



2023 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023



Slollicum Peak
Kinga

LAND ACKNOWLEDGEMENT

The Fraser Valley Regional District (FVRD) recognizes the homeland of the thirty First Nation communities of this area we now call the Fraser Valley Regional District where we live, work and learn. Important decisions that we make at a local government level can affect First Nation communities and Indigenous peoples and organizations in many different ways both today and in the future. So as part of our collective responsibility we commit to continually examine the work we do to ensure that our project plans, initiatives and discussion are guided by the principles of inclusion, collaboration and reconciliation.



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MESSAGE FROM THE CHAIR

The Fraser Valley Regional District is governed by a 24-member Board of Directors. Eight directors are elected from each of the FVRD's electoral areas, and 16 directors are appointed from their respective elected councils from each member municipality.

The Board, together with management and staff of the FVRD, prioritize work plans to achieve goals and specific actions set out in the Strategic Plan. Our Strategic Plan sets out four themes to guide FVRD's use of resources. For the board's 2022-2026 term, our efforts are guided by these Strategic Plan themes:

- Climate and Environment
- Growth Management
- Indigenous Relationships
- Wellness and Prosperity

During 2023 we continued to experience climate related impacts to the region. We launched the FireSmart Home Partners Program, a free program offered to electoral area homeowners for wildfire mitigation activities through a professional home assessment. On August 17, the FVRD issued an Evacuation Order for the Nahatlatch River area due to wildfire. The Kookipi Creek Wildfire activated our Emergency Operations Centre (EOC) and our dedicated staff worked tirelessly with numerous stakeholders throughout the emergency and after, by guiding residents through their questions and providing resource connections.



Jason Lum, FVRD Chair

MESSAGE FROM THE CHAIR

2023 also included initiatives and funding to support our region:

- We received initial provincial funding for \$500,000 to offer support and leadership at the Hatzic Lake flood-mitigation planning table and for support actions to reduce flood risk in the Hatzic Lake flood zone. Hatzic Lake is an oxbow lake that adjoins the Fraser River.
- The Regional Growth Strategy (RGS) Monitoring Program website launched providing an innovative tool to help people learn about RGS. We use the RGS as a high-level policy and planning framework to guide the activities of local and provincial governments in relation to long-term regional growth.
- Our Emergency Program Policy was made available online. The document provides the scope and level of service expected from the FVRD Emergency Management Program.
- Active Transportation Network Plan was launched with a public consultation process for members in electoral areas to participate in shaping the future of active transportation in the region.
- In December, our FVRD Homeless Point-in-Time (PiT) Count and Survey report was released. Staff from more than 50 organizations, community partners, and 1,022 voluntary survey respondents was involved in the PiT Count and Survey. The regional report includes sub-community results for Abbotsford, Chilliwack, Mission, Hope, Agassiz, Harrison Hot Springs, and Boston Bar.

In closing, I thank the Board of Directors for their dedication to collaboration, advocacy, and public service. I want to share my appreciation for FVRD staff. It is because of their dedication, expertise, and professionalism we achieve our goals of supporting FVRD communities.

Jason Lum
Chair, FVRD Board of Directors

2022 - 2026 BOARD OF DIRECTORS



Seated left to right: Sylvia Pranger (Kent), Patricia Ross (Abbotsford), Jag Gill (Mission), Patti MacAhonic (Area E), Diane Johnson (Area A), Taryn Dixon (Area H), Kelly Chahal (Abbotsford), Leo Facio (Harrison Hot Springs).

Standing left to right: Ross Siemens (Abbotsford), Bud Mercer (Chilliwack), Paul Horn (Mission), Dave Sidhu (Abbotsford), Bill Dickey (Area D), Hugh Davidson (Area F), Jason Lum (Chilliwack), Victor Smith (Hope), Simon Gibson (Abbotsford), Ken Popove (Chilliwack), Dave Loewen (Abbotsford), Peter Adamo (Area B), Les Barkman (Abbotsford), Cory Cassel (Area G), Chris Kloot (Chilliwack), Mel Waardenburg (Area C).

