

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

Date: 2025-04-24

Subject: 2024 Fraser Valley Regional District Audited Financial Statements

Reviewed by: Kelly Lownsbrough, Director of Corporate Services & CFO
Jennifer Kinneman, CAO

RECOMMENDATION

THAT the Fraser Valley Regional District Board approve the 2024 Audited Financial Statements for the Fraser Valley Regional District.

BACKGROUND

Annual Financial Statements for local governments for the preceding year must be presented and approved by the Board. Once approved, the Financial Statements are required to be submitted to the Inspector of Municipalities by May 15th. The Regional District submits the statements through an online portal, called the Local Government Information System (LGIS), in more granular detail as required by the ministry.

The Financial Statements for the Fraser Valley Regional District (FVRD) have now been audited by **KPMG, the FVRD's appointed independent auditor. Representatives from KPMG, along with Staff will** be presenting the 2024 Financial Statements to the Board and reviewing the Audit Findings Report.

The FVRD's 2024 Consolidated Financial Statements are attached to this report. Copies of the final version will be available for inspection by the public on the Regional District's website subsequent to approval by the Board.

DISCUSSION

In 2024, the FVRD focused on continued improvement in capital infrastructure planning and reducing taxpayer burden through grant funding while planning for predictable tax increases. Staff continued to manage treasury and cash flow in a project-focused manner, ensuring investment decisions aligned with planned cash outflows and current economic events.

Throughout the audit, finance demonstrated to our third-party independent auditor that appropriate processes are in place, reducing the organization of risk and business interruption. In addition, the

recognition of Honourable Mention through UBCM's Community Excellence awards demonstrates staff commitment to continued improvement in transparent reporting.

The FVRD's 2024 operating budget was \$41M, with an expected investment of \$14M in ending surplus. The 2024 highlights include \$27.6M in Government Grants and Transfers made up of \$13M from approximately 50 sources of grant funding and \$14.6M in assets and savings from the District of Hope.

Audit Findings

KPMG has confirmed, in their 2024 Audit Findings Report (AFR) attached, that the 2024 Financial Statements accurately reflect the financial position of the FVRD as at December 31, 2024. There was one audit finding left unadjusted related to how the Dan Sharrers Aquatic Centre was recorded based on the fair value appraisal completed at year-end. The net financial impact of this unadjusted item was nil.

Audit testing completed by KPMG was comprehensive and included new requirements providing **insight into the FVRD's timesheet processes and access controls. This included work with HR, Finance and IT** throughout the months of March and April. Looking forward, highlighted in the Audit Findings Report Appendices, KPMG has included upcoming changes to Audit and Accounting standards for future audit considerations.

There were three new accounting standards adopted in 2024 regarding the recording of private-public partnerships, purchased intangibles, and revenue. Changes to processes were required related to how building permits and rezoning applications are recorded. Finance worked with the Planning and Building department in adopting new processes starting January 1, 2024 and will work towards automating these processes moving forward.

Financial Statement Highlights

In the attached Financial Statement package, there are four consolidated financial statements, with the required notes further detailing line items as required.

Financial Position – Financial Assets

At December 31st, **2024 the FVRD's Financial Assets increased \$8.5M overall from 2023**, as shown on Page 5 of the Financial Statements.

Staff continue working towards improved treasury management each year, ensuring each budget and grant-funded project is monitored closely for any potential to increase investment income. As rates became more volatile and liquid investment rates began to decrease, staff invested in new GICs in longer terms where available. In 2024 the FVRD invested in \$8.4M additional portfolio investments, also shown in the Consolidated Statement of Cash Flow, compared to the prior year. Details on the 2024 investments at year-end can be found in Note 4, page 8 of the Financial Statement package.

Accounts Receivable continued to increase in 2024, a majority due to the entitlement of grant funding for large projects, such as the Cultus WWTP plant. The FVRD has approved grant funds provided in various forms of cash flow. Some grant funds are received in-advance of spending, some based on claims in the future, and some deducted directly from invoices, such as BC Transit; therefore, require detailed management of funds to ensure appropriate cash flow is in place to continue paying vendors.

