

FRASER VALLEY REGIONAL DISTRICT

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2025

DRAFT

**Fraser Valley Regional District
Consolidated Financial Statements**

December 31, 2025

Management's Responsibility for the Consolidated Financial Statements	1
Independent Auditors' Report	2
Consolidated Statement of Financial Position	5
Consolidated Statement of Financial Activities	6
Consolidated Statement of Changes in Net Financial Assets	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of the Fraser Valley Regional District (the "Regional District") are the responsibility of the Regional District's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants. A summary of the significant accounting policies are described in the notes to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Regional District's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Directors meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters.

The consolidated financial statements have been audited by KPMG, LLP independent external auditors appointed by the Regional District. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Regional District's consolidated financial statements.

Beth Klein, Controller/Deputy Chief Financial Officer



KPMG LLP
45890 Hocking Ave Suite 302
Chilliwack, BC V2P 1B4
Canada
Tel 604 793 4700
Fax 604 793 4747

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fraser Valley Regional District

Opinion

We have audited the consolidated financial statements of Fraser Valley Regional District (the District), which comprise:

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of financial activities for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the District as at December 31, 2025, its consolidated results of financial activities, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the District's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DRAFT

Chartered Professional Accountants

Chilliwack, Canada

Fraser Valley Regional District
Consolidated Statement of Financial Position

December 31, 2025

	2025	2024
Financial Assets		
Cash and cash equivalents <i>(Note 1)</i>	\$ 34,848,545	\$ 19,925,680
Accounts receivable <i>(Note 2)</i>	12,673,486	14,246,755
Inventories	30,646	38,462
Investments <i>(Note 3)</i>	45,691,474	53,289,728
Investment in Partnership <i>(Note 4)</i>	1,488,836	1,444,476
	94,732,987	88,945,101
Financial Liabilities		
Trade payables and accrued liabilities <i>(Note 5)</i>	4,820,652	5,921,400
Accrued interest	119,201	119,009
Due to Local governments	2,677,617	2,529,870
Asset retirement obligations <i>(Note 6)</i>	2,446,761	2,426,407
Municipal Finance Authority debentures <i>(Note 8)</i>	9,480,457	10,161,890
Development levies and deferred revenue <i>(Note 9)</i>	15,318,704	15,337,299
Community Works funds <i>(Note 10)</i>	8,064,991	7,433,741
	42,928,383	43,929,616
Net Financial Assets	51,804,604	45,015,485
Non-Financial Assets		
Prepaid expenses	1,186,809	615,242
Tangible Capital Assets <i>(Note 11)</i>	89,521,614	88,538,140
Intangible Capital Assets <i>(Note 12)</i>	334,675	365,100
	91,043,098	89,518,482
Accumulated Surplus	\$ 142,847,702	\$ 134,533,967

Contingent Liabilities *(Note 15)*

Approved on behalf of the Board:

 Controller/ Deputy Chief Financial Officer

Fraser Valley Regional District
Consolidated Statement of Financial Activities

Year Ended December 31, 2025

	Budget 2025 <i>(Note 17)</i>	Actual 2025	Actual 2024
Revenues			
Member requisitions	\$ 27,041,260	\$ 27,041,263	\$ 25,122,447
Government grants and transfers	17,602,310	9,189,672	27,677,197
Utility user fees	2,187,220	2,223,285	1,995,354
Sale of services <i>(Note 18)</i>	6,612,310	7,513,818	7,746,352
Other	6,111,410	2,107,415	4,029,884
Interest	581,270	2,228,191	2,329,256
Income from Partnerships	-	44,360	222,260
	<u>60,135,780</u>	<u>50,348,004</u>	<u>69,122,750</u>
Expenses			
General government services	5,391,670	4,771,865	4,673,058
Protective services	20,618,810	11,320,153	10,711,399
Transportation services	7,368,920	7,626,166	6,429,033
Environmental health services	3,793,180	3,324,833	3,037,878
Environmental development services	3,823,270	3,051,116	2,240,068
Recreation and cultural services	7,290,270	7,918,613	6,945,452
Utilities services	2,781,820	4,021,523	3,376,238
	<u>51,067,940</u>	<u>42,034,269</u>	<u>37,413,126</u>
Annual Surplus	9,067,840	8,313,735	31,709,624
Accumulated Surplus, Beginning of Year	134,533,967	134,533,967	102,824,343
Accumulated Surplus, End of Year	<u>\$ 143,601,807</u>	<u>\$ 142,847,702</u>	<u>\$ 134,533,967</u>

Fraser Valley Regional District
Consolidated Statement of Changes in Net Financial Assets

