amortization			
	Balance at December 31, 2015	Additions	Disposals	Balance at December 31, 2016	Balance at December 31, 2015	Amortization Expense	
Land	\$ 52,289,812	\$ 2,250,000	\$ -	\$ 54,539,812	\$ -	\$ -	\$ 54,539,812
Infrastructure	1,653,936,132	156,114,744	(31,962)	1,810,018,914	242,150,447	28,829,879	1,539,051,745
Buildings	212,154,451	20,843	-	212,175,294	18,798,435	2,412,550	190,964,309
Machinery, equipment, furniture & fixtures	4,473,075	-	-	4,473,075	2,897,930	214,648	1,360,497
Assets under construction	447,937,522	(64,829,234)	(340,101)	382,768,187	-	-	382,768,187
	\$ 2,370,790,992	\$ 93,556,353	\$ (372,063)	\$ 2,463,975,282	\$ 263,846,812	\$ 31,457,077	\$ 2,168,684,550

# GREATER VANCOUVER WATER DISTRICT

Notes to Financial Statements, page 9

Year ended December 31, 2017

## 7. Accumulated Surplus

Accumulated surplus consists of individual fund surplus and reserves as follows:

	2017	2016
<b>Reserves</b>	\$ 52,925,692	\$ 46,351,615
<b>Investment in tangible capital assets</b>	1,536,544,750	1,410,981,102
<b>Accumulated surplus, end of year</b>	<b>\$ 1,589,470,442</b>	<b>\$ 1,457,332,717</b>

Continuity of reserves is as follows:

	December 31, 2016	Interest	Annual Operating Surplus	Contributions from / (to) operations	Contributions to capital	December 31, 2017
<b>Designated reserves</b>						
Office building capital improvements	\$ 601,933	\$ 10,347	-	-	(612,280)	-
Sustainability innovation fund	10,484,512	208,221	-	543,073	-	11,235,806
Laboratory equipment	512,669	10,379	-	46,000	-	569,048
Lower Seymour Conservation Reserve	175,816	3,405	-	-	-	179,221
General debt reserve fund	7,600,144	147,014	-	-	-	7,747,158
	19,375,074	379,366	-	589,073	(612,280)	19,731,233
<b>Non-designated reserves</b>						
Operating reserve	26,976,541	388,869	17,212,251	(525,371)	(10,857,831)	33,194,459
<b>Total Reserves</b>	<b>\$ 46,351,615</b>	<b>\$ 768,235</b>	<b>\$ 17,212,251</b>	<b>\$ 63,702</b>	<b>\$ (11,470,111)</b>	<b>\$ 52,925,692</b>

Investment in tangible capital assets is calculated as follows:

	2017	2016
Tangible capital assets	\$ 2,237,045,239	\$ 2,168,684,550
Amounts financed by:		
Long-term debt	(695,222,076)	(729,446,525)
Working capital (temporary financing)	(5,278,413)	(28,256,923)
	<b>\$ 1,536,544,750</b>	<b>\$ 1,410,981,102</b>

# GREATER VANCOUVER WATER DISTRICT

Notes to Financial Statements, page 10

Year ended December 31, 2017

## 7. Accumulated Surplus (continued)

The change in the investment in tangible capital assets is as follows:

	2017	2016
<b>Change in the investment in tangible capital assets</b>		
Acquisition of tangible capital assets	\$ 126,652,063	\$ 93,556,353
Disposal of tangible capital assets	(61,741)	(358,906)
Transfer of asset held for sale	(22,850,898)	-
Amortization of tangible capital assets	(35,378,735)	(31,457,077)
	68,360,689	61,740,370
<b>Less funding of tangible capital assets</b>		
Sinking fund debt maturity	-	10,449,070
Sinking fund and debt retirement	(61,789,814)	(57,091,541)
Sinking fund and debt retirement income	(22,434,635)	(19,259,571)
Debenture debt issued	50,000,000	100,000,000
Debenture debt maturity	-	(10,449,070)
Decrease in temporary financing	(22,978,510)	(78,949,050)
	(57,202,959)	(55,300,162)
<b>Change in investment in tangible capital assets</b>	125,563,648	117,040,532
<b>Investment in tangible capital assets, beginning of year</b>	1,410,981,102	1,293,940,570
<b>Investment in tangible capital assets, end of year</b>	\$ 1,536,544,750	\$ 1,410,981,102

## 8. Commitments

As at December 31, 2017, the District had the following commitments outstanding related to capital projects in progress:

	2017	2016
Authorized for outstanding projects	\$ 870,600,000	\$ 1,012,800,000
Expended at December 31	(554,000,000)	(706,500,000)
<b>Commitment remaining</b>	\$ 316,600,000	\$ 306,300,000

# GREATER VANCOUVER WATER DISTRICT

Notes to Financial Statements, page 11

Year ended December 31, 2017

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## 9. Contingencies

**Lawsuits:** As at December 31, 2017, there were various lawsuits pending against the District arising in the ordinary course of business. The District has retained legal counsel to defend against these lawsuits for which the outcomes are not possible to reasonably determine at this time and therefore no accrual has been recognized. Management is of the opinion that the losses, if any, in connection with these lawsuits can be sufficiently funded by reserve funds or covered by insurance. Any ultimate losses are recorded as expenses at the time the amounts are reasonably determinable.

**Self Insurance Fund:** A self insurance fund has been established within accumulated surplus of the MVRD to cover losses resulting from uninsured liability exposures of the District, other Metro Vancouver Districts and the MVHC.

Each year a review is undertaken to determine if it would be beneficial to purchase additional liability insurance. The District, other Metro Vancouver Districts and the MVHC transfer amounts to the reserve depending on the fund's adequacy to cover retained liability risk.

An estimate is made for all costs of investigating and settlement of claims annually and an adjustment is made to the fund to maintain an adequate balance to cover potential losses in excess of recorded liabilities. These estimates are changed as additional information becomes known during the course of claims settlement. Any potential costs would be recorded as expenses at the time the losses are known and the amounts are reasonably determinable.

**Debt Reserve Fund:** The MFA is required to establish a Debt Reserve Fund for each debenture which is comprised of cash deposits and a non-interest bearing demand note (refer to note 3). If, at any time, the District has insufficient funds to meet payments due on its obligations to MFA, the payments will be made from the debt reserve fund. The demand notes are callable only if there are additional requirements to be met to maintain the level of the debt reserve fund, and therefore have not been recorded in the statement of financial position.

# GREATER VANCOUVER WATER DISTRICT

Notes to Financial Statements, page 12

Year ended December 31, 2017

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## 10. Budget Information

The annual budget presented in these financial statements is based upon the 2017 operating and capital budgets approved by the District's Board in October 2016, with additional approval in April 2017 for adjustments to the budget as a result of the 2016 fiscal year end results. The budget is based on operational and capital expenditure requirements and their associated funding. Amortization is a non-cash item that is not funded for budget purposes. Alternatively, PSAS do not allow presentation of fund balances nor the appropriations of accumulated surplus. Therefore, contributions to or from reserves and debt principal repayments are removed from the approved budget for financial statement presentation. The schedule below reconciles the approved operating budget to the budget figures reported in these financial statements. Capital expenditures of \$206,700,000 were included in the capital budget approved by the Board in April 2017.

	<b>2017 Budget</b>
<b>Budgeted annual surplus per Exhibit B - Statement of Operations</b>	\$100,823,939
Additional transfers from reserves, approved by Board April 2017	870,159
<b>Adjusted annual surplus, based on October approved budget</b>	101,694,098
Items not included in the operating budget	
Amortization of tangible capital assets	34,364,879
Sinking and debt retirement fund income	(16,265,878)
Reserve interest	(934,722)
Items included in the budget but not in financial statements	
Debt principal payments	(56,125,141)
Transfers to capital	(63,221,631)
Transfers from reserve funds	1,257,395
Transfers to reserve funds	(769,000)
<b>Annual surplus per approved budget</b>	<b>\$ -</b>



# GREATER VANCOUVER WATER DISTRICT

Notes to Financial Statements, page 13

Year ended December 31, 2017

## 11. Segmented Information

The District's primary responsibilities are the supply of potable water to the municipalities of the MVRD and the property management of the office buildings owned by the District. For management reporting purposes, the District's operations and activities are organized and reported by these two primary areas of service. The information reported in the segmented information does not include \$11,132,520 (2016 - \$11,118,512) of salaries and benefits directly attributable to the construction of tangible capital assets which have been included in the cost of tangible capital assets in the Statement of Financial Position.

The services disclosed in the Segmented Information are as follows:

**Water Operations** Water Operations is responsible for the supply of potable water to the District's member municipalities. The District owns a series of dams, reservoirs, water treatment plants and a distribution network connected to the member municipalities' systems.

**Building Operations** Building Operations is responsible for operating and maintaining office buildings owned by the District. These facilities are leased to MVRD and its related entities for its head office operations as well as to external parties.

	2017 Budget	Water Operations	Building Operations	Inter-Program Adjustments	2017 Total	2016 Total
<b>Revenue</b>						
Metered sale of water	\$ 261,710,765	\$ 264,484,281	\$ -	\$ -	264,484,281	\$ 251,217,868
Net gain on disposal of tangible capital assets	-	538,326	-	-	538,326	-
Sinking fund and debt retirement income	16,265,878	21,965,851	468,784	-	22,434,635	19,259,571
Interest income	934,722	1,133,335	10,347	-	1,143,682	1,269,833
Building income from Metro Vancouver Districts	8,117,701	-	16,236,240	(5,470,852)	10,765,388	2,221,516
Building income from external parties	5,989,461	-	5,749,287	-	5,749,287	6,362,136
Other income	1,178,147	6,192,715	-	(97,806)	6,094,909	7,092,521
	294,196,674	294,314,508	22,464,658	(5,568,658)	311,210,508	287,423,445
<b>Expenses</b>						
Salaries and benefits	37,412,255	36,149,870	734,845	-	36,884,715	36,211,430
Consulting, contracted and professional services	15,710,173	9,371,859	1,274,607	-	10,646,466	8,988,389
Asset repairs and maintenance	6,736,813	3,485,676	1,696,795	(63,552)	5,118,919	3,772,107
Materials and supplies	11,311,024	8,706,031	64,830	-	8,770,861	6,689,348
Utilities, permits and taxes	10,659,697	7,721,769	1,795,310	-	9,517,079	6,786,031
Corporate costs	19,601,761	25,425,938	-	(5,407,300)	20,018,638	23,864,460
Other	6,919,569	7,931,659	2,584,832	(97,806)	10,418,685	9,672,818
Amortization of tangible capital assets	34,364,879	32,241,398	3,137,337	-	35,378,735	31,457,077
Loss on disposal of tangible capital assets	-	-	-	-	-	358,906
Interest on long-term debt	50,656,564	36,847,538	5,471,147	-	42,318,685	42,396,502
	193,372,735	167,881,738	16,759,703	(5,568,658)	179,072,783	172,197,068
<b>Annual surplus (deficit)</b>	\$ 100,823,939	\$ 126,432,770	\$ 5,704,955	\$ -	\$ 132,137,725	\$ 115,226,377

# GREATER VANCOUVER WATER DISTRICT

## Schedule 1

### Schedule of Operating Fund (unaudited)

Year ended December 31, 2017

	2017 Budget	2017 Actual	2016 Actual
<b>Revenue</b>			
Metered sale of water	\$ 261,710,765	\$ 264,484,281	\$ 251,217,868
Building income from Metro Vancouver Districts	8,117,712	10,765,388	2,221,516
Building income from external parties	5,989,450	5,749,287	6,362,136
Other income	1,178,147	5,080,296	4,695,306
	<u>276,996,074</u>	<u>286,079,252</u>	<u>264,496,826</u>
<b>Expenses</b>			
Water Operations:			
Water operations and maintenance	61,583,507	55,941,188	54,008,801
Watershed operations	11,089,124	10,347,734	10,164,422
Water policy and planning	4,940,992	4,142,572	3,912,852
Administration	6,914,165	6,043,307	6,034,048
Interest on long-term debt	40,914,745	36,847,538	42,396,502
	<u>125,442,533</u>	<u>113,322,339</u>	<u>116,516,625</u>
Corporate costs:			
Head Office building operations	18,815,974	11,413,521	5,167,423
Head Office building capital maintenance	1,650,000	-	15,303
Transfer to Other Districts	(3,650,000)	2,208,845	-
Other corporate costs	16,749,349	16,749,343	18,681,734
	<u>33,565,323</u>	<u>30,371,709</u>	<u>23,864,460</u>
	<u>159,007,856</u>	<u>143,694,048</u>	<u>140,381,085</u>
<b>Annual surplus, operating fund</b>	<b>117,988,218</b>	<b>142,385,204</b>	<b>124,115,741</b>
<b>Application of surplus and transfers</b>			
Transfers from (to):			
Capital	(63,221,631)	(63,319,437)	(55,250,455)
Sinking and debt retirement funds	(56,125,141)	(61,789,814)	(57,091,541)
Reserve funds for:			
Reserves - Operating results	-	(17,212,251)	(11,158,674)
Reserves	1,358,554	(63,702)	(615,071)
	<u>(117,988,218)</u>	<u>(142,385,204)</u>	<u>(124,115,741)</u>
<b>Change in operating fund</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating fund, beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating fund, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# GREATER VANCOUVER WATER DISTRICT