FVRD SENIOR LEADERSHIP TEAM



*Standing left to right: Graham Daneluz, Kelly Lownsborough, Jennifer Kinneman
Seated left to right: Stacey Barker, Tareq Islam, Jaime Van Nes*

The Senior Leadership Team works collaboratively to:

- Provide guidance to departments on the Board's Strategic Plan goals
- Consider issues facing local government and lead corporate decision-making
- Discuss solutions to organizational issues and challenges
- Provide direction on corporate-wide policies, systems, projects, and initiatives

Chief Administrative Officer	_____	Jennifer Kinneman
Director of Regional Services and Deputy Chief Administrative Officer	_____	Stacey Barker
Director of Planning & Development	_____	Graham Daneluz
Director of Engineering & Utilities	_____	Tareq Islam
Director of Corporate Services & Chief Financial Officer	_____	Kelly Lownsborough
Director of Legislative Services & Corporate Officer	_____	Jaime Van Nes

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023





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.

Kelly Lownsborough, CPA, CMA
Director of Corporate Services/Chief Financial Officer



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fraser Valley Regional District

Opinion

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

- the consolidated statement of financial position as at December 31, 2023
- 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, 2023, and 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 Entity'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.



Fraser Valley Regional District
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- 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.

KPMG LLP

Chartered Professional Accountants

Chilliwack, Canada

April 25, 2024

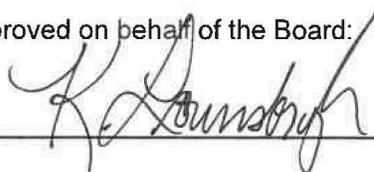
Fraser Valley Regional District
Consolidated Statement of Financial Position

December 31, 2023

	2023	2022
Financial Assets		
Cash and cash equivalents <i>(Note 2)</i>	\$ 23,107,812	\$ 15,409,324
Accounts receivable <i>(Note 3)</i>	11,269,782	7,952,447
Inventories	23,965	32,147
Investments <i>(Note 4)</i>	44,886,303	38,883,769
Investment in Partnership <i>(Note 5)</i>	1,222,216	655,831
	80,510,078	62,933,518
Financial Liabilities		
Trade payables and accrued liabilities	5,459,401	3,045,169
Accrued interest	79,865	79,819
Due to Local governments	2,511,750	2,460,506
Asset retirement obligations <i>(Note 6)</i>	2,005,305	-
Landfill retirement costs <i>(Note 6)</i>	-	485,186
Municipal Finance Authority debentures <i>(Note 8)</i>	7,235,856	7,828,816
Development levies and deferred revenue <i>(Note 9)</i>	14,859,240	14,408,095
Community Works funds <i>(Note 10)</i>	7,826,678	7,050,404
	39,978,095	35,357,995
Net Financial Assets	40,531,983	27,575,523
Non-Financial Assets		
Prepaid expenses	871,299	569,110
Tangible Capital Assets <i>(Note 11)</i>	61,025,536	52,176,375
Intangible Capital Assets <i>(Note 12)</i>	395,525	425,950
	62,292,360	53,171,435
Accumulated Surplus	\$ 102,824,343	\$ 80,746,958

Contingent Liabilities *(Note 15)*

Approved on behalf of the Board:


