

**REPORT TO FINANCE COMMITTEE  
MEETING OF WEDNESDAY, MAY 07, 2025**

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**SUBJECT**     **Capital Regional District 2024 Audit Findings Report and Statement of Financial Information**

**ISSUE SUMMARY**

This report summarizes the Capital Regional District (CRD) 2024 Statement of Financial Information (SOFI), the 2024 Audit Findings Report and requests approval of the SOFI.

**BACKGROUND**

The *Local Government Act* and the *Community Charter* require local governments to prepare financial statements each calendar year in accordance with Generally Accepted Accounting Principles and Canadian Public Sector Accounting Standards (PSAS). In addition, the statements must be independently qualified by an auditor.

The financial statements, along with the annual filing of the Local Government Data Entry form, must be submitted to the Inspector of Municipalities and available for public viewing by May 15. The SOFI and the annual report must be completed and submitted to the Inspector of Municipalities by June 30.

With the annual audit complete, management has prepared the SOFI (Appendix A) with the required five statements with explanatory notes in accordance with PSAS:

1. Consolidated Statement of Financial Position
2. Consolidated Statement of Operations
3. Consolidated Statement of Change in Net Debt
4. Consolidated Statement of Remeasurement Gains and Losses
5. Consolidated Statement of Cash Flows

The SOFI also includes:

1. Schedule of Remuneration and Expenses – Employees
2. Schedule of Remuneration and Expenses – Directors and Alternate Directors
3. Schedule of Remuneration and Expenses – Committee and Commission Members
4. Statement of Severance Agreements
5. Schedule of Payments to Suppliers for Goods and Services
6. Schedule of Guarantee and Indemnity Agreements

The financial package also includes Appendix B through Appendix F, identified as follows:

- Unaudited statements that present long-term debt, reserves and financial statements for each service (Appendix B)
- Other Financial Statement Analysis of the Consolidated Statement of Change in Net Debt, Consolidated Statement of Remeasurement Gains and Losses and Consolidated Statement of Cash Flows (Appendix C)
- Canadian Municipal Governments Credit Rating Methodology (Appendix D)

- Financial indicator analysis on the 2024 CRD results (Appendix E)
- The 2024 Audit Findings Report from KPMG (Appendix F)
- KPMG Management Letter (Appendix G)

The Audit Findings Report (Appendix F) summarizes the responsibilities of the auditor, the scope of work and audit results. The report also confirms there were no significant changes in the audit approach from the Audit Planning Report previously presented to the Board on January 8, 2025. The audit findings confirm the financial statements present fairly, in all material respects, the financial position of CRD as of and for the year ended December 31, 2024.

## **ALTERNATIVES**

### *Alternative 1*

The Finance Committee recommends to the Capital Regional District Board:  
That the Capital Regional District 2024 Statement of Financial Information be approved.

### *Alternative 2*

That the Capital Regional District 2024 Statement of Financial Information be referred back to staff for additional information.

## **IMPLICATIONS**

### *Financial Implications*

### **Audit Findings Report**

The auditor's opinion is included as part of the Independent Auditors' Report within the financial statements (Appendix A).

The Audit Findings Report (Appendix F) provides the results of their audit, and further discusses areas of focus identified in the Audit Planning Report presented to the Board on January 8, 2025. Also included in the report is a summary of uncorrected misstatements (Appendix F, page 12).

## **New Accounting Standards**

### **PS 3400 - Revenue**

On January 1, 2024, the CRD adopted Public Sector Accounting Standard PS 3400 *Revenue*. The new accounting standard provides direction on accounting for revenues that are not in scope of other existing standards. Management performed a review of all CRD revenue streams and determined that there was no impact to net debt, accumulated surplus, or annual surplus on adoption of this standard.

## **Financial Statements**

The Consolidated Statement of Financial Position and the Consolidated Statement of Operations form the basis of the audited financial statements (the Balance Sheet and Income Statement in private organizations).

The Capital Region Housing Corporation (CRHC) financial statements are consolidated in the CRD financial statements, as required by PSAS.