## Schedule 2

### Schedule of Capital Fund (unaudited)

Year ended December 31, 2017

	2017 Budget	2017 Actual	2016 Actual
<b>Revenue</b>			
MFA sinking fund surplus	\$ -	\$ -	\$ 303,024
Net gain on disposal of tangible capital assets	-	538,326	-
Other income	-	1,014,613	2,094,191
Interest income	-	375,447	421,955
	-	1,928,386	2,819,170
<b>Expenses</b>			
Amortization of tangible capital assets	34,364,879	35,378,735	31,457,077
Loss on disposal of tangible capital asset	-	-	358,906
	34,364,879	35,378,735	31,815,983
<b>Annual deficit, capital fund</b>	<b>(34,364,879)</b>	<b>(33,450,349)</b>	<b>(28,996,813)</b>
<b>Tangible capital assets transactions</b>			
Acquisition of tangible capital assets	209,398,488	126,652,063	93,556,353
Amortization of tangible capital assets	(34,364,879)	(35,378,735)	(31,457,077)
Transfer of asset held for sale	-	(22,850,898)	-
Disposal of tangible capital assets	-	(61,741)	(358,906)
	175,033,609	68,360,689	61,740,370
<b>Financing</b>			
Debenture debt issued	134,290,422	50,000,000	100,000,000
Transfers from:			
Operating fund	63,221,631	63,319,437	55,250,455
Reserve funds	11,886,435	11,470,111	14,435,778
	209,398,488	124,789,548	169,686,233
	34,364,879	56,428,859	107,945,863
<b>Change in capital fund</b>	<b>-</b>	<b>22,978,510</b>	<b>78,949,050</b>
<b>Capital fund balance, beginning of year</b>	<b>(28,256,923)</b>	<b>(28,256,923)</b>	<b>(107,205,973)</b>
<b>Capital fund balance, end of year</b>	<b>\$ (28,256,923)</b>	<b>\$ (5,278,413)</b>	<b>\$ (28,256,923)</b>

Financial Statements of

**METRO VANCOUVER  
HOUSING CORPORATION**

Year ended December 31, 2017

# METRO VANCOUVER HOUSING CORPORATION

## Index to Financial Statements

December 31, 2017

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	<b>Exhibit</b>
Independent Auditor's Report	
Management Report	
Statement of Financial Position	A
Statement of Operations	B
Statement of Change in Net Debt	C
Statement of Cash Flows	D
Notes to Financial Statements	

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	<b>Schedule</b>
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Unaudited Schedules of:

Operating Fund	1
Capital and Other Funds	2



Tel: 604 688 5421  
Fax: 604 688 5132  
vancouver@bdo.ca  
www.bdo.ca

BDO Canada LLP  
600 Cathedral Place  
925 West Georgia Street  
Vancouver BC V6C 3L2 Canada

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## Independent Auditor's Report

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To the members of the Board of Directors of the Metro Vancouver Housing Corporation

We have audited the accompanying financial statements of the Metro Vancouver Housing Corporation, which comprise the Statement Financial Position as at December 31, 2017, and the Statements of Operations, Change in Net Debt and Cash Flows 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 Metro Vancouver Housing Corporation as at December 31, 2017 and the results of its operations, change 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

April 27, 2018

## METRO VANCOUVER HOUSING CORPORATION (“MVHC”)

### MANAGEMENT REPORT

The Financial Statements contained in this report have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management’s responsibility. Management is responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The Board of Directors is responsible for approving the financial statements and for ensuring that management fulfills its responsibilities for financial reporting and internal control.

The external auditors, BDO Canada LLP, conduct an independent examination, in accordance with Canadian Auditing Standards, and express their opinion on the financial statements. Their examination does not relate to the other schedules and statements required by the *Financial Information Act*. The Independent Auditor’s Report outlines the scope of the audit for the year ended December 31, 2017.

On behalf of Metro Vancouver Housing Corporation.



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Phil Trotzuk, Chief Financial Officer

Date: April 27, 2018

# METRO VANCOUVER HOUSING CORPORATION

## Exhibit A

### Statement of Financial Position

Year ended December 31, 2017

	2017	2016
<b>Financial Assets</b>		
Accounts receivable	\$ 369,052	\$ 355,888
Due from British Columbia Housing Management Commission	-	124,379
Due from Metro Vancouver Regional District	36,274,219	28,373,769
	<u>36,643,271</u>	<u>28,854,036</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 3)	2,990,775	2,903,291
Deferred revenue and refundable deposits (note 4)	8,649,038	14,078,072
Mortgages and debentures payable (note 5)	59,648,400	68,984,971
	<u>71,288,213</u>	<u>85,966,334</u>
<b>Net Debt</b>	(34,644,942)	(57,112,298)
<b>Non-Financial Assets</b>		
Tangible capital assets (note 6)	80,617,831	82,705,874
Prepaid land leases (note 7)	5,841,498	6,036,297
Prepaid expenses	435,899	421,697
	<u>86,895,228</u>	<u>89,163,868</u>
<b>Accumulated surplus (note 8)</b>	<b>\$ 52,250,286</b>	<b>\$ 32,051,570</b>

Contingencies (note 9)

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



Director



Director



# METRO VANCOUVER HOUSING CORPORATION

## Exhibit B

### Statement of Operations

Year ended December 31, 2017

	2017 Budget (note 10)	2017 Actual	2016 Actual
<b>Revenue</b>			
Property rental	\$ 36,761,446	\$ 38,566,301	\$ 36,828,554
Contributions:			
Canada Mortgage and Housing Corporation	1,877,089	1,698,475	2,398,553
British Columbia Housing Management Commission	1,444,200	1,217,066	1,394,270
Restricted contributions	3,382,578	5,444,143	1,907,035
Interest income	433,670	392,630	452,493
Other revenues	1,057,078	7,660,968	1,227,982
	44,956,061	54,979,583	44,208,887
<b>Expenses</b>			
Asset repairs and maintenance	14,865,867	11,711,414	13,836,924
Amortization of tangible assets and prepaid land leases	3,587,314	3,771,029	5,108,641
Utilities, permits and taxes	6,617,434	6,129,533	6,027,658
Salaries and benefits	5,592,554	5,134,180	5,612,353
Interest and fees on long-term debt	2,278,690	2,601,387	2,652,652
Corporate costs	4,124,906	4,124,930	2,084,426
Consulting, contracted and professional services	359,300	604,420	489,352
Other	688,935	641,912	530,801
Materials and supplies	185,831	62,062	69,839
	38,300,831	34,780,867	36,412,646
<b>Annual surplus</b>	6,655,230	20,198,716	7,796,241
<b>Accumulated surplus, beginning of year</b>	32,051,570	32,051,570	24,255,329
<b>Accumulated surplus, end of year</b>	\$ 38,706,800	\$ 52,250,286	\$ 32,051,570