Year Ended December 31, 2025

	2025	2024
Annual surplus	\$ 8,313,735	\$ 31,709,624
Acquisition of tangible capital assets	(4,774,488)	(30,027,386)
Amortization of tangible capital assets	3,743,794	2,766,712
(Gain)/Loss on sale of tangible capital assets	(45,115)	18,925
Proceeds on sale of tangible capital assets	21,300	50,584
Net change in asset retirement obligations	(20,353)	(421,102)
Amortization of intangible capital assets	30,425	30,425
Accretion expenses	91,388	99,663
Change in prepaid expenses	(571,567)	256,057
Change in Net Financial Assets	6,789,119	4,483,502
Net Financial Assets, Beginning of Year	45,015,485	40,531,983
Net Financial Assets, End of Year	\$ 51,804,604	\$ 45,015,485

DRAFT

Fraser Valley Regional District
Consolidated Statement of Cash Flows

Year Ended December 31, 2025

	2025	2024
Operating Activities		
Annual surplus	\$ 8,313,735	\$ 31,709,624
Items not involving cash		
Amortization of tangible capital assets	3,743,794	2,766,712
(Gain)/Loss on sale of tangible capital assets	(45,115)	18,925
Amortization of intangible capital assets	30,425	30,425
Accretion	91,388	99,663
Partnership income	(44,360)	(222,260)
	<u>12,089,867</u>	<u>34,403,089</u>
Change in non-cash operating items		
Accounts receivable	1,573,269	(2,976,972)
Inventories	7,816	(14,497)
Prepaid expenses	(571,567)	256,057
Trade payables and accrued liabilities	(1,100,748)	461,999
Local governments	147,747	18,120
Accrued interest	191	39,144
Development levies and deferred revenue	(18,593)	478,059
Community works fund	631,250	(392,937)
	<u>12,759,232</u>	<u>32,272,062</u>
Investing Activities		
Acquisition of tangible capital assets	(4,774,488)	(30,027,386)
Proceeds on sale of tangible capital assets	21,300	50,584
Decrease/(Increase) in portfolio investments	7,598,254	(8,403,425)
	<u>2,845,066</u>	<u>(38,380,227)</u>
Financing Activities		
Proceeds from debenture debt	-	3,500,000
Repayment of debenture debt	(681,433)	(573,968)
	<u>(681,433)</u>	<u>2,926,032</u>
Change in Cash	14,922,865	(3,182,133)
Cash and cash equivalents, Beginning of Year	<u>19,925,680</u>	<u>23,107,813</u>
Cash and cash equivalents, End of Year	<u>\$ 34,848,545</u>	<u>\$ 19,925,680</u>
Supplementary cash flow information:		
Interest paid	\$ 376,479	\$ 320,717
Non-cash transaction:		
Tangible capital asset additions related to asset retirement obligations (note 6)	\$ (20,353)	\$ (421,102)

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2025

Basis of Presentation	The Fraser Valley Regional District financial statements have been prepared in accordance with the accounting standards of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Professional Accountants. All material inter-fund transactions have been eliminated.
Basis of Consolidation	<p>The financial statements are presented on a consolidated basis and include the following funds:</p> <p>(a) Operating Fund</p> <p>The operating fund reflects the financial activities associated with the provision of general municipal and utility services during the year.</p> <p>(b) Capital Fund</p> <p>The capital fund reflects the financial activities associated with the acquisition, construction and funding of capital assets.</p> <p>(c) Reserve Fund</p> <p>The reserve fund reflects appropriations of surplus authorized by the Board to be set aside for the funding of future operating or capital expenditures.</p>
Budget Amounts	Budget amounts reflect the statutory annual budget as adopted by the board on February 27, 2025.
Comparative Figures	Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.
Revenue Recognition	Revenues from member requisitions and grants in lieu of taxes are recognized in the year that they apply. Revenue from sales of services are recognized when the services are provided. Government grants are recognized when they are approved by senior governments and the conditions required to earn the grants have been completed. Development levies are recognized as revenue in the period the funds are expended on a development project. Development levies not expended are recorded as unearned revenue.
Cash and Cash Equivalents	Cash and cash equivalents include cash as well as deposits in term deposits. These investments are highly liquid and are readily convertible to known amounts of cash.

Financial Instruments

Financial instruments include cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities and debt. Cash and cash equivalents include cash, high interest savings accounts and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Investments are comprised of non-redeemable guaranteed investment certificates, Municipal Finance Authority (“MFA”) pooled funds and bonds issued by Canadian chartered banks.

Financial instruments are recorded at fair value on initial recognition. Equity instruments quoted in an active market and derivatives are subsequently measured at fair value as at the reporting date. All other financial instruments are subsequently measured at cost or amortized cost unless the Regional District has elected to carry the financial instrument at fair value. The Regional District has not elected to carry any financial instruments at fair value.

Unrealized changes in fair value would be recognized on the consolidated statement of remeasurement gains and losses. They are recorded in the consolidated statement of operations when they are realized. There are no unrealized changes in fair value as at December 31, 2025 and December 30, 2024. As a result, the Regional District does not have a consolidated statement of remeasurement gains and losses.

