



# REPORT

To: Chair and Directors

Report Number: FN-BRD-337

From: Financial Administration

Date: May 1, 2025

**Subject: 2024 Peace River Regional District Financial Statements**

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## **RECOMMENDATION #1: [Corporate Unweighted]**

That the Regional Board accept the Draft 2024 Peace River Regional District Financial Statements effective May 1, 2025.

## **RECOMMENDATION #2: [Corporate Unweighted]**

That the Regional Board approve the Draft 2024 2024 Financial Statements, as presented, as the final Financial Statements for the year ended December 31, 2024, effective May 1, 2025; further, that the Chair and Chief Financial Officer be authorized to sign the 2024 Peace River Regional District Financial Statements.

## **BACKGROUND/RATIONALE:**

In accordance with Section 376 of the *Local Government Act* and Section 167 of the *Community Charter*, the Audited Financial Statements must be presented for Board approval prior to May 15. The format and presentation of these Financial Statements is in accordance with Generally Accepted Accounting Principles (GAAP) for local government as recommended by the Public Sector Accounting Board (PSAB) standards of the Chartered Professional Accountants of Canada, which have been applied on a basis that is consistent with the preceding year.

Once the draft statements are approved and adopted by the Regional Board, this date becomes the date of the Independent Auditor's Report in the Final Peace River Regional District (PRRD) Financial Statements for the year ended December 31, 2024. The Financial Statements for the PRRD combine the General, Water, Sewer, Capital, and Reserve Funds and eliminate internal transactions. The Financial Statements are prepared using the accounting standards and reporting model prescribed by PSAB which requires eliminating Transfers to/from Reserves, and allocations between functions. The use of assets is recorded through amortization expense, and capital expenditures are capitalized, not expensed in the year.

The Financial Statements consist of the following:

- Statement of Financial Position
- Statement of Operations and Accumulated Surplus
- Statement of Remeasurement Gains and Losses
- Statement of Changes in Net Financial Assets
- Statement of Cash Flows
- Notes to the Financial Statements

**ALTERNATIVE OPTIONS:**

1. That the Regional Board provide further direction.

**STRATEGIC PLAN RELEVANCE:**

- Not Applicable to Strategic Plan

**FINANCIAL CONSIDERATION(S):****STATEMENT OF FINANCIAL POSITION**

The Statement of Financial Position (also known as the Balance Sheet) summarizes the PRRD's financial position as at December 31, 2024 on terms of the assets held and debt owed. Assets and liabilities are separated into financial and non-financial. Net financial assets, the difference between our financial assets and liabilities, has increased from \$49.09 million in 2023 to \$59.87 million in 2024. This increase is a result of an increase in the PRRD's Investments. The PRRD is in a net asset position which means that there are sufficient financial assets to settle existing liabilities.

Non-financial assets will be used to provide future services to the public. These assets are not normally used to settle liabilities with external parties. The most significant group of assets within this category are tangible capital assets (TCA's), at a balance of \$83.66 million (2023 - \$76.16 million). As services are delivered, the estimated portion of the assets used (amortization) is recorded as an expense in the Statement of Operations and Accumulated Surplus.

As the PRRD's total assets exceed total liabilities, the PRRD is in an accumulated surplus position of \$143.817 million at year end (2023 - \$125.532 million). The PRRD has positive resources that, subject to the direction of the Board, could be used to provide future services.

**STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS**

The Statement of Operations and Accumulated Surplus summarizes the change in overall financial position during the year. The PRRD has an annual surplus (excess of revenue over expenses) in 2024 of \$18,284,921 (2023 - \$959,614). The increase in annual surplus this year is due to \$19.43 million in Accretion Expenses recognized in 2023 for the initial implementation of PS 3280 Asset Retirement Obligations (ARO's). In 2024, annual Accretion Expenses decreased to \$1.72 million. When added to the accumulated surplus from the beginning of the year, the end of year accumulated surplus is \$143,816,522, which balances to the accumulated surplus balance in the Statement of Financial Position.

A Budget for the 2024 fiscal year is provided for reference. Although the Board has approved a balanced budget, PSAB requires local governments to report the budget differently in the year-end financial statements. The budget figures included in the financial statements do not include transfers to/from reserves and surplus, debt financing, internal charges, and capital expenditures. Note 21 to the Financial Statements reconciles these two ways of reporting and shows the balanced budget approved by the Board.

**STATEMENT OF REMEASUREMENT GAINS AND LOSSES**

The Statement of Remeasurement Gains and Losses was new for 2023 as required under the new Accounting Standard PS 1201 Financial Statement Presentation. The Statement of Remeasurement Gains and Losses reports changes in the values of financial assets and financial liabilities arising from their remeasurement to current fair value. The unrealized gain or loss is the difference between the cost and the fair market value is shown separately as Unrealized Gain (Loss) in the statement of Operations and Accumulated Surplus. Gains and losses are reclassified (realized) to Interest Income on the Statement of Operations and Accumulated Surplus when investments are sold.

The PRRD's accumulated remeasurement loss decreased from \$675,000 in 2023 to \$440,000 in 2024.

**STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**

The Statement of Changes in Net Financial Assets reconciles the PRRD's annual operating surplus shown in the Statement of Operations and Accumulated Surplus to the change in net financial assets. The items that explain the difference between the annual surplus and the change in net financial assets are:

- The acquisition and disposal of tangible capital assets
- The current year amortization expense of tangible capital assets
- The changes in prepaid expenses

**STATEMENT OF CASH FLOWS**

The Statement of Cash Flows reports the change in cash and cash equivalents from the prior year and shows how the PRRD financed its activities during the period and met its cash requirements.

The Statement of Cash Flows shows the PRRD generated approximately \$18.28 million from operations and those funds were used to acquire \$10.8 million in tangible capital assets and repay \$2.8 million in financing while still leaving the PRRD in a good financial position.

Increases/decreases from the 2024 financial statements are highlighted below:

**Statement of Financial Position**

- Decrease of \$2.38 million to Cash and Cash Equivalents due to more cash being invested.
- Increase of \$12.56 million to Investments due to an increase in cash available for investment
- Increase of \$3.43 million to Loans Receivables and Other Debt due to new debt for Taylor and Fort St. John.
- Increase of \$1.72 million to Asset Retirement Obligations due to an increase in the inflation rate used to calculate the current value of the ARO's.
- Decrease of \$2.84 million to Regional District Debt due to principal payments.
- Increase of \$7.49 million to Tangible Capital Assets due to new asset purchases, offset by the related amortization.

**Statement of Operations and Accumulated Surplus**

- Increase of \$1.70 million to Requisition revenue.
- Increase of \$1.10 million to Interest Income due to increase to interest rates.
- Increase of \$1.38 million to Fees, Charges, and Other mainly due to Community Measures Agreement Funds received.

- Increase of \$1.67 million to General Government expenses mainly due to an increase in Grants from Gas Tax, Health Services Grants, and Contracts for Services for Function 190 – Seniors Aging in Place.
- Decrease of \$18.63 million to Environmental Services expenses mainly due to a decrease in accretion expenses. PS 3280 Asset Retirement Obligations was adopted in 2023 and included a \$19.31M adjustment to initially recognize the ARO's.
- Increase of \$1.65 million to Recreation and Culture expenses mainly due to an increase in expenses for the North Peace Leisure Pool Replacement project, an increase in Grants to Organizations, and an increase in amortization due to the completion of the Chetwynd Library.

**COMMUNICATIONS CONSIDERATION(S):**

Once approved, the Financial Statements will be submitted to the Province, posted to the PRRD website, and become an integral part of the 2024 Annual Report.

**OTHER CONSIDERATION(S):**

None at this time.

**Attachments:**

1. 2024 Draft Peace River Regional District Financial Statements
2. PRRD 2024 Audit Findings Letter