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

# METRO VANCOUVER HOUSING CORPORATION

## Exhibit C

### Statement of Change in Net Debt

Year ended December 31, 2017

	2017 Budget (note 10)	2017 Actual	2016 Actual
<b>Annual surplus</b>	\$ 6,655,230	\$ 20,198,716	\$ 7,796,241
<b>Change in tangible capital assets</b>			
Acquisition of tangible capital assets	(5,650,000)	(1,488,187)	(1,175,559)
Amortization of tangible capital assets	3,587,314	3,576,230	4,913,842
	(2,062,686)	2,088,043	3,738,283
<b>Change in other non-financial assets</b>			
Payment of prepaid expenses	-	(435,899)	(421,697)
Use of prepaid expenses	-	421,697	388,689
Amortization of prepaid land leases	194,799	194,799	194,799
	194,799	180,597	161,791
<b>Change in net debt</b>	4,787,343	22,467,356	11,696,315
<b>Net debt, beginning of year</b>	(57,112,298)	(57,112,298)	(68,808,613)
<b>Net debt, end of year</b>	\$ (52,324,955)	\$ (34,644,942)	\$ (57,112,298)

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

# METRO VANCOUVER HOUSING CORPORATION

## Exhibit D

### Statement of Cash Flows

Year ended December 31, 2017

	2017	2016
<b>Cash provided by (used in):</b>		
<b>Operating transactions:</b>		
Annual surplus	\$ 20,198,716	\$ 7,796,241
Items not involving cash		
Amortization of tangible capital assets	3,576,230	4,913,842
Amortization of prepaid land leases	194,799	194,799
Change in non-cash assets and liabilities		
Accounts receivable	(13,164)	155
Due from British Columbia Housing Management Commission	124,379	(84,083)
Accounts payable and accrued liabilities	87,484	178,917
Deferred revenue and refundable deposits	(5,429,034)	(1,836,102)
Prepaid expenses	(14,202)	(33,008)
<b>Net change in cash from operating transactions</b>	<b>18,725,208</b>	<b>11,130,761</b>
<b>Capital transactions:</b>		
Acquisition of tangible capital assets	(1,488,187)	(1,175,559)
<b>Net change in cash from capital transactions</b>	<b>(1,488,187)</b>	<b>(1,175,559)</b>
<b>Financing transactions:</b>		
Due from Metro Vancouver Regional District	(7,900,450)	2,764,371
Mortgages issued	599,689	-
Principal repayments on mortgages and debentures	(9,936,260)	(12,719,573)
<b>Net change in cash from financing transactions</b>	<b>(17,237,021)</b>	<b>(9,955,202)</b>
<b>Net change in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

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

# METRO VANCOUVER HOUSING CORPORATION

Notes to Financial Statements, page 1

Year ended December 31, 2017

---

## 1. Significant Accounting Policies

The Metro Vancouver Housing Corporation (“MVHC” or the “Corporation”) is a wholly-owned subsidiary of the Metro Vancouver Regional District (“MVRD”).

The MVHC is incorporated under the Business Corporations Act (British Columbia) as a not-for-profit corporation for the purpose of supplying public rental accommodation, and is exempt from income taxes.

The Corporation’s financial statements are prepared by management in accordance with Canadian public sector accounting standards (“PSAS”). Significant accounting policies adopted by the MVHC are as follows:

### **Basis of Accounting**

The Corporation follows the accrual method of accounting for revenue and expenses. Revenue is normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and/or the legal obligation to pay.

### **Government Transfers**

Government transfers 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. The transfer of revenue is initially deferred and then recognized in the statement of operations as the stipulation liabilities are settled.

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

### **Deferred Revenue, Refundable Deposits and Restricted Funds**

Deferred revenues represent tenant security deposits, restricted contributions and revenues, and rental income which have been collected, but which the related services or obligations have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed or obligations have been met.

Amounts received under the following programs have been recorded as deferred revenue:

- i) Section 27 Rental Operations: In 2017, MVHC optioned an early payout of five mortgages related to Section 27 agreements with British Columbia Housing Management Commission (“BCHMC”); as a result funds related to Section 27 projects were no longer restricted.

# METRO VANCOUVER HOUSING CORPORATION

Notes to Financial Statements, page 2

Year ended December 31, 2017

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## 1. Significant Accounting Policies (continued)

### **Deferred Revenue, Refundable Deposits and Restricted Funds (continued)**

- ii) Section 95 Rental Subsidy: Pursuant to Section 95 of the National Housing Act ("NHA"), a portion of the funds received from rental operations to a cumulative maximum of \$500 per unit, are restricted and can only be used by MVHC according to the terms of the agreement with BCHMC. The amounts are recorded as deferred revenue and used when expenditures exceed revenue in the program.
- iii) Replacement Projects: Under operating agreements entered into with Canada Mortgage and Housing Corporation ("CMHC") and administered by BCHMC, a portion of the funds received from rental operations are restricted for the replacement of equipment and specified building components. These funds are deferred until spent on approved items.

In accordance with the original CMHC agreements (Section 95), from the inception of a project, a maximum of 1% per annum of the original construction cost of the building is restricted and recorded as deferred revenue. With the administrative approval of BCHMC, the potential of restricted contributions may be adjusted from time to time based on an asset life cycle analysis. Expenditures funded from deferred revenue are periodically reviewed by BCHMC, and are restricted to the replacement of equipment and specified building components.

In accordance with BCHMC agreements (Homes BC and Seniors project), any receipts in excess of expenses are restricted for approved projected capital repairs and replacements for each project. These revenues are deferred until spent on approved items.

### **Interest Income**

Interest income is reported as revenue in the period earned. When required, based on external requirements, interest income earned on deferred revenue and refundable deposits is added to and forms part of the deferred revenue and refundable deposit balance.

### **Cash and Investments**

In order to improve cash management, the general practice of the Metro Vancouver Districts and MVHC is to accumulate cash and investment transactions in pooled accounts held by the MVRD. Investments held by the MVRD consist of bonds issued by governments and Canadian chartered banks, money market instruments, guaranteed investment certificates and term deposits. Interest earned on MVHC's fund balances is included in the amount owing from MVRD and is recorded as interest income in the Statement of Operations.