Transaction costs incurred on the acquisition of financial instruments subsequently measured at fair value are expensed as incurred. Transaction costs incurred on the acquisition of financial instruments recorded at cost or amortized cost are included in the cost. Sales and purchases of investments are recorded on the trade date.

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 consolidated statement of operations.

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2025

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.

(i) 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 and landfill sites, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	3 - 50
Buildings and building improvements	10 - 100
Vehicles	5 - 20
Machinery and equipment	3 - 15
Water and wastewater infrastructure	10 - 100

Landfill sites are amortized using the units of production method based upon capacity used during the year.

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the assets are available for productive use.

Tangible capital assets received as contributions or government transfers are recorded at their fair value at the date of receipt and are also recorded as revenue.

(ii) Intangible Capital Assets

Intangible capital assets are recorded at cost, which includes amounts for the campground license related to the purchase of the Vedder River Campground occupation license. The costs are amortized on a straight-line basis over their estimated useful life as follows:

Asset	Useful Life - Years
Campground license	20

(iv) Natural Resources

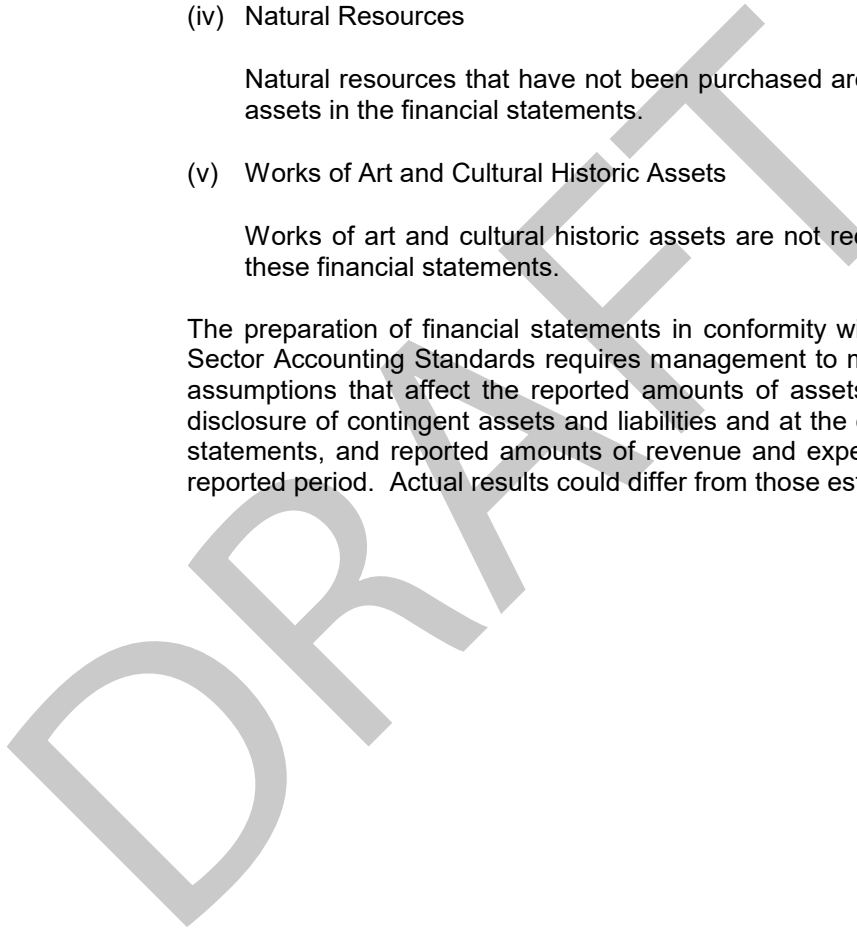
Natural resources that have not been purchased are not recognized as assets in the financial statements.

(v) Works of Art and Cultural Historic Assets

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

Use of Estimates

The preparation of financial statements in conformity with Canadian Public Sector Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and at the date of the financial statements, and reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.



Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2025

Liability for Contaminated Sites Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use and all the following criteria are met:

- (a) an environmental standard exists;
- (b) contamination exceeds the environmental standard;
- (c) the Regional District:
 - (i) is directly responsible; or
 - (ii) accepts responsibility
- (d) it is expected that future economic benefits will be given up; and
- (e) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

The Regional District has determined that as of December 31, 2025, no contamination in excess of an environmental standard exists related to land not in productive use for which the Regional District is responsible.

Asset Retirement Obligation An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- (i) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (ii) The past transaction or event giving rise to the liability has occurred;
- (iii) It is expected that future economic benefits will be given up; and
- (iv) A reasonable estimate of the amount can be made.

The estimate of the asset retirement obligation includes costs directly attributable to the asset retirement activities and is recorded as a liability and increase to the related tangible capital assets if the tangible capital asset is in productive use. The asset retirement obligation is recorded as a liability and expense if the related tangible capital asset is unrecognized or no longer in productive use.