## HIGHLIGHTS

### 1. Consolidated Statement of Financial Position

The Statement of Financial Position highlights the following four key elements that describe the financial status of the organization:

1. Financial Assets and Liabilities (cash resources and obligations)
2. Net Debt Position (calculated as the difference between financial assets and liabilities)
3. Non-Financial assets that are held for service provision [such as Tangible Capital Assets (TCAs)] and
4. Accumulated surplus (referred to as equity in private organizations)

### Financial Assets

Financial assets are non-physical assets whose value is derived from a contractual claim. The financial assets as of year-end consist of cash, investments, accounts receivable and debt recoverable from member municipalities. Total financial assets were \$626.3 million as of year-end, a decrease of \$(0.7) million from prior year. Table 1 summarizes assets as of December 31, 2024 with comparative changes year-over-year.

**Table 1 – Change in Assets Year-Over-Year**

Assets (\$M)	2024	2023	\$ Change	% Change
Cash and Cash Equivalents	97.5	43.6	53.9	124%
Investments	319.1	369.4	(50.3)	(14%)
Accounts Receivable	40.1	36.3	3.8	10%
Debt Recoverable	166.5	174.7	(8.2)	(5%)
Municipal Finance Authority Debt Reserve Fund	3.1	3.0	0.1	3%
<b>Total Assets</b>	<b>\$626.3</b>	<b>\$627.0</b>	<b>\$(0.7)</b>	<b>0%</b>

Cash and cash equivalents increased by \$53.9 million as High Interest Savings Accounts (HISAs) were utilized due to the favorable interest rates and liquidity at the end of 2024.

The corresponding \$(50.3) million decrease in investments is also due to shifting working capital to HISAs. The total investments and cash and cash equivalents balances were stable year-over-year.

Accounts receivable increased by \$3.8 million due to an increase in Guaranteed Investment Certificate (GIC) interest receivable of \$3.4 million.

Member and third-party debt receivable decreased \$(8.2) million as the outstanding debt of municipalities decreased overall as a region.

## Liabilities

Liabilities are obligations or debt that will be settled through financial assets. These obligations represent the costs for goods and services consumed and owed by the CRD. Liabilities are used to finance operations and capital construction or acquisitions. As of December 31, 2024, liabilities totaled \$765.6 million, an increase of \$44.1 million or 6% from prior year. Table 2 provides balances and year-over-year changes.

**Table 2 – Change in Liabilities Year-Over-Year**

Liabilities (\$M)	2024	2023	\$ Change	% Change
Accounts Payable and Accrued Liabilities	60.6	39.9	20.7	52%
Deferred Revenue	29.5	33.2	(3.7)	(11%)
Short-Term Debt	54.7	44.4	10.3	23%
Long-Term Debt	590.9	575.5	15.4	3%
Asset Retirement Obligations (AROs)	28.4	27.3	1.1	4%
Other Liabilities	1.5	1.2	0.3	33%
<b>Total Liabilities</b>	<b>\$765.6</b>	<b>\$721.5</b>	<b>\$44.1</b>	<b>6%</b>

The \$20.7 million increase in accounts payable and accrued liabilities is primarily due to significant construction activity at the end of the year including a \$4.4 million increase in payables for the Biogas plant, a \$2.1 million increase for the landfill cell liner project, and a \$2.6 million increase in construction holdback payables. Additionally, the timing of payment runs and holidays at year end resulted in a higher payable balance that was paid out in early January.

The \$(3.7) million decrease in deferred revenue relates to a decrease of \$(9.9) in deferred revenue from federal housing grants received in a previous year that was spent in 2024 offset by an increase of \$5.0 million in development cost charges collected but not yet spent.

The \$10.3 million increase in short-term debt is due to CRHC's increase in construction financing of \$11.6 million for housing projects offset by a \$(1.5) million decrease in temporary financing during the construction of CRD capital projects.

The \$15.4 million increase in long-term debt is due to a net increase of \$15.5 million in mortgages payable at CRHC with the Michigan Square mortgage placement in fall 2024.

The \$1.1 million increase in AROs is the result of the annual update to inflation and discount rates. The liability is an estimate that is updated annually to use assumptions that are current as of the financial reporting date.

## Non-Financial Assets

Non-financial assets are resources held for service delivery over one or more future periods such as TCAs, inventories of supplies and prepaid portions of land leases. Table 3 lists balances of non-financial assets and changes from the previous year.

**Table 3 – Change in Non-Financial Assets Year-Over-Year**

Non-Financial Assets (\$M)	2024	2023	\$ Change	% Change
TCA	2,174.3	2,076.6	97.7	5%
Other Non-Financial Assets	5.2	5.8	(0.6)	(10%)
<b>Total Non-Financial Assets</b>	<b>\$2,179.5</b>	<b>\$2,082.4</b>	<b>\$97.1</b>	<b>5%</b>

The \$97.7 million increase in TCA is driven by significant investments in infrastructure with net increases of \$23.0 in assets under construction, \$29.6 million in additions to engineering structures, \$33.8 million in additions to buildings and an additional \$10.6 million in machinery and equipment.

## Accumulated Surplus

The accumulated surplus for the CRD is \$2.0 billion. The value of assets (financial and non-financial) is greater than what is owed (liabilities). Table 7 in Appendix C provides additional analysis on the breakdown of accumulated surplus.

## 2. Consolidated Statement of Operations

The Statement of Operations identifies results of financial activities for the fiscal year by presenting revenues less expenses on an accrual basis. Under accrual accounting, the CRD records economic events when they occur regardless of when cash is received or used. This aligns the revenues and expenses in the period in which the economic event took place.

As required by PSAS, the original budget authorized by a bylaw is included on the Statement of Operations and it has been adjusted to exclude reserve transfers and principal repayment of debt to better align with accrual accounting. Note 15 to the financial statements provides more information on budget adjustments (Appendix A).

Further differences to the budget exist where accounting standards require recognition of transactions at different periods than budgeted. The budget is established to determine revenue requirements and set expenditure authority and is largely done on a cash basis. Some key differences between the budget and reported information are due to revenue recognition timing of grants and donations, amortization expenses and inter-service sales.

## Revenue

2024 Revenue was \$361.2 million, a decrease of \$(18.4) million or (5%). Revenue totals by type and changes from the previous year are summarized in Table 4.

**Table 4 – Change in Revenue Year-Over-Year**

Revenue (\$M)	2024	2023	\$ Change	% Change
Government Transfers	186.4	211.3	(24.9)	(12%)
Sale of Services	103.9	97.8	6.1	6%
Affordable Housing – Rental Income	26.5	24.6	1.9	8%
Other Revenue	20.7	22.0	(1.3)	(6%)
Investment Earnings	15.9	14.8	1.1	7%
Actuarial Adjustment of Long-Term Debt	2.6	4.1	(1.5)	(37%)
Payments in Lieu of Taxes	3.9	3.7	0.2	5%
Developer Contributions	1.3	1.3	0.0	0%
<b>Total Revenue</b>	<b>\$361.2</b>	<b>\$379.6</b>	<b>\$(18.4)</b>	<b>(5%)</b>

The primary change drivers in revenue are:

- \$(24.9) decrease in government transfers was due to significant grant revenue received in the previous year. There was a \$(14.4) million decrease in Rapid Housing Program grant revenue and a \$(11.6) million decrease from the Growing Communities Fund grant from 2023.
- \$6.1 million increase in sale of services due to increased landfill tipping fee revenue of \$4.6 million and an increase to water sales revenue of \$1.7 million.
- \$1.9 million increase in affordable housing – rental income driven by revenue from two new buildings that went into service mid-2023 but had a full year of operations in 2024.
- \$(1.3) million decrease in other revenue as the District received a one-time land donation of \$1.6 million in 2023.
- \$1.1 million increase in interest earnings due to earning a full year of interest on the higher rate GICs that were locked in late summer 2023.
- \$(1.5) million decrease in actuarial adjustment of long-term debt (i.e. sinking fund earnings) due to the repayment of older debt that had accumulated large actuarial balances. Repayment of these older debt issues resulted in less interest earned in 2024.

## Expenses

Expenses in 2024 increased by \$11.3 million or 4% to \$313.0 million. The change by expense type over the previous year is summarized in Table 5 and in the segmented reporting (Note 20) in the consolidated financial statements (Appendix A).