# METRO VANCOUVER HOUSING CORPORATION

Notes to Financial Statements, page 3

Year ended December 31, 2017

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## 1. Significant Accounting Policies (continued)

**Employee Future Benefits** Employees who provide services for MVHC are employees of the MVRD. Employee related costs are allocated by the MVRD to MVHC based on services rendered. These costs are shown as expenses in the financial statements and are included in amounts owing from MVRD.

Post-employment benefits of the MVRD, including accumulated banked sick and vacation pay, retirement severance and Worker's Compensation top-up benefits for employees pursuant to certain policies and union agreements, are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligation under these benefit plans is allocated to MVHC based on projected benefits as the employees render services necessary to earn the future benefits and included in amounts owing to the MVRD.

**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.

**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, is amortized on a straight line basis over the estimated useful lives of the assets as follows:

<b>Asset</b>	<b>Useful Life - Years</b>
Buildings	
• Manor House and Regal Hotel	25
• Other buildings	35
• Furniture and fixtures	6 - 10

### 1) Annual amortization:

Annual amortization begins when the asset is put into service and is expensed over its useful life. Assets under construction are transferred to the appropriate asset class and are amortized from the date the asset is put into productive use.

### 2) Interest capitalization:

The MVHC capitalizes, at cost, all housing rental property expenditures, including interest and property taxes incurred to the date of completion of the project.

# METRO VANCOUVER HOUSING CORPORATION

Notes to Financial Statements, page 4

Year ended December 31, 2017

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## 1. Significant accounting policies (continued)

### Non-financial assets (continued)

***Prepaid Land Leases*** Prepaid land leases are recorded at historical cost less accumulated amortization. Upon expiration of the lease contract, the property will revert to the lessor. Prepaid land leases are amortized on a straight-line basis over the lease term.

### **Financial Instruments**

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses.

When the asset is sold, the unrealized gains and losses previously recognized in the Statement of Remeasurement Gains and Losses are reversed and recognized in the Statement of Operations.

There are no financial instruments carried at fair value as at year end and as a result, the statement of remeasurement gains and losses has not been prepared.

# METRO VANCOUVER HOUSING CORPORATION

Notes to Financial Statements, page 5

Year ended December 31, 2017

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## 1. Significant Accounting Policies (continued)

<b>Functional and Segmented Presentation of Revenue and Expenses</b>	<p>A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. Management believes that MVHC's activities comprise of only one segment and hence no additional disclosure is required. Furthermore, as the operations of MVHC are comprised of a single function, supply of public rental accommodation, the Statement of Operations presents revenue and expenses by object.</p>
<b>Revenue Recognition</b>	<p>Property rental income, contributions and other revenues are recognized as revenue on an accrual basis. Housing property rental revenue is recognized over the rental period once the tenant commences occupancy, rent is due and collection is assured. Annual property rental increases are based on rates established by provincial tenancy legislation. Contributions from CMHC and BCHMC are based on provisions set in agreements and outlined in Note 2.</p>
<b>Liability for Contaminated Sites</b>	<p>A liability for remediation of a contaminated site is recognized when the site is no longer in productive use and the following criteria are satisfied; an environmental standard exists; contamination exceeds the standard; MVHC is either directly responsible or has accepted responsibility for remediation; it is expected that future economic benefits will be given up and a reasonable estimate of the liability can be made.</p>
<b>Use of Estimates</b>	<p>The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosure of contingent liabilities, in the financial statements. These estimates and assumptions are based on management's best information and judgment and may differ from actual results. Adjustments, if any, will be reflected in the financial statements in the period that the change in estimate is made, as well as in the period of settlement if the amount is different.</p> <p>Significant areas requiring the use of management's judgment relate to the determination of accrued liabilities and contaminated sites liabilities, the amortization rates of tangible capital assets and the assessment of all contingencies.</p>



# METRO VANCOUVER HOUSING CORPORATION

Notes to Financial Statements, page 6

Year ended December 31, 2017

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## 2. Senior Government Assistance

BCHMC is the administrator and provides the related government assistance for all of MVHC's Federal programs (Section 95) and Provincial operating agreements (Homes BC and Seniors programs). In 2007, CMHC devolved its operations relating to the MVHC's federal programs to BCHMC, which provides BCHMC with the authority to manage MVHC's federal programs.

Details of senior government assistance are as follows:

**BCHMC Umbrella Agreement** The MVHC entered into an agreement with BCHMC commencing January 1, 2013, with a term of five years, expiring January 1, 2018, which consolidates the following five distinct housing programs under one agreement (the "Umbrella Agreement") – Section 95, Federal/Provincial Seniors, Homes BC, Homes BC – Homeless at Risk and the one Section 82.1(a) Disabled program (Guildford Glen).

A fixed amount of assistance is provided monthly, in advance, as prescribed by BCHMC. Under terms of the agreement, the monthly fixed funding payment may be adjusted as a result of changes in mortgage payments, mortgage expiration or maturity, the removal of a project from the portfolio or by mutual agreement between MVHC and BCHMC.

**CMHC financing assistance on NHA Section 27 projects** In 2017, MVHC optioned an early payout of the five mortgages under Section 27 projects, in the amount of \$5,909,096, and refinanced the debt from MVRD at the variable internal interest rate. One condition of the early payout resulted in an expense of \$599,689 relating to the loss of future CMHC financing assistance for those properties; this has been included as an expense in the Statement of Operations.

**CMHC mortgage insurance** Pursuant to Section 6 of the NHA, CMHC has undertaken to insure mortgages payable by the MVHC.

**NHA Section 82.1(a) and 82.1(b) subsidy** Rental supplements are authorized under Section 82.1(a) and 82.1(b) of the NHA and are funded jointly by BCHMC on behalf of the both the Federal Government and the Province of British Columbia.