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2025

1. Cash and cash equivalents

	2025	2024
Cash	\$ 29,243,362	\$ 8,092,082
Short Term Deposits	<u>5,605,183</u>	<u>11,833,598</u>
	<u>\$ 34,848,545</u>	<u>\$ 19,925,680</u>

2. Accounts Receivable

	2025	2024
Accrued Interest	\$ 972,628	\$ 816,527
Local Government	959,541	906,714
Provincial Government	5,493,147	6,906,341
MFA Debt Reserve - Cash	1,938,857	1,926,131
Regional Hospital District	-	(51,523)
Trade Accounts and User Fees	<u>3,309,313</u>	<u>3,742,565</u>
	<u>\$ 12,673,486</u>	<u>\$ 14,246,755</u>

DRAFT

Fraser Valley Regional District
Notes to the Consolidated Financial Statements
Year ended December 31, 2025

3. Investments

The District holds investments in bonds, GICs, and high-interest investment tools.

Investments held at December 31, 2025 are as follows:

	Amount	Effective Interest Rate	Maturity Date
Bonds			
BNS EXT STEP UP	\$ 1,060,000	1.50%	November 21, 2030
BMO EXT STP UP	4,000,000	1.55%	December 21, 2030
Discount on purchase of bonds	(12,569)		
GICs			
BMO GIC	1,000,000	3.88%	April 2, 2026
BMO GIC	1,333,333	5.04%	May 27, 2026
BMO GIC	2,500,000	4.80%	July 2, 2026
CCS GIC	1,000,000	6.00%	August 29, 2026
CCS GIC	1,700,000	6.05%	September 21, 2026
BMO GIC	2,000,000	3.81%	October 2, 2026
CCS GIC	1,000,000	6.05%	November 2, 2026
ENVISION GIC	5,187,500	5.75%	December 20, 2026
PROSPERO GIC	3,000,000	5.45%	December 20, 2026
CCS GIC	1,000,000	3.60%	February 10, 2027
PROSPERO GIC	1,000,000	5.30%	March 4, 2027
BMO GIC	3,000,000	4.90%	May 3, 2027
MERIDIAN GIC	2,000,000	3.40%	April 5, 2027
BMO GIC	2,631,599	4.65%	June 25, 2027
SCOTIA GIC	2,000,000	3.50%	October 4, 2027
CCS GIC	1,000,000	3.30%	October 4, 2027
SCOTIA GIC	2,291,611	3.63%	June 26, 2028
SCOTIA GIC	2,000,000	3.50%	October 4, 2028
SCOTIA GIC	3,000,000	3.50%	October 31, 2028
SCOTIA GIC	2,000,000	3.83%	December 27, 2028
Total	<u>\$ 45,691,474</u>		

Investments held by the Regional District include securities guaranteed for principal and interest by Canada or by a province, and deposits of chartered banks and credit unions.

Investments at December 31, 2025 have a total carrying value of \$46,664,205 (2024 - \$54,106,358), consisting of amortized cost of \$45,691,474 (2024 - \$53,289,728) and related accrued interest of \$972,731 (2024 - \$816,630). The market value of these investments at December 31, 2025 is approximately \$46,230,915 (2024 - \$53,501,061).

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2025

4. Investment in Government Business Partnership

- (a) The District owns a 1/3 partnership share in the Cascade Lower Canyon Community Forest LP "CLCCF" or the "Partnership".
- (b) In 2006, the District along with the Yale First Nation and the District of Hope established the CLCCF for the purpose of operating a community forest. The District initially invested \$10,000 for 10,000 units in the Partnership. In 2013, the Partnership acquired a license to forest up to 34,300 cubic meters of timber annually. At this time net revenues are anticipated to remain within the Partnership until such time that the CLCCF Board determines that sufficient reserves exist to fund capital needs related to forestry operations. Should the Partnership cease to exist, the District would be entitled to 1/3 of the accumulated equity.

The Partnership has a March 31 year-end. The condensed results for its year end March 31, 2025 are summarized below.

CLCCF Condensed Financial Statements:

	2025	2024
Assets		
Cash	\$ 4,451,392	\$ 3,606,470
Other Current Assets	538,848	1,188,264
Tangible Capital Assets	192,801	211,404
	\$ 5,183,041	\$ 5,006,138
Liabilities		
Accounts Payable	\$ 722,462	\$ 678,651
Partnership Equity	4,460,579	4,327,487
	\$ 5,183,041	\$ 5,006,138
	2025	2024
Total Revenue	\$ 3,446,902	\$ 4,577,873
Total Expenses	3,313,810	3,910,802
Net Income	\$ 133,092	\$ 667,071

5. Trades Payable and Accrued Liabilities

	2025	2024
Accrued Liabilities	\$ 1,119,193	\$ 3,066,715
Trade Accounts Payable	1,807,307	1,878,809
Refundable Deposits	1,079,152	975,876
Life Estate Agreement	815,000	-
	\$4,820,652	\$5,921,400

