



REPORT

To: Chair and Directors

Report Number: FN-BRD-279

From: Kari Barber, Financial Services Manger

Date: May 2, 2024

Subject: 2023 Peace River Regional District Financial Statements

RECOMMENDATION #1: [Corporate Unweighted]

That the Regional Board accept the Draft 2023 Peace River Regional District Financial Statements effective May 2, 2024.

RECOMMENDATION #2: [Corporate Unweighted]

That the Regional Board approve the Draft 2023 Financial Statements, as presented, as the final Financial Statements for the year ended December 31, 2023, effective May 2, 2024; further, that the Chair and Chief Financial Officer be authorized to sign the 2023 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, 2023. 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 are comprised 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

Two new Accounting Standards adopted in 2023 had a significant impact on the Financial Statements. The first is PS 3280 Asset Retirement Obligations (ARO's) which requires a liability be recognized for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets. The second is PS 1201 Financial Statement Presentation which introduces the Statement of Remeasurement Gains and Losses.

ALTERNATIVE OPTIONS:

1. That the Regional Board provide further direction.

STRATEGIC PLAN RELEVANCE:

- ☒ Not Applicable to Strategic Plan

FINANCIAL CONSIDERATIONS:**STATEMENT OF FINANCIAL POSITION**

The Statement of Financial Position summarizes the PRRD's financial position as at December 31, 2023 in terms of the assets held and debt owed (also known as the Balance Sheet). Assets and liabilities are separated into financial and non-financial. Net financial assets, the difference between our financial assets and liabilities, has decreased from \$53.11 million in 2022 to \$49.09 million in 2023. This decrease is a result of an increase in liabilities due to the implementation of PS 3280 Asset Retirement Obligations. 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 \$76.45 million (2022 - \$71.47 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 \$125.532 million at year end (2022 - \$124.572 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 2023 of \$959,614 (2022 - \$15,986,702). The decrease in annual surplus this year is due to recognition of \$20.23 million in Accretion Expenses due to the implantation of PS 3280 Asset Retirement Obligations. When added to the accumulated surplus from the beginning of the year, the end of year accumulated surplus is \$125,531,601, which balances to the Statement of Financial Position accumulated surplus.

A Budget for the 2023 fiscal year is provided for reference. It should be noted that although the Board 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, surplus, debt financing, internal charges, and capital expenditures. Note 21 to the Financial Statements reconciles these two ways of reporting.

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

The Statement of Remeasurement Gains and Losses is 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 and 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 \$1.263 million in 2022 to \$675,000 in 2023.

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 FLOW

The Statement of Cash Flow 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 \$960,000 from operations and those funds were used to acquire \$7.6 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 2022 financial statements are highlighted below:

Statement of Financial Position:

- Increase of \$13.14 million to Cash & Cash Equivalents due to higher interest rates so more cash is being held in High Interest Savings Accounts.
- Increase of \$291,000 to Accounts Receivable due to an increase in Trade Receivables.
- Increase of \$3.29 million to Investments.
- Increase of \$1.26 million to Accounts Payable and Accrued Liabilities due to an increase in Trade Payables, Holdbacks Payable, and Permits & Security Deposits.
- Increase of \$22.25 million to Asset Retirement Obligations (previously Landfill Liability) due to the addition of Asset Retirement Obligations in 2023.
- Decrease of \$2.84 million to Regional District Debt due to principal payments.
- Decrease of \$1.40 million to Other Debt due to principal payments made by Member Municipalities.

- Increase of \$4.83 million to Tangible Capital Assets due to new asset purchases, offset by the related amortization.

Statement of Operations and Accumulated Surplus:

- Increase of \$5.26 million to Requisition revenue.
- Increase of \$1.90 million to Interest Income due to increased interest rates.
- Increase of \$1.49 million to Unrealized Gain (Loss) due to an increase in the fair market value of MFA Investments.
- Decrease of \$1.37 million to Fees, Charges, & Others revenue mainly due to donations of \$1.1 million for the Chetwynd Library and donated assets of \$292,000 for Moberly Lake Fire received in 2022.
- Increase of \$21.44 million to Environmental Services expenses mainly due to the new accretion expenses of \$20.06 million in 2023.
- Increase of \$702,000 to Protective Services expenses partly due to an increase in Emergency Operations Expenses, which are reimbursed by the Province.
- Increase of \$859,000 to Recreation and Culture expenses mainly due to an increase in Operations for the North Peace Leisure Pool, an increase in Amortization Expense, and an increase in expenses for the North Peace Regional Park.

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 2023 Annual Report.

OTHER CONSIDERATION(S):

None at this time.

Attachments:

1. 2023 Draft Peace River Regional District Financial Statements
2. PRRD 2023 Audit Findings Letter