# METRO VANCOUVER HOUSING CORPORATION

Notes to Financial Statements, page 7

Year ended December 31, 2017

## 3. Accounts Payable and Accrued Liabilities

	2017	2016
Trade accounts	\$ 2,850,143	\$ 2,291,174
Accrued interest on mortgages and debenture debt	122,625	601,881
Other	18,007	10,236
	<u>\$ 2,990,775</u>	<u>\$ 2,903,291</u>

## 4. Deferred Revenue and Refundable Deposits

	2017	2016
Externally restricted funds:		
Rental operations:		
Programs under BCHMC Umbrella Agreement	\$ 1,834,915	\$ 1,799,364
Section 27 rental operations	-	3,473,106
Replacement provisions:		
Programs under BCHMC Umbrella Agreement	4,656,334	3,818,449
Section 27	-	2,844,473
	<u>6,491,249</u>	<u>11,935,392</u>
MVHC tenant security deposits	1,946,701	1,906,906
Rent and subsidies received in advance	211,088	235,774
	<u>\$ 8,649,038</u>	<u>\$ 14,078,072</u>

	2017	2016
Balance, beginning of year	\$ 14,078,072	\$ 15,914,174
Net increase from unspent operating funds	3,968,619	1,844,369
Contributions received for capital replacement	1,823,140	1,793,897
Contributions used and recognized as revenue	(4,918,323)	(5,545,300)
Transfer of Section 27 to MVHC reserves	(6,317,579)	-
	<u>(5,444,143)</u>	<u>(1,907,034)</u>
Change in security deposits and prepaid rents	15,109	70,932
	<u>15,109</u>	<u>(1,836,102)</u>
Balance, end of year	<u>\$ 8,649,038</u>	<u>\$ 14,078,072</u>

# METRO VANCOUVER HOUSING CORPORATION

Notes to Financial Statements, page 8

Year ended December 31, 2017

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## 5. Mortgages and Debentures Payable

- a) MVHC's mortgages for Cedarwood, Crown Manor, Earle Adams, Euclid Square, Grandview Gardens, Kelly Court, Manor House Regal Hotel and Semlin Terrace are financed through the MVRD at MVRD's internal variable rate which was 1.92% in 2017 (2016 – 2.00%).
- b) Mortgages, upon renewal, are expected to be renegotiated on a long-term basis. Annual principal repayments with and without renewal are as follows:

	Assuming no renewal of mortgages	Assuming long term renewal of mortgages
2018	9,927,315	6,964,320
2019	12,480,518	4,421,906
2020	7,913,919	3,202,027
2021	8,190,372	3,186,254
2022	1,814,981	3,263,129
Thereafter	19,321,295	38,610,764
	<u>\$ 59,648,400</u>	<u>\$ 59,648,400</u>

- c) Mortgages payable with respect to projects constructed pursuant to Section 95 of the NHA are collateralized by specific charges on rental properties as well as a general assignment of rents and a chattel mortgage on the fixtures and equipment. Properties funded by BCHMC mortgages are collateralized by a general assignment of rents and the benefit of all covenants and agreements included in any lease.
- d) Mortgages reported on the Statement of Financial Position comprises the following and includes varying maturities up to 2038 with interest rates ranging from 1.0% to 4.87%.

# METRO VANCOUVER HOUSING CORPORATION

Notes to Financial Statements, page 9

Year ended December 31, 2017

## 5. Mortgages and Debentures Payable (continued)

Rental Property	Interest Rate - %	Renewal Date	Expected Maturity Date	2017	2016
<b>NHA Section 95 projects:</b>					
Mortgages payable:					
Adelaide Court	3.68		September 1, 2017	\$ -	\$ 226,789
Ashdown Gardens	3.68		December 1, 2017	-	163,780
Eastburn Square	1.03		February 1, 2019	161,799	298,951
Epsom Downs	0.90		July 1, 2017	-	383,952
Evergreen Downs	3.68		December 1, 2017	-	182,744
Greystone Village	1.03		February 1, 2019	563,187	1,040,585
Hemlock Court	1.08		December 1, 2019	212,142	316,514
Knightsbridge I	1.00		March 1, 2018	105,304	523,923
Knightsbridge II	1.03		March 1, 2019	457,473	819,254
London Square	3.68		January 1, 2018	23,698	303,308
Lynden Court	3.68		January 1, 2018	23,910	306,016
Malaspina Village	3.68		October 1, 2017	-	325,939
Maple Vine Court	1.00		April 1, 2018	127,263	506,538
McBride Place	1.08		February 1, 2020	1,014,712	1,475,123
Moffatt Park	1.05		July 1, 2019	181,727	294,961
Moray Place	1.01		May 1, 2018	126,175	426,854
Ozada Village	3.68		August 1, 2017	-	176,981
Pinewood Place	3.68	December 1, 2018	October 1, 2020	688,165	914,599
Ran Beamish Place	1.03		April 1, 2019	828,622	1,442,695
Somerset Gardens I	3.68		August 1, 2017	-	171,652
Somerset Gardens II	3.68		August 1, 2017	-	151,798
Somerset Gardens III	0.90		June 1, 2017	-	161,470
Strathearn Court	1.05		May 1, 2019	672,183	1,140,706
Sutton Place	3.68		October 1, 2017	-	368,678
Tivoli Gardens	0.99		May 1, 2017	-	287,657
Walnut Gardens	1.08		January 1, 2020	278,114	409,410
<b>Total NHA Section 95 projects</b>				<b>5,464,474</b>	<b>12,820,877</b>
<b>NHA Section 27 projects:</b>					
Debentures payable to CMHC:					
Earle Adams Village	8.00		July 1, 2028	-	2,550,937
Euclid Square	8.00		September 1, 2028	-	749,330
Grandview Gardens	8.00		September 1, 2026	-	511,828
Kelly Court	8.00		January 1, 2029	-	1,035,478
Semlin Terrace	8.00		September 1, 2026	-	736,566
<b>Total NHA section 27 projects</b>				<b>-</b>	<b>5,584,139</b>
<b>Seniors projects:</b>					
Mortgages payable:					
Alderwood Place	3.54	September 1, 2018	July 1, 2027	2,423,190	2,632,289
Cedarwood Place	4.37	March 1, 2018	January 1, 2023	802,199	940,287
Cedarwood Place	internal variable	July 1, 2019	June 1, 2038	4,334,365	4,540,765
<b>Total Seniors projects</b>				<b>7,559,754</b>	<b>8,113,341</b>
<b>Homes BC projects:</b>					
Mortgages payable:					
Chateau de Ville	4.87	June 1, 2027	July 1, 2035	8,148,900	8,438,558
Claude Douglas	2.27	November 1, 2019	November 1, 2036	2,239,905	2,333,764
Fraserwood	3.80	December 1, 2020	December 1, 2035	3,738,670	3,881,202
Inlet Centre Residences	3.89	October 1, 2020	October 1, 2038	6,056,755	6,242,735
Maplewood	2.62	May 1, 2027	May 1, 2037	2,796,275	2,896,622
Odlinwood	2.03	August 1, 2026	August 1, 2036	5,338,012	5,571,087
<b>Total Homes BC projects</b>				<b>28,318,517</b>	<b>29,363,968</b>
<b>MVHC projects:</b>					
Mortgages payable:					
Crown Manor	internal variable	July 15, 2019	July 15, 2038	803,904	842,578
Earle Adams Village	internal variable		January 1, 2027	2,650,745	-
Euclid Square	internal variable		January 1, 2027	778,645	-
Grandview Gardens	internal variable		January 1, 2027	555,699	-
Kelly Court	internal variable		January 1, 2027	1,102,776	-
Manor House	internal variable	March 15, 2019	March 15, 2038	1,346,806	1,411,453
Meridian Village	2.46	September 1, 2026	July 1, 2031	5,957,256	6,322,544
Minato West	3.29	October 1, 2021	October 1, 2031	3,439,245	3,632,868
Regal Place Hotel	internal variable	March 15, 2019	March 15, 2038	478,174	501,127
Semlin Terrace	internal variable		January 1, 2027	821,231	-
St. Andrews Place	3.29	October 1, 2021	October 1, 2031	371,174	392,076
<b>Total MVHC projects</b>				<b>18,305,655</b>	<b>13,102,646</b>
<b>Total mortgages and debentures payable</b>				<b>\$59,648,400</b>	<b>\$68,984,971</b>