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2025

6. Asset Retirement Obligation

The Regional District's Asset Retirement Obligation ("ARO") consists of several obligations as follows:

a) Landfill obligation

The Regional District has one active landfill within its boundaries and is responsible for the costs of its closure and post-closure activities. The liability for the closure of operational sites and post-closure care has been recognized under PS 3280 ARO. The Regional District has estimated the costs associated with these activities based on engineering studies required by the Ministry of Environment. The costs were based upon the presently known obligations that will exist at the estimated year of closure of the sites including covering, grading and surface water management. Post-closure activities include leachate and environmental monitoring, maintenance and reporting. Post-closure activities are expected to occur for approximately 32 years. The landfill has an estimated remaining useful life ranging from 14 to 36 years at December 31, 2025.

b) Contractual obligations

The Regional District holds lease arrangements which contain clauses requiring decommissioning of any leasehold improvements at the end of the lease term which have been constructed by the Regional District. Under PS 3280 ARO, the Regional District recognized an obligation relating to the decommissioning of leasehold improvements recognized for any of its lease arrangements at December 31, 2025. The lease arrangements have various terms ranging from 1 to 30 years, of which various numbers of years remain.

c) Buildings obligations

The Regional District owns several buildings throughout its operations that are likely to contain asbestos, which represents a health hazard upon renovation or demolition of the building and there is a legal obligation to remove it. Under PS 3280 ARO, the Regional District recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at December 31, 2025. The buildings have estimated remaining useful lives ranging from 2 to 37 years.

Estimated ARO costs totaling \$5,285,462 have been discounted using a present value calculation with a discount rate of 3.88%. The timing of these expenditures is estimated to occur between 2026 and 2093 with the regular replacement, renovation, or disposal of assets. No recoveries are expected at this time.

Changes to the asset retirement obligation in the year are as follows:

	Balance at December 31, 2024	Accretion Expense	Change in Estimate	Balance at December 31, 2025
Landfill	\$ 1,238,420	\$ 48,050	\$ -	\$ 1,286,470
Contractual obligations	745,328	28,919	-	774,247
Buildings	442,659	14,419	(71,034)	386,044
	<u>\$ 2,426,407</u>	<u>\$ 91,388</u>	<u>\$ (71,034)</u>	<u>\$ 2,446,761</u>

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2025

7. Municipal Finance Authority Debt Fund

(a) All funds borrowed by the Regional District are upon its credit at large and will, in event of default, constitute an indebtedness of its member municipalities for which they are jointly and severally liable.

(b) Debenture debt payments (including interest) as at December 31, 2025 are projected for the next five years as follows:

	Member Municipalities	Regional District	Total
2026	\$ 8,560,200	\$ 1,057,820	\$ 9,618,020
2027	8,233,580	1,043,630	9,277,210
2028	6,545,310	1,043,630	7,588,940
2029	5,666,580	976,430	6,643,010
2030	5,654,280	839,730	6,494,010
	\$ 34,659,950	\$ 4,961,240	\$ 39,621,190

8. Municipal Finance Authority Debentures

(a) The Regional District has entered into agreements with member municipalities for the purpose of financing municipal undertakings. Under the terms of these agreements, the municipalities are required to provide for and to pay to the Regional District such amounts as are required to discharge their obligations. Any deficiency that may occur shall be a liability of the municipalities.

(b) Municipal Finance Authority debentures are shown net of debt charges recoverable:

	2025	2024
Debentures	\$ 52,134,231	\$ 58,786,799
Debt charges recoverable:		
City of Abbotsford	(27,479,539)	(31,945,097)
Village of Harrison Hot Springs	(235,212)	(277,591)
District of Hope	(2,583,493)	(2,854,560)
District of Kent	(782,788)	(866,767)
City of Mission	(11,572,742)	(12,680,894)
	\$ 9,480,457	\$ 10,161,890
Net Municipal Finance Authority Debentures		

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2025

9. Development Levies and Deferred Revenue

Development levies represent amounts received from developers for capital infrastructure expenditures required as a result of development projects. As these amounts are expended, the deferred revenue will be reduced and the amount expended will be recorded as revenue in the statement of financial activities, the year in which the amounts are expended. The following development levies are restricted for specified purposes.

	2025	2024
West Popkum Drainage	\$ 307,458	\$ 295,971
Lakeside Trail	326,524	320,825
Bell Acres Water	23,782	22,893
Parkview Water	86,415	83,186
Area D Water	286,161	271,207
Deroche Water	163,496	157,388
Area C Parks Cash in Lieu	69,915	67,303
Area D Parks Cash in Lieu	124,997	120,327
Area D Parks VCC	80,073	77,082
Area F Parks Cash in Lieu	50,617	48,726
Area H Parks Cash in Lieu	63,534	61,160
	\$ 1,582,972	\$ 1,526,068

Deferred Revenues represent amounts received in advance for services which have not been provided.

