

To: CAO for the Fraser Valley Regional District Board

Date: 2019-04-25

From: Mike Veenbaas, Director of Financial Services

File No: 1880-25

**Subject: 2018 Regional District Financial Statements**

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## RECOMMENDATION

**THAT** the Fraser Valley Regional District Board approve the 2018 DRAFT Financial Statements for the Fraser Valley Regional District.

## STRATEGIC AREA(S) OF FOCUS

Provide Responsive & Effective Public Services

## BACKGROUND

Section 376 of the Local Government Act and Section 167 of the Community Charter require the annual financial statements for the preceding year be presented and approved by the Board. The statements must then be submitted to the Inspector of Municipalities by May 15th.

The financial statements for the Fraser Valley Regional District have been audited by KPMG, the District's auditor. Representatives from KPMG, along with staff, will be presenting the 2018 Financial Statements to the board and reviewing the Audit Findings Report.

## DISCUSSION

The audit report received from KPMG states that the 2018 financial statements accurately reflect the financial position of the Regional District at December 31, 2018.

Highlights from the 2018 audit include:

### Financial Position

When compared to 2017, the changes in Financial Assets are mostly connected to increases in capital reserves setup for future asset replacement and the resulting increase in funds allocated to cash and

investments as the funds gain investment income until such time as capital project financing requires the funds. In some cases funds are kept in very liquid investment options as project timing requires flexibility to ensure funds are available upon project commencement.

The Regional District's 1/3 ownership share in the Cascade Lower Canyon Community Forest on behalf of the residents in Electoral Area B continues to show financial gain as forestry activities continue, providing funding for initiatives in the local community.

In 2018 the Regional District, through a number of local electoral area based service areas, incurred an increase in debentures used to help finance sewer and water capital improvement projects. While the total debt servicing costs are covered by the properties within those local service areas, the debt is shown as a liability of the Regional District overall.

The significant increase in the Landfill Retirement Costs is a result of an updated landfill closure and post monitoring study completed in 2018 for the Chaumox Landfill located in North Bend, Electoral Area A. Again, the costs of this closure is funded from landfill operations within the service area established in Electoral Area A

## **Financial Activities**

With an increasing number of services delivered in electoral areas, along with expansion of existing service areas, revenues from requisitions and sales of services realized an increase in 2018 over 2017. Changes in Government Grants and Other Revenues were also tied to electoral utility system infrastructure changes and service expansion. In some cases budgets for grant revenues are set based on best estimates with actuals reflecting the actual timing of grant revenue receipts, resulting in expected variances. Lastly, the income noted from government business partnerships reflects FVRD's 1/3 share in the Cascade Lower Canyon Community Forest which as shown in 2017 can be expected to be up and down depending on timing of logging activities.

Overall actual expenses recorded about \$1.5 million above budget estimates for 2018 which is in line with the amortization of tangible capital assets that are reflected in the actuals but not historically included in the budget preparation process. The allocation of expenses among functional areas reveals some variances between budget and actuals beyond just amortization. A significant one was in Protective Services where less expenses were incurred in 2018 resulting from the transition of Fire Dispatch to E-Comm with the actual transition timing occurring in 2019 and therefore spreading costs over two fiscal years.

## **COST**

There are no costs associated with the report's recommendation.

## **CONCLUSION**

The 2018 Financial Statements are being presented to the Regional Board for approval following the completion of a comprehensive audit by KPMG.

**COMMENT BY:**

**Paul Gipps, Chief Administrative Officer**

Reviewed and supported.