**Table 5 – Change in Expenses Year-Over-Year**

Expenses (\$M)	2024	2023	\$ Change	% Change
Salaries, Wages and Benefits	101.8	93.4	8.4	9%
Contract for Services and Consultants	40.0	32.6	7.4	23%
Amortization of TCA	69.1	64.6	4.5	7%
Interest on Debt	24.0	22.9	1.1	5%
Other Expenses	78.1	88.2	(10.1)	(11%)
<b>Total Expenses</b>	<b>\$313.0</b>	<b>\$301.7</b>	<b>\$11.3</b>	<b>4%</b>

Expense changes were driven by:

- \$8.4 million increase in salaries, wages and benefits from a 3% inflationary increase per the collective agreement, a 3% increase in headcount and a 30% reduction in turnover in the year resulting in a lower number of open positions in the year.
- \$7.4 million increase in contract for services and consultants for \$6.0 million increase from higher landfill operating costs driven by the new waste diversion program and new curbside pickup contract. Remaining \$1.3 million is due to inflationary pressures.
- \$4.5 million increase in amortization of TCA due to 7% growth in the district's asset base representing CRD's continued investment in infrastructure.
- \$1.1 million increase in Interest on Debt is the result of ongoing investment in TCA.
- \$(10.1) million decrease in other expenses due to a decrease of \$(14.4) million in housing grants disbursed through the Rapid Housing Program offset by a \$2.0 increase from a loss on disposal of legacy Hartland power generation assets, a \$1.1 million increase in software licences, and a \$1.0 million increase in the Residuals Treatment Facility operating costs.

## 2024 Annual Surplus

The net difference between revenues and expenses for 2024 is an annual surplus of \$48.3 million. Summarized in Table 6 is the change in accumulated surplus as a result.

**Table 6 – Surplus Reconciliation**

Surplus (\$M)	2024	2023
Increase in Investment in TCA	62.7	30.5
Decrease in Operating Funds and Reserves	(14.6)	(4.7)
Increase in Capital Funds and Reserves	0.2	52.1
<b>Annual Surplus</b>	<b>\$48.3</b>	<b>\$77.9</b>

The increase of \$62.7 million invested in TCA reflects surplus funds used to invest in assets. The decrease of \$(14.6) million in operating funds and reserves was largely driven by a reduction of \$18.3 million from the solid waste capital and operating reserves used to fund significant capital activities at the Hartland Landfill site. This was offset by net increases in reserve balances across the other funds.

### 3. Other Financial Statement Analysis

Summaries and analysis of the remaining three statements (Changes in Net Debt, Remeasurement Gains and Losses and Cash Flows) can be found in Appendix C.

#### **Financial Indicators**

The consolidated financial health of the organization is monitored and reported through financial indicators (Appendix E). These measures demonstrate a consistent, healthy financial position based on operational needs, market conditions and debt servicing costs.

#### **Changes in Accounting Standards**

As identified on page 17 of the Audit Findings Report (Appendix F), there will be an update to the Conceptual Framework for core concepts and objectives in financial reporting in addition to the implementation of PS 1202 *Financial statement Presentation*. These changes take effect for the CRD in 2027. These changes will impact how certain financial information is presented in the statements without changes to how transactions are recorded.

Staff will begin to assess the impact of these changes starting in 2025. The changes are not expected to have significant implications to the CRD's existing reporting practices; however, further work is required to complete the assessment.

#### **CONCLUSION**

Board approval of the CRD 2024 SOFI is required under the *Local Government Act*, *Community Charter* and *Financial Information Act*. As noted in the Audit Findings Report, it is the auditor's opinion that these financial statements present fairly the consolidated financial position and the results of financial activities for the year ending December 31, 2024, in accordance with Canadian Public Sector Accounting Standards.

#### **RECOMMENDATION**

The Finance Committee recommends to the Capital Regional District Board:  
That the Capital Regional District 2024 Statement of Financial Information be approved.

Submitted by:	Varinia Somosan, CPA, CGA, Sr. Mgr., Financial Services / Deputy CFO
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer



**ATTACHMENTS**

Presentation: 2024 Statement of Financial Information  
Appendix A: CRD 2024 Statement of Financial Information  
Appendix B: CRD 2024 Unaudited Financial Statements  
Appendix C: CRD Other Financial Statement Analysis  
Appendix D: CRD DBRS Rating Methodology  
Appendix E: CRD 2024 Financial Performance Measures  
Appendix F: CRD Audit Findings Report  
Appendix G: CRD Management Letter