	2025	2024
Deferred Revenue - Utilities	\$ 10,243	\$ 7,579
Deferred Revenue - Other	781,697	302,480
Deferred Grants - Capital Projects	12,450,820	13,014,528
Deferred Revenue - Vedder Campground	10,789	5,184
Deferred Revenue - Animal Control	343,096	364,070
Deferred Revenue - Hope Recreation	139,087	117,390
	\$ 13,735,732	\$ 13,811,231
Total development levies and deferred revenue	\$ 15,318,704	\$ 15,337,299

Within Deferred Grants, the Regional District holds Capacity Funding for Local Government Housing Initiatives provided by the Government of British Columbia to support local governments implementation of the Housing Statutes Amendment Act. This funding will support planning capacity to adopt Local Government Housing Initiative requirements for small-scale multi-unit housing, pro-active planning, and transit-oriented development areas, as well as adopt finance tools. The balance of this funding is as follows:

	2025
Funding received from Province of BC	\$ 203,923
Housing Related Costs	(197,500)
Capacity Funding Grant, End of Year	\$ 6,423

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2025

10. Community Works Funds

Community Works Fund Agreement funding is provided by the Government of Canada and use of the funding is established by a funding agreement between the Regional District and the Union of British Columbia Municipalities. Community Works Fund Agreement funding may be used towards designated public transit, community energy, water, wastewater, solid waste and capacity building projects, as specified in the funding agreement.

Schedule of Receipts and Disbursements of Community Works Agreement Funds

	2025	2024
Opening balance of unspent funds	\$ 7,433,741	\$ 7,826,678
Add: Amount received during the year	1,013,612	1,013,612
Interest earned	301,314	520,352
Less: Amount spent on projects	(683,676)	(1,926,901)
	\$ 8,064,991	\$ 7,433,741

DRAFT

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2025

11. Tangible Capital Assets

Cost	Balance at December 31, 2024	Additions	Transfers and Disposals	Balance at December 31, 2025
Land	\$ 3,913,183	\$ 1,312,816	\$ -	\$ 5,225,999
Engineering structures	50,111,959	19,950,657	-	70,062,616
Buildings and building improvements	29,570,385	796,850	(65,070)	30,302,165
Vehicles, machinery and equipment	16,184,743	872,266	(40,721)	17,016,288
Assets under construction	23,519,173	440,791	(18,599,464)	5,360,500
Total	\$123,299,443	\$ 23,373,380	\$ (18,705,255)	\$ 127,967,568

Accumulated amortization	Balance at December 31, 2024	Disposals	Amortization expense	Balance at December 31, 2025
Engineering structures	\$ 14,540,192	\$ -	\$ 1,728,314	\$ 16,268,506
Buildings and building improvements	10,143,550	(40,247)	1,146,435	11,249,738
Vehicles, machinery and equipment	10,077,561	(18,895)	869,044	10,927,710
Total	\$ 34,761,303	\$ (59,142)	\$ 3,743,793	\$ 38,445,954

	Net book value December 31, 2024	Net book value December 31, 2025
Land	\$ 3,913,183	\$ 5,225,999
Engineering structures	35,571,766	53,794,108
Buildings and building improvements	19,426,836	19,052,429
Vehicles, machinery and equipment	6,107,182	6,088,578
Assets under construction	23,519,173	5,360,500
Total	\$ 88,538,140	\$ 89,521,614

(a) Assets Under Construction

Assets under construction having a value of \$5,360,500 (2024 - \$23,519,173) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed Tangible Capital Assets

Contributed capital assets are recognized at fair market value at the date of contribution. There were no contributed assets received during the year (2024 - \$773,334).

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2025

11. Property And Equipment (continued)

(c) Government Transfers

Tangible capital assets received as a result of government transfers are recorded at their fair value at the date of valuation receipt. Government transfers in the year have a value of \$800,000 (2024 - \$13,603,220).

12. Intangible Capital Assets

The campground license relates to the purchase of the Vedder River Campground occupation license.

Cost	Balance at December 31, 2024	Additions	Transfers and Disposals	Balance at December 31, 2025
Campground license	\$ 608,500	\$ -	\$ -	\$ 608,500
Total	<u>\$ 608,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 608,500</u>

Accumulated amortization	Balance at December 31, 2024	Disposals	Amortization expense	Balance at December 31, 2025
Campground license	\$ 243,400	\$ -	\$ 30,425	\$ 273,825
Total	<u>\$ 243,400</u>	<u>\$ -</u>	<u>\$ 30,425</u>	<u>\$ 273,825</u>

	Net book value December 31, 2024	Net book value December 31, 2025
Campground license	\$ 365,100	\$ 334,675
	<u>\$ 365,100</u>	<u>\$ 334,675</u>

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2025

13. Pension Liability

The Regional District and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2024, the plan has about 273,000 active members and approximately 133,000 retired members. Active members include approximately 47,000 contributors from local governments.

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

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2024, indicated a \$2,675 million funding surplus for basic pension benefits on a going concern basis.

The Regional District paid \$804,788 (2024 - \$760,802) for employer contributions to the plan in fiscal 2025.

The next valuation will be as at December 31, 2027.

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.

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2025

14. Grants to Assist Local Governments

The Regional District is providing detailed reporting on the following grants from the Provincial Government:

- a) Provincial Safe Restart Funds intended to assist local governments' response to the COVID-19 pandemic.
- b) Growing Communities Fund (GCF) intended to assist local governments' address their community's unique infrastructure and amenity demands.

A summary of the use of the funds by the Regional District is included with these Financial Statements. Funding received from these grants is recognized as revenue by the District when received or receivable. The funds have been allocated within accumulated surplus as follows:

COVID-19 Safe Restart Fund	2025	2024
COVID Surplus, Beginning of year	\$ 51,920	\$ 121,556
Less:		
Computer and Other Electronic Technology	(18,251)	-
Other Related Costs	(4,045)	(69,636)
Total COVID-19 Safe Restart Funds Spent	(22,296)	(69,636)
COVID Surplus, End of Year*	\$ 29,624	\$ 51,920

* At December 31, 2025, all COVID Surplus has been further allocated.

Growing Communities Fund	2025	2024
Growing Communities Fund Surplus, Beginning of year	\$ 6,660,931	\$ 7,531,663
Interest Earned on Prior Year Surplus	324,530	-
Less actual costs spent:		
Animal Control Centre	(129,208)	-
Hope and Area Recreation Centre Heat Recovery	-	(730,663)
FVRD Corporate Capital Improvements	(97,460)	(56,500)
Electoral Area Allocation	(42,032)	(83,569)
Total GCF Funds Spent	(268,700)	(870,732)
	-	-
Growing Communities Fund Surplus, End of Year	\$ 6,716,761	\$ 6,660,931

Growing Communities Fund Surplus is allocated as follows:

Animal Control Centre	3,313,413	2,000,000
Regional Parks	-	900,000
FVRD Corporate Office Capital Improvements	177,341	643,500
Electoral Area Allocation	3,226,007	3,117,431
Total GCF Surplus allocated	\$ 6,716,761	\$ 6,660,931

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2025

15. Contingent liabilities

a) Legal Actions

The Regional District is involved in legal claims through the Regional Districts insurers and other parties. Claims through the Regional Districts insurers have limited financial exposure due to a maximum deductible. Claims outside of the Regional Districts insurers where the amounts are known or can be reasonably estimated are accrued for. At this time, no accrual has been made for these outstanding claims as the outcomes are undeterminable or have limited financial exposure.

b) Municipal Finance Authority Debt Reserve Fund

With respect to amounts financed through the Authority, the Regional District is required to pay into a debt reserve fund administered by the Authority, an amount equal to one-half the average annual installment of principal and interest relative to any borrowing for its own purposes and on behalf of member municipalities. This amount may be paid either in full or in an amount of cash equal to 1% of the principal amount borrowed together with a non-interest bearing demand note for the balance. If, at any time, the Authority does not have sufficient funds to meet payments of sinking fund contributions due on its obligations, the payments or sinking fund contributions shall be made from the debt reserve fund. The demand notes payable to the Authority and receivable from member municipalities are callable only if there are additional requirements to be met to maintain the level of the debt reserve fund.

c) Municipal Insurance Association of B.C.

The District is a member of the Municipal Insurance Association which operates under a reciprocal insurance exchange agreement. The main purpose is to pool the risk of third party liability claims against members in order to allow for stable financial planning related to those broad risk management strategies to reduce accidents occurrences against the District. The District is assessed an annual premium based on population, administrative costs, premium tax, and re-insurance oversights by the Provincial government.

d) Letters of Credit

The Regional District issued letters of credit on behalf of the Department of Fisheries and Oceans. Outstanding letters of guarantee total \$929,000 (2024 - nil).

16. Contractual Rights

In addition to the debenture charges recoverable from member municipalities as disclosed in note 7(b), the Regional District is entitled to the following payments under contract as at December 31, 2025.

	Total
2026	\$ 88,551
2027	88,536
2028	73,723
2029	76,193
2030	60,345
Thereafter	196,154
	\$ 583,502

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2025

17. 2025 Plan

The budget data presented in these financial statements was included in the Fraser Valley Regional District 2025 - 2029 Financial Plan, adopted through Bylaw No. 1769, 2025 on February 27, 2025. The following table reconciles the approved budget to the budget figures in these consolidated financial statements.