 Chief Financial Officer

Fraser Valley Regional District
Consolidated Statement of Financial Activities

Year Ended December 31, 2023

	Budget 2023 <i>(Note 17)</i>	Actual 2023	Actual 2022
Revenues			
Member requisitions	\$ 21,669,410	\$ 21,669,388	\$ 19,756,800
Government grants	9,672,770	18,632,332	3,627,855
Utility user fees	1,783,540	2,017,304	1,412,115
Sale of services (note 18)	6,248,710	7,737,820	6,556,886
Other	4,905,810	2,121,770	1,885,223
Interest	101,990	1,984,870	770,949
Income from Partnerships	-	741,385	15,471
	<u>44,382,230</u>	<u>54,904,869</u>	<u>34,025,299</u>
Expenses			
General government services	4,059,380	4,586,786	4,286,273
Protective services	8,688,440	9,225,943	9,243,440
Transportation services	4,836,160	4,191,468	4,666,836
Environmental health services	3,340,240	3,081,475	2,883,437
Environmental development services	2,915,680	2,349,047	2,210,551
Recreation and cultural services	6,532,040	6,422,182	6,012,014
Utilities services	2,240,310	2,970,583	2,708,158
	<u>32,612,250</u>	<u>32,827,484</u>	<u>32,010,709</u>
Annual Surplus	11,769,980	22,077,385	2,014,590
Accumulated Surplus, Beginning of Year	80,746,958	80,746,958	78,732,368
Accumulated Surplus, End of Year	<u>\$ 92,516,938</u>	<u>\$ 102,824,343</u>	<u>\$ 80,746,958</u>

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

Year Ended December 31, 2023

	2023	2022
Annual surplus	\$ 22,077,385	\$ 2,014,590
Acquisition of tangible capital assets	(10,067,050)	(2,189,335)
Amortization of tangible capital assets	2,542,609	2,137,917
(Gain)/Loss on sale of tangible capital assets	100,486	(10,497)
Proceeds on sale of tangible capital assets	5,978	54,778
Net change in asset retirement obligations	(1,520,119)	-
Amortization of intangible capital assets	30,425	30,425
Accretion expenses	88,935	-
Change in prepaid expenses	(302,189)	42,672
	12,956,460	2,080,550
Change in Net Financial Assets		
	27,575,523	25,494,973
Net Financial Assets, Beginning of Year		
	\$ 40,531,983	\$ 27,575,523
Net Financial Assets, End of Year		

Fraser Valley Regional District Consolidated Statement of Cash Flows

Year Ended December 31, 2023

	2023	2022
Operating Activities		
Annual surplus	\$ 22,077,385	\$ 2,014,590
Items not involving cash		
Amortization of tangible capital assets	2,542,609	2,137,917
(Gain)/Loss on sale of tangible capital assets	100,486	(10,497)
Amortization of intangible capital assets	30,425	30,425
Accretion	88,935	-
Partnership income	(741,385)	(15,471)
	24,098,455	4,156,964
Change in non-cash operating items		
Accounts receivable	(3,317,335)	(449,542)
Inventories	8,182	169
Prepaid expenses	(302,189)	42,672
Trade payables and accrued liabilities	2,414,232	(937,368)
Local governments	51,244	312,366
Accrued interest	46	2,726
Landfill retirement costs	-	(55,702)
Development levies and deferred revenue	451,145	1,918,476
Community works fund	776,274	592,500
	24,180,054	5,583,261
Investing Activities		
Draws from partnership	175,000	150,000
Acquisition of tangible capital assets	(10,067,050)	(2,189,335)
Proceeds on sale of tangible capital assets	5,978	54,778
(Increase)/Decrease in portfolio investments	(6,002,534)	(8,996,477)
	(15,888,606)	(10,981,034)
Financing Activities		
Proceeds from debenture debt	-	170,000
Repayment of debenture debt	(592,959)	(557,943)
	(592,959)	(387,943)
Change in Cash	7,698,489	(5,785,716)
Cash and cash equivalents, Beginning of Year	15,409,324	21,195,040
Cash and cash equivalents, End of Year	\$ 23,107,813	\$ 15,409,324
Supplementary cash flow information:		
Interest paid	\$ 171,245	\$ 203,352
Non-cash transaction:		
Tangible capital asset additions related to asset retirement obligations (note 6)	\$ (1,520,119)	\$ -

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2023

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 March 23, 2023.
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, 2023 and December 31, 2022. 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, 2023

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 is available for productive use.

Tangible capital assets received as contributions 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

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2023

Non-Financial Assets (con't)

(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.

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, 2023, no contamination in excess of an environmental standard exists related to land not in productive use for which the Regional District is responsible.

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2023

1. Adoption of new accounting standards:

a) PS 3280 Asset Retirement Obligations:

On January 1, 2023, the Regional District adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations (PS 3280). 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. The Regional District determined that there were significant asset retirement obligations associated with its tangible capital assets as at December 31, 2023 and December 31, 2022 and has adopted of this standard on a prospective basis.

As a result of the introduction of PS 3280, PS 3270 Solid Waste Landfill Closure and Post-Closure Liability was withdrawn and the Regional District's landfill is now accounted for under the provisions of PS 3280.

b) PS 3450 Financial Instruments and related standards:

On January 1, 2023, the the Regional District adopted Canadian public sector accounting standard PS 3450 Financial Instruments, PS 2601 Foreign Currency Translation, PS 1201 Financial Statement Presentation and PS 3041 Portfolio Investments. Under PS 3450 Financial Instruments, all financial instruments are included on the statement of financial position and are measured at either fair value or cost or amortized cost based on the characteristics of the instrument and the Regional District's accounting policy choices (see note 4).

The adoption of these standards did not have an impact on the amounts presented in these financial statements.

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2023

2. Cash and cash equivalents

	2023	2022
Cash	\$ 12,794,953	\$ 5,619,549
Short Term Deposits	<u>10,312,859</u>	<u>9,789,775</u>
	<u>\$ 23,107,812</u>	<u>\$ 15,409,324</u>

3. Accounts Receivable

	2023	2022
Accrued interest - investments	\$ 625,890	\$ 397,427
Local Government	842,670	947,228
Provincial Government	4,523,583	1,285,768
MFA Debt Reserve - Cash	1,842,040	1,796,751
Regional Hospital District	(90)	110,815
Trade Accounts and User Fees	<u>3,435,689</u>	<u>3,414,458</u>
	<u>\$ 11,269,782</u>	<u>\$ 7,952,447</u>

Fraser Valley Regional District
Notes to the Consolidated Financial Statements
Year ended December 31, 2023

4. Investments

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

Investments held at December 31, 2023 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	(17,641)		
GICs			
BMO GIC	2,519,000	4.47%	June 24, 2024
CCS GIC	1,000,000	6.00%	August 31, 2026
CCS GIC	1,000,000	6.05%	November 2, 2026
CCS GIC	1,700,000	6.05%	September 21, 2026
PROSPERA GIC	3,000,000	5.45%	December 22, 2026
CCS GIC	1,000,000	5.15%	March 5, 2024
BMO GIC	3,000,000	5.00%	May 1, 2024
ROYAL BANK GIC	1,333,333	3.80%	May 27, 2024
SCOTIA BK GIC	2,500,000	4.40%	July 4, 2024
CCS GIC	3,000,000	5.55%	October 31, 2024
CCS GIC	1,000,000	5.40%	February 10, 2025
BMO GIC	2,000,000	4.85%	December 22, 2024
SCOTIA BK GIC	2,000,000	3.50%	April 1, 2025
ROYAL BANK GIC	2,500,000	4.45%	July 4, 2025
BMO GIC	2,291,611	5.65%	June 23, 2025
Envision GIC	5,000,000	5.85%	December 21, 2024
Envision GIC	2,000,000	5.75%	December 21, 2025
Envision GIC	3,000,000	5.75%	December 20, 2025
Total	<u>\$ 44,886,303</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, 2023 have a total carrying value of \$45,512,295 (2022 - \$32,281,195), consisting of amortized cost of \$44,886,303 (2022 - \$31,883,769) and related accrued interest of \$625,992 (2022 - \$397,426). The market value of these investments at December 31, 2023 is approximately \$44,687,136 (2022 - \$31,204,170).

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2023

5. 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, 2023 are summarized below.

CLCCF Condensed Financial Statements:

Assets	2023	2022
Cash	\$ 3,514,036	\$ 1,060,154
Other Current Assets	1,179,052	1,121,584
Tangible Capital Assets	230,006	248,609
	\$ 4,923,094	\$ 2,430,347
Liabilities		
Accounts Payable	\$ 737,678	\$ 469,082
Partnership Equity	4,185,416	1,961,265
	\$ 4,923,094	\$ 2,430,347
	2023	2022
Total Revenue	\$ 11,749,831	\$ 328,963
Total Expenses	9,525,680	282,547
Net Income	\$ 2,224,151	\$ 46,416

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2023

6. Asset Retirement Obligation

The Regional District's Asset Retirement Obligation 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 – Asset Retirement Obligations. 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 16 to 38 years.