Finally, the FVRD continues to partner with the Cascade Lower Canyon Community Forest (CLCCF), which remains beneficial showing an increase in investment of \$200k from the 2023 year.

Financial Position – Financial Liabilities

Overall Liabilities increased by \$4M, with the majority of the increase due to new debentures of \$3.5M for the Cultus Lake WWTP. This debt will be re-paid over 20 years, through taxation as part of the North Cultus Sewer service area. Note 7 and 8, both address the debentures held with the Municipal Finance Authority (MFA) stating the outstanding balance at December 31, 2024 of:

Regional District debt balances: \$10.2M

Member Municipality debt balances: \$48.6M

The FVRD performed a revaluation of the Asset Retirement Obligation (ARO) as there was a significant change in debt rates from 2024, resulting in a change of \$321k, shown in detail in Note 6. The FVRD did not perform any decommissioning or remediation in 2024 to reduce this liability by year-end.

In addition to new debt, there was an increase in deferred revenue and levies of \$500k, detailed further in Note 9. This line item is for funds that have been received but not yet spent. Specific to Deferred Grants, the FVRD saw an increase of \$200k from 2023. The Government of British Columbia's funding to support local governments' abilities to implement required changes from the Housing Statutes Amendment Act was received in 2024. This \$200k grant is one of twelve grants with balances remaining to be spent at December 31, 2024, totalling \$13M.

Financial Position – Non-Financial Assets

Tangible Capital Assets (TCA) continue to grow in 2024, totalling \$88.5M shown in detail in Note 11. Two large contributing factors in TCA changes are a significant asset transferred by the District of Hope and the additions to the Assets Under Construction line item of \$12.8M, including the Cultus WWTP and the Hope Heat Exchange project. The Dan Sharrers pool is now owned by the FVRD and has increased the FVRD asset portfolio by \$13.6M.

Each year, capital assets depreciate and continue to be managed until they are disposed of or decommissioned and the monitoring requirements are met. Staff continue to work towards an improved Asset Management program to ensure appropriate funding is in place for gaining infrastructure replacement.

Financial Activities – Revenue

Revenues in 2024 increased by \$14M from 2023. In the Audit Finding Report attached, KPMG categorizes the revenue from the Statement of Financial Activities as follows:

Requisition Revenue = Tax Requisitions

Own Source Revenue = Utility User Fees & Sales of Service

Third-Party Revenue = Government Grants and Transfers, Other (such as E911 Call Answer Levy and Community Works Fund), Interest, and Income from Partnerships

Requisition revenue aligns with budgeted taxation and makes up a total of 36% of total revenues in 2024 (2023 – 39.5% of total revenues).

Third-Party Revenue saw the most growth in comparison to prior years, mostly notably in grants and government transfers. As noted previously, the significant portion of this line item is due to the transfer of the Dan Sharrers Aquatic Centre, including an additional \$1.05M of reserve funds transferred for capital repairs of the asset and \$13M of government grant funds in 2024, 46% being funding for the Cultus Lake WWTP project. Over a 5-year period, third-party revenue has increased an average of 35.3%.

Financial Activities – Expenses

Expenses listed on the Consolidated Statement of Financial Activities are based on services provided. For a further breakdown, Note 19 of the financial statements provides a segmented statement and attached to this report for reference is the guiding document **listing individual service area's and their category**. In Appendix 6 of the Audit Findings Report, KPMG has detailed expense trends over a 5-year period.

Expenses in 2024 were within budget values although staff continued to compete with inflation rate, supply chain impacts, and increased benefit costs throughout the year. Protective Services makes up the largest portion of expenses for the FVRD; however, the greatest growth in expenses was seen in Transportation, which is attributable to increased BC Transit costs. The remaining expense categories saw a range of changes over the last 5-year period from -2.5% to 5.3% per year.

COST

There are no further costs associated with the report's recommendation. The costs of the external audit are within the 2024 budget.

CONCLUSION

The 2024 Financial Statements are being presented to the Fraser Valley Regional District Board for approval following completion of a comprehensive audit by KPMG.