# METRO VANCOUVER HOUSING CORPORATION

Notes to Financial Statements, page 10

Year ended December 31, 2017

## 6. Tangible Capital Assets

Year ended December 31, 2017	Cost				Accumulated amortization			Net book value December 31, 2017
	Balance at December 31, 2016	Additions	Disposals	Balance at December 31, 2017	Disposals	Amortization Expense	Balance at December 31, 2017	
Land	\$ 52,274,381	\$ -	\$ -	\$ 52,274,381	\$ -	\$ -	\$ -	\$ 52,274,381
Buildings	194,200,402	-	(2,027,183)	192,173,219	(2,027,183)	3,218,290	168,414,620	23,758,599
Furniture & fixtures	6,000,144	660,949	(279,030)	6,382,063	(279,030)	357,940	4,749,525	1,632,538
Construction in progress	2,125,075	827,238	-	2,952,313	-	-	-	2,952,313
	\$ 254,600,002	\$ 1,488,187	\$ (2,306,213)	\$ 253,781,976	\$ (2,306,213)	\$ 3,576,230	\$ 173,164,145	\$ 80,617,831
Year ended December 31, 2016	Cost				Accumulated amortization			Net book value December 31, 2016
Balance at December 31, 2015	Additions	Disposals	Balance at December 31, 2016	Disposals	Amortization Expense	Balance at December 31, 2016		
Land	\$ 52,131,443	\$ 142,938	\$ -	\$ 52,274,381	\$ -	\$ -	\$ -	\$ 52,274,381
Buildings	194,200,402	-	-	194,200,402	-	4,479,383	167,223,513	26,976,889
Furniture & fixtures	5,492,485	842,819	(335,160)	6,000,144	(335,160)	434,459	4,670,615	1,329,529
Construction in progress	1,935,273	189,802	-	2,125,075	-	-	-	2,125,075
	\$ 253,759,603	\$ 1,175,559	\$ (335,160)	\$ 254,600,002	\$ (335,160)	\$ 4,913,842	\$ 171,894,128	\$ 82,705,874

There was no write-down of tangible capital assets during the year (2016 - \$nil).

# METRO VANCOUVER HOUSING CORPORATION

Notes to Financial Statements, page 11

Year ended December 31, 2017

## 7. Prepaid Land Leases

	2017	2016
Balance, beginning of year	\$ 6,036,297	\$ 6,231,096
Amortization	194,799	194,799
Balance, end of year	\$ 5,841,498	\$ 6,036,297

The lease terms for the properties are as follows:

Asset	Lease Expiry Dates	Lease Term (Years)
Buildings		
• Habitat Villa	February 2029	50
• Walnut Gardens	May 2026	42
• Other prepaid land leases	May 2036 to June 2062	60

## 8. Accumulated Surplus

Accumulated surplus consists of authorized and issued 2,000 common shares with a par value of \$1 per share and individual fund surplus and reserves as follows:

	2017	2016
Reserves	\$ 25,437,357	\$ 12,292,370
Investment in tangible capital assets and land leases	26,810,929	19,757,200
Share capital	2,000	2,000
	\$ 52,250,286	\$ 32,051,570

Continuity of reserves is as follows:

	2017	2016
Balance, beginning of year	\$ 12,292,370	\$ 13,282,620
Interest	371,657	293,784
Contribution from (to) operations	12,540,085	(1,324,060)
Contribution to capital	(827,238)	(189,802)
Annual operating surplus	1,060,483	229,828
	\$ 25,437,357	\$ 12,292,370

# METRO VANCOUVER HOUSING CORPORATION

Notes to Financial Statements, page 12

Year ended December 31, 2017

## 8. Accumulated Surplus (continued)

Investment in tangible capital assets is calculated as follows:

	2017	2016
Tangible capital assets	\$ 80,617,831	\$ 82,705,874
Prepaid land leases	5,841,498	6,063,297
Amounts financed by:		
Long-term debt	(59,648,400)	(68,984,971)
	\$ 26,810,929	\$ 19,757,200

The change in investment in tangible capital assets is as follows:

	2017	2016
<b>Change in the investment in tangible capital assets</b>		
Acquisition of tangible capital assets	\$ 1,488,187	\$ 1,175,559
Amortization of tangible capital assets	(3,576,230)	(4,913,842)
	(2,088,043)	(3,738,283)
<b>Less financing of tangible capital assets</b>		
Payment of long-term debt	(9,936,260)	(12,719,573)
Mortgage from Metro Vancouver Regional District	599,689	-
Amortization of prepaid land leases	194,799	194,799
	(9,141,772)	(12,524,774)
<b>Change in investment in tangible capital assets</b>	7,053,729	8,786,491
<b>Investment in tangible capital assets, beginning of year</b>	19,757,200	10,970,709
<b>Investment in tangible capital assets, end of year</b>	\$ 26,810,929	\$ 19,757,200

# METRO VANCOUVER HOUSING CORPORATION

Notes to Financial Statements, page 13

Year ended December 31, 2017

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## 9. Contingencies

### **Lawsuits**

As at December 31, 2017 there were various lawsuits pending against the MVHC arising in the ordinary course of business. The MVHC has retained legal counsel to defend against these lawsuits for which the outcomes are not possible to reasonably determine at this time and therefore no accrual has been recognized. Management is of the opinion that the losses, if any, in connection with these lawsuits can be sufficiently funded by reserve funds or covered by insurance. Any ultimate losses are recorded as expenses at the time the amounts are reasonably determinable.

### **Self Insurance Fund**

A self insurance fund has been established within accumulated surplus of MVRD to cover losses resulting from uninsured liability exposures of the Metro Vancouver Districts and the MVHC.

Each year a review is undertaken to determine if it would be beneficial to purchase liability insurance. The MVRD, its related Districts and the MVHC transfer amounts to the reserve depending on the fund's adequacy to cover retained liability risk.

An estimate is made for all costs of investigating and settlement of claims incurred annually and an adjustment is made to the fund to maintain an adequate balance to cover potential losses in excess of recorded liabilities. These adjustments are changed as additional information becomes known during the course of claims settlement. Any potential costs would be recorded as an expense of MVHC at the time the losses are known and the amounts are reasonably determinable.

### **BC Homes Repayable Assistance**

Under the Umbrella Agreement with BCHMC, the accumulated balance of the repayable assistance is forgiven on a straight line basis over the term of the agreement. As of December 31, 2017, the repayable assistance balance is \$nil and has been fully forgiven.

### **BCHMC Umbrella Agreement**

Under the terms of the agreements the funding partner performs an annual review of expenditures, and certain expenditures may be considered ineligible. Management is of the opinion that the outcome and amount of an assessment is undeterminable and if any amounts are determined to be ineligible they will be funded from existing reserves in the year of assessment.



# METRO VANCOUVER HOUSING CORPORATION

Notes to Financial Statements, page 14

Year ended December 31, 2017

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## 10. Budget Information

The annual budget presented in these financial statements is based upon the 2017 operating and capital budgets approved by the Corporation's Board in October 2016, with additional approval in April 2017 for adjustments to the budget as a result of the 2016 fiscal year end results. The budget is based on operational and capital expenditure requirements and their associated funding. Amortization is a non-cash item that is not funded for budget purposes. Alternatively, PSAS do not allow presentation of fund balances nor the appropriations of accumulated surplus. Therefore, contributions to or from reserves and debt principal repayments are removed from the approved budget for financial statement presentation. The schedule below reconciles the approved budget to the budget figures reported in these financial statements. Capital expenditures of \$5,650,000 were included in the Capital Budget approved by the Board in April 2017.

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	<b>2017 Budget</b>
<b>Budgeted annual surplus per Exhibit B</b>	\$ 6,655,230
<u>Additional transfers from reserves, approved by Board April 2017</u>	<u>-</u>
<b>Adjusted annual surplus, based on October approved budget</b>	<b>6,655,230</b>
Items not included in the operating budget	
Amortization of tangible capital assets	3,587,314
Transfer from deferred revenue for replacement	(3,929,108)
Transfer to deferred operating surplus	546,530
Reserve interest	(373,670)
BCHMC operating subsidy	(116,046)
Items included in the budget but not in financial statements	
Capital replacement expenses	6,974,446
Debt principal payments	(10,397,000)
Transfers from (to) reserves	(2,947,696)
<b>Annual surplus per approved budget</b>	<b>\$ -</b>

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# METRO VANCOUVER HOUSING CORPORATION

## Schedule 1

### Schedule of Operating Fund (unaudited)

Year ended December 31, 2017

	2017 Budget	2017 Actual	2016 Actual
<b>Revenue</b>			
Property rental	\$ 36,761,446	\$ 38,566,301	\$ 36,828,554
Contributions			
Canada Mortgage and Housing Corporation	1,877,089	1,698,475	2,398,553
British Columbia Housing Management Commission	1,444,200	1,217,066	1,394,270
Restricted contributions	3,382,578	5,444,143	1,907,035
Interest	253,213	20,973	158,709
Other revenues	1,057,078	7,660,968	1,085,044
	<u>44,775,604</u>	<u>54,607,926</u>	<u>43,772,165</u>
<b>Expenses</b>			
Asset repairs and maintenance	14,865,867	11,711,414	13,836,924
Utilities, permits and taxes	6,617,434	6,129,533	6,027,658
Salaries and benefits	5,592,554	5,134,180	5,612,353
Interest on long-term debt	2,278,690	2,001,698	2,652,652
Management fees and net corporate costs	4,124,906	4,124,930	2,084,426
Consulting, contracted and professional services	359,300	604,420	489,352
Materials and supplies	185,831	62,062	69,839
Other	688,935	641,912	530,801
	<u>34,713,517</u>	<u>30,410,149</u>	<u>31,304,005</u>
<b>Annual surplus, operating fund</b>	10,062,087	24,197,777	12,468,160
<b>Application of surplus and transfers</b>			
Mortgages and debt retirement	(10,397,000)	(9,936,260)	(12,719,573)
Transfers from (to):			
Capital	-	(660,949)	(842,819)
Reserve funds for:			
Reserves - operating results	-	(1,660,172)	(229,828)
Reserves	334,913	(11,940,396)	1,324,060
<b>Change in operating fund</b>	-	-	-
<b>Operating fund, beginning of year</b>	-	-	-
<b>Operating fund, end of year</b>	\$ -	\$ -	\$ -

# METRO VANCOUVER HOUSING CORPORATION

## Schedule 2

### Schedule of Capital and Other Funds (unaudited)

Year ended December 31, 2017

	2017 Budget	2017 Actual	2016 Actual
<b>Revenue</b>			
Other income	\$ -	\$ -	142,938
	-	-	142,938
<b>Expenses</b>			
Mortgage Financing Fee related to Section 27 buyout	-	599,689	-
Amortization of tangible capital assets	3,587,314	3,576,230	4,913,842
Amortization of prepaid land lease	194,799	194,799	194,799
Annual deficit, capital fund	(3,782,113)	(4,370,718)	(4,965,703)
<b>Non-financial asset transactions</b>			
Acquisition of tangible capital assets	5,650,000	1,488,187	1,175,559
Amortization of tangible capital assets	(3,587,314)	(3,576,230)	(4,913,842)
	2,062,686	(2,088,043)	(3,738,283)
<b>Financing</b>			
Mortgages issued	-	599,689	-
Transfers from (to):			
Operating fund	-	660,949	842,819
Reserve funds	5,650,000	827,238	189,802
	5,650,000	2,087,876	1,032,621
Non-financial asset transactions and financing	(3,587,314)	(4,175,919)	(4,770,904)
<b>Change in capital and other funds</b>	(194,799)	(194,799)	(194,799)
<b>Capital and other funds balance, beginning of year</b>	6,036,297	6,036,297	6,231,096
<b>Capital and other funds balance, end of year</b>	\$ 5,841,498	\$ 5,841,498	\$ 6,036,297