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. Following the adoption of PS 3280 – Asset Retirement Obligations, the Regional District recognized an obligation relating to the decommissioning of leasehold improvements recognized for any of its lease arrangements at January 1, 2023. 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. Following the adoption of PS 3280 - Asset Retirement Obligations, the Regional District recognized an obligation relating to the removal and post-removal care of the asbestos in these buildings as estimated at January 1, 2023. The buildings have estimated remaining useful lives ranging from 4 to 39 years.

The Regional District has adopted this standard prospectively. Under the prospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard. Estimated ARO costs totaling \$5,362,116 have been discounted using a present value calculation with a discount rate of 4.97%. The timing of these expenditures is estimated to occur between 2024 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, 2022	Adjustment on adoption of PS 3280	Balance at January 1, 2023	Accretion Expense	Change in Estimate	Balance at December 31, 2023
Landfill	\$ 485,186	\$ 610,755	\$ 1,095,941	\$ 44,824	\$(178,846)	\$ 961,919
Contractual obligations	-	-	678,665	27,758	(41,062)	665,361
Buildings	-	-	399,838	16,353	(38,166)	378,025
	<u>\$ 485,186</u>	<u>\$ 610,755</u>	<u>\$ 2,174,444</u>	<u>\$ 88,935</u>	<u>\$(258,074)</u>	<u>\$ 2,005,305</u>

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2023

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, 2023 are projected for the next five years as follows:

	Member Municipalities	Regional District	Total
2024	\$ 8,431,062	\$ 751,167	\$ 9,182,229
2025	8,613,121	722,915	9,336,036
2026	8,613,121	722,915	9,336,036
2027	8,461,105	709,423	9,170,528
2028	8,134,484	709,423	8,843,907
	\$ 42,252,893	\$ 3,615,843	\$ 45,868,736

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:

	2023	2022
Debentures	\$ 61,618,737	\$ 65,925,453
Debt charges recoverable:		
City of Abbotsford	(36,249,520)	(40,398,644)
Village of Harrison Hot Springs	(318,537)	(358,099)
District of Hope	(3,116,371)	(1,530,541)
District of Kent	(947,905)	(1,026,300)
City of Mission	(13,750,548)	(14,783,053)
Net Municipal Finance Authority debentures	\$ 7,235,856	\$ 7,828,816

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2023

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.

	2023	2022
West Popkum Drainage	\$ 282,331	\$ 267,605
Lakeside Trail	306,040	290,076
Bell Acres Water	21,838	20,699
Parkview Water	79,352	75,213
Area D Water	254,647	174,132
Deroche Water	150,135	142,304
Area C Parks Cash in Lieu	20,841	19,754
Area D Parks Cash in Lieu	114,782	129,045
Area D Parks VCC	73,530	69,695
Area F Parks Cash in Lieu	46,480	44,055
Area H Parks Cash in Lieu	58,341	55,298
	\$ 1,408,317	\$ 1,287,876

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2023

9. Development Levies and Deferred Revenue (continued)

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

	2023	2022
Deferred Revenue - Utilities	2,945	4,848
Deferred Revenue - Other	166,633	66,072
Deferred Grants - Capital projects	12,816,403	12,596,931
Deferred Revenue - Vedder Campground	6,184	6,934
Deferred Revenue - Animal Control	322,299	322,774
Deferred Revenue - Hope Recreation	136,459	122,660
	<u>13,450,923</u>	<u>13,120,219</u>
Total development levies and deferred revenue	<u>14,859,240</u>	<u>14,408,095</u>

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

	2023	2022
Opening balance of unspent funds	\$ 7,050,404	\$ 6,457,904
Add: Amount received during the year	895,580	858,897
Interest earned	408,248	160,625
Less: Amount spent on projects	(527,554)	(427,022)
	<u>\$ 7,826,678</u>	<u>\$ 7,050,404</u>

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2023

11. Tangible Capital Assets

Cost	Balance at December 31, 2022	Additions	Transfers and Disposals	Balance at December 31, 2023
Land	\$ 3,913,183	\$ -	\$ -	\$ 3,913,183
Engineering structures	43,834,184	4,457,448	(235,169)	48,056,463
Buildings and building improvements	15,303,767	698,257	(396,733)	15,605,291
Vehicles, machinery and equipment	15,805,552	565,885	(1,733,028)	14,638,409
Assets under construction	5,398,076	6,264,803	(517,963)	11,144,916
Total	\$ 84,254,762	\$ 11,986,393	\$ (2,882,893)	\$ 93,358,262

Accumulated amortization	Balance at December 31, 2022	Disposals	Amortization expense	Balance at December 31, 2023
Engineering structures	\$ 12,276,769	\$ (196,615)	\$ 1,121,215	\$ 13,201,369
Buildings and building improvements	9,349,892	(345,708)	590,110	9,594,294
Vehicles, machinery and equipment	10,451,726	(1,745,947)	831,284	9,537,063
Total	\$ 32,078,387	\$ (2,288,270)	\$ 2,542,609	\$ 32,332,726

	Net book value December 31, 2022	Net book value December 31, 2023
Land	\$ 3,913,183	\$ 3,913,183
Engineering structures	31,557,415	34,855,093
Buildings and building improvements	5,953,875	6,010,998
Vehicles, machinery and equipment	5,353,826	5,101,346
Assets under construction	5,398,076	11,144,916
Total	\$ 52,176,375	\$ 61,025,536

(a) Assets Under Construction

Assets under construction having a value of \$11,144,917 (2022 - \$5,398,077) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2023

12. Intangible Capital Assets

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

Cost	Balance at December 31, 2020	Additions	Transfers and Disposals	Balance at December 31, 2021
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, 2022	Disposals	Amortization expense	Balance at December 31, 2023
Campground license	\$ 182,550	\$ -	\$ 30,425	\$ 212,975
Total	<u>\$ 182,550</u>	<u>\$ -</u>	<u>\$ 30,425</u>	<u>\$ 212,975</u>

	Net book value December 31, 2022	Net book value December 31, 2023
Campground license	\$ 425,950	\$ 395,525
	<u>\$ 425,950</u>	<u>\$ 395,525</u>

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, 2022, the plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 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, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The Regional District paid \$725,133 (2022 - \$651,190) for employer contributions to the plan in fiscal 2023.

The next valuation will be as at December 31, 2024, with results available in 2025.

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, 2023

14. Grants to assist local governments:

The Regional District has received the following two 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	2023	2022
COVID Surplus, Beginning of year	\$ 219,575	\$ 520,659
Less:		
Computer and Other Electronic Technology	(25,179)	(42,661)
Facility Reopening & Operating Costs	-	(5,561)
Other Related Costs	(72,840)	(252,862)
Total COVID-19 Safe Restart Funds Spent	(98,019)	(301,084)
COVID Surplus, End of Year*	\$ 121,556	\$ 219,575

** At December 31, 2023, all COVID Surplus has been further allocated.*

Growing Communities Fund	2023
Funding received from Province of BC	\$ 8,801,000
Less actual costs spent:	
Cultus Lake North Wastewater Treatment Plant	(1,000,000)
Hope and Area Recreation Centre Heat Recovery	(269,337)
Total GCF Funds Spent	(1,269,337)
	-
Growing Communities Fund Surplus, End of Year	\$ 7,531,663

Growing Communities Fund Surplus is allocated as follows:

Animal Control Centre	2,000,000
Hope and Area Recreation Centre Heat Recovery	730,663
Regional Parks	900,000
FVRD Corporate Office Capital Improvements	700,000
Electoral Area Allocation	3,201,000
Total GCF Surplus allocated	\$ 7,531,663

Fraser Valley Regional District

Notes to the Consolidated Financial Statements

Year ended December 31, 2023

15. Contingent liabilities

a) Legal Actions

The Regional District is involved in legal claims through MIABC. Due to a maximum deductible of \$10,000 per claim, there is limited financial exposure as at December 31, 2023.

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 (MIA) 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.

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, 2023.

	Total
2024	\$ 178,054
2025	159,934
2026	55,176
2027	43,853
2028	34,875
Thereafter	484,981
	956,873

Fraser Valley Regional District
Notes to the Consolidated Financial Statements

Year ended December 31, 2023

17. 2023 Plan

The budget data presented in these financial statements was included in the Fraser Valley Regional District 2023 - 2027 Financial Plan, adopted through Bylaw No. 1697, 2023 on March 23, 2023. The following table reconciles the approved budget to the budget figures in these consolidated financial statements.

	2023
Revenues:	
Budget	\$ 57,958,920
Less:	
Internal Recoveries/Debt servicing paid on behalf of municipalities	<u>(13,576,690)</u>
Budgeted revenues per Statement of Operations	<u>44,382,230</u>
Expenses:	
Budget	42,865,740
Less:	
Internal Recoveries/Debt servicing paid on behalf of municipalities	<u>(10,253,490)</u>
Budgeted expenses per Statement of Operations	<u>\$ 32,612,250</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, 2023

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, 2023

19. Segmented Information (continued)

	General Government	Protective Services	Transportation Services	Environmental Health	Environmental Development	Recreation & Culture	Utility Services	2023	2022
Revenues									
Member requisitions	\$ 3,134,147	\$ 5,794,106	\$ 1,477,798	\$ 2,356,228	\$ 1,752,794	\$ 5,292,905	\$ 1,861,410	\$ 21,669,388	\$ 19,756,800
Government grants	4,185,773	4,317,152	1,843,193	240,943	103,612	3,798,307	4,143,352	18,632,332	3,627,853
Sales of service	638,603	1,678,131	934,536	1,118,843	202,558	1,821,972	3,360,481	9,755,124	7,969,002
Other	1,814,075	1,819,972	158,754	244,042	409,449	326,541	75,192	4,848,025	2,671,643
	<u>9,772,598</u>	<u>13,609,361</u>	<u>4,414,281</u>	<u>3,960,056</u>	<u>2,468,413</u>	<u>11,239,725</u>	<u>9,440,435</u>	<u>54,904,869</u>	<u>34,025,298</u>
Expenditures									
Salaries and benefits	4,749,662	3,167,833	59,614	693,085	1,433,004	2,363,070	906,420	13,372,688	11,936,781
Directors expenses	648,011	-	-	-	-	-	-	648,011	590,723
Program support	2,160,663	4,528,802	3,942,281	1,469,847	510,473	2,703,941	623,669	15,939,677	16,740,146
Vehicle, Building and Equipment Expenses	254,605	367,965	13,941	472,916	-	443,382	318,096	1,870,905	1,997,026
Internal Services	791,182	722,050	135,920	297,670	430,270	590,170	133,140	3,100,402	2,688,130
Recoveries from other functions	(4,467,392)	(9,198)	-	-	(24,700)	(264,877)	-	(4,766,167)	(4,110,438)
Amortization of tangible capital assets	419,630	437,406	38,730	102,086	-	580,101	964,656	2,542,609	2,137,917
Amortization of intangible capital assets	30,425	-	-	-	-	-	-	30,425	30,425
Accretion	-	11,085	982	45,871	-	6,395	24,602	88,935	-
	<u>4,586,786</u>	<u>9,225,943</u>	<u>4,191,466</u>	<u>3,081,475</u>	<u>2,349,047</u>	<u>6,422,182</u>	<u>2,970,583</u>	<u>32,827,484</u>	<u>32,010,709</u>
	<u>\$ 5,185,812</u>	<u>\$ 4,383,418</u>	<u>\$ 222,813</u>	<u>\$ 878,581</u>	<u>\$ 119,366</u>	<u>\$ 4,817,543</u>	<u>\$ 6,469,852</u>	<u>\$ 22,077,385</u>	<u>\$ 2,014,590</u>