	2025
Revenues:	
Budget	\$ 75,473,390
Less:	
Internal Recoveries/Debt servicing paid on behalf of municipalities	<u>(15,337,610)</u>
Budgeted revenues per Statement of Operations	<u><u>60,135,780</u></u>
Expenses:	
Budget	62,851,970
Less:	
Internal Recoveries/Debt servicing paid on behalf of municipalities	<u>(11,784,030)</u>
Budgeted expenses per Statement of Operations	<u><u>\$ 51,067,940</u></u>

18. Related Party Transaction

Included in Sale of services is an administration fee paid by Fraser Valley Regional Hospital District (the "Hospital District"). The Hospital District and the District have the same board of directors. This transaction is in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2025

19. Segmented Information

Segmented information has been identified based upon lines of service provided by the District. District services are provided by departments and their activities are reported by functional area in the body of the financial statements. Certain lines of service that have been separately disclosed in the segmented information, along with the services they provide are as follows:

i) General Government:

General Government includes services and activities responsible for the overall direction and monitoring of regional initiatives. These include, but are not limited to legislative services, Board operations and remuneration, regional indigenous relations, fiscal services, information technology, geographic information systems, feasibility studies and overall organizational administration.

ii) Protective Services:

Protective Services includes those services that provide protection to the region's inhabitants and their property. Services include seven (7) Volunteer Fire Departments, Emergency Management, Combined E911, Regional Fire Dispatch, Search & Rescue and Dyking/Flood controls.

iii) Transportation Services:

Transportation Services includes the operation of certain rural transit services, nine (9) Street Lighting Service areas, and the operation of the Hope Airpark.

iv) Environmental Health Services:

Environmental Health Services includes the delivery of the Regional Air Quality and Solid Waste Management programs, Mosquito control program, Noxious Weeds program, four (4) drainage systems, three (3) refuse/recycling collection systems, and the Boston Bar Landfill.

v) Environmental Development Services:

Environmental Development Services includes the delivery of Regional Planning and Electoral Area Planning as well as the administration of the Electoral Area Soil Deposit and removal sites.

vi) Recreation and Culture Services:

Recreation and Culture services includes the Regional Community Parks system and the Fraser Valley Regional Library (FVRL) in the Electoral Areas. Recreation and Cultural Services also includes the Hope and District Recreation Commission, Almer Carlson Pool, Boston Bar bowling alley, Boston Bar Television, Harrison Lake Boat Launch and Area A & B Heritage Conservation.

vii) Utility Services:

Utilities includes operating of twelve (12) water systems and six (6) sanitary sewer systems.

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2025

19. Segmented Information (continued)

	General Government	Protective Services	Transportation Services	Environmental Health	Environmental Development	Recreation & Culture	Utility Services	2025	2024
Revenues									
Member requisitions	\$ 4,171,998	\$ 8,251,697	\$ 1,784,773	\$ 2,703,628	\$ 1,938,638	\$ 6,286,619	\$ 1,903,910	\$ 27,041,263	\$ 25,122,447
Government grants	474,575	2,313,185	3,099,331	60,651	964,649	1,352,725	924,556	9,189,672	27,677,197
Sales of service	703,843	1,502,829	2,223,447	1,028,539	238,867	1,769,889	2,269,689	9,737,103	9,741,706
Other	<u>1,356,163</u>	<u>1,148,145</u>	<u>203,826</u>	<u>290,151</u>	<u>469,019</u>	<u>609,455</u>	<u>303,207</u>	<u>4,379,966</u>	<u>6,581,400</u>
	6,706,579	13,215,856	7,311,377	4,082,969	3,611,173	10,018,688	5,401,362	50,348,004	69,122,750
Expenditures									
Salaries and benefits	5,635,752	3,621,414	66,524	713,810	1,441,059	2,843,852	1,015,530	15,337,941	14,211,267
Directors expenses	741,694	-	-	-	-	-	-	741,694	721,054
Program support	2,399,889	5,769,161	7,286,369	1,557,463	1,090,377	2,960,850	955,182	22,019,291	19,613,453
Vehicle, Building and Equipment Expenses	306,393	407,568	13,548	528,511	-	381,611	328,653	1,966,284	1,812,554
Internal Services	1,057,200	1,002,272	213,300	366,900	547,400	782,019	191,847	4,160,938	3,592,088
Recoveries from other functions	(5,747,666)	3,800	-	-	(27,720)	(285,900)	-	(6,057,486)	(5,434,090)
Amortization of tangible capital assets	348,178	504,315	45,378	109,005	-	1,232,263	1,504,655	3,743,794	2,766,712
Amortization of intangible capital assets	30,425	-	-	-	-	-	-	30,425	30,425
Accretion	-	11,623	1,047	49,144	-	3,918	25,656	91,388	99,664
	<u>4,771,865</u>	<u>11,320,153</u>	<u>7,626,166</u>	<u>3,324,833</u>	<u>3,051,116</u>	<u>7,918,613</u>	<u>4,021,523</u>	<u>42,034,269</u>	<u>37,413,126</u>
	\$ <u>1,934,714</u>	\$ <u>1,895,703</u>	\$ <u>(314,789)</u>	\$ <u>758,136</u>	\$ <u>560,057</u>	\$ <u>2,100,075</u>	\$ <u>1,379,839</u>	\$ <u>8,313,735</u>	\$ <u>31,709,624</u>