



CORPORATE REPORT

To: Fraser Valley Regional District Board
From: Beth Klein, Controller/Deputy CFO

Date: 2024-04-25
File No:

Subject: 2023 Fraser Valley Regional Hospital District Financial Statements - Audited

RECOMMENDATION

THAT the Fraser Valley Regional District Hospital Board approve the 2023 Audited Financial Statements for the Fraser Valley Regional Hospital District.

BACKGROUND

The financial statements for the Fraser Valley Regional Hospital District (FVRHD) have been audited by **KPMG, the FVRHD's appointed independent auditor. Representatives from KPMG, along with Staff** will be presenting the 2023 Financial Statements to the Board and reviewing the Audit Findings Report.

The FVRHD's 2023 Audited Financial Statements are attached to this report. Copies of the final version will be available for inspection by the public on the Regional Districts website subsequent to approval by the Board.

DISCUSSION

Throughout 2023, the FVRHD continued to contribute to Reserve balances for future capital projects, pay down debt, and handle fluctuations in minor/medium capital requests, while continuing to consider taxpayer burden. Staff continued to focus on treasury management and the FVRHD was able to increase revenue by \$1.5M through investment income. Staff also continued to work with FHA on the timing of large capital projects to ensure maximization of current Reserve portfolios are obtained.

Audit Findings

KPMG has confirmed, in their 2023 Audit Findings report (AFR) attached, that the 2023 Financial Statements accurately reflect the financial position of the FVRHD as at December 31, 2023. Staff is pleased to report that there were no audit findings requiring adjustments to the financial statements. There was one new accounting standard adopted; however, did not require a change to current processes.

Financial Position

The FVRHD's Financial Assets increased by \$9M in 2023. Cash and cash equivalents remains consistent with balances in 2022 as the Hospital continues to benefit from high interest rates in cashable investments. Staff continued to focus on treasury management throughout 2023 resulting in a further \$8M of investments secured. Note 4 of the Financial Statements provides a detailed list of investments at December 31, 2023 including interest rates attained. Maturity dates continued to be staggered while confirmation on capital funding requirements through Fraser Health Authority (FHA) are pending.

The FVRHD did not incur new debt in 2023 and continued to make payments towards the outstanding debt remaining in place for contributions to Abbotsford and Chilliwack long-term care facilities. A detailed schedule of debt servicing can be found at the end of the attached financial statements. As shown, Actuarial Interest of \$1.5M was earned in 2023 and reduced the overall amount due on each debt issue over time. Further, in Note 6 interest and instalment payments for the next 5 years are listed. At the end of 2023, there was an outstanding debt balance of \$16.6M.

Overall, 2023 resulted in an increase of Accumulated Surplus by \$12M, ending the 2023 year with the following in Reserve funds:

Early Debt Retirement: \$5.5M

Minor/Medium Equipment: \$215K

Major Capital Projects: \$53.1M

Financial Activities

The Statement of Operations and Surplus outlines how the FVRHD accumulated the total surplus of \$12M throughout the year.

Through the 2023 budget process, the Board approved a 6% increase to requisition amounts to further provide funding for capital projects, which due to property assessment base changes, had little impact on residential property owners. In addition, due to favourable interest rates and continued treasury management practices, investment income increased by 134% resulting in an increase in revenue of \$1.5M.

Also in line with the 2023 budget, the Hospital District Board approved an increase to the 2022 contribution to FHA for minor/medium capital projects of \$1.4M, totalling \$3.224M of funding. The planned transfer to FHA for Major capital of \$20.1M related to the Abbotsford Long term Care project was not complete in 2023, and therefore shows a difference between budgeted and actual expenses. Reserve contributions were made in line with budget.

COST

There are no further costs associated with the report's recommendation. The costs of the annual external financial audit are within budget.

CONCLUSION

The 2023 Financial Statements are being presented to the Fraser Valley Regional Hospital District's Board for approval following completion of a comprehensive audit by KPMG.

COMMENTS BY:

Kelly Lownsbrough, Director of Corporate Services/CFO: Reviewed and supported.

Jennifer Kinneman, Chief Administrative Officer: Reviewed and supported.