

City of Maple Ridge

**AUDIT AND FINANCE COMMITTEE
AGENDA**

*Tuesday, April 23, 2019 4:00 pm
Blaney Room, Maple Ridge City Hall*

1. CALL TO ORDER
2. APPROVAL OF THE AGENDA
3. ADOPTION OF MINUTES – April 16, 2019
4. UNFINISHED BUSINESS
 - 4.1. Community Grant Policy Review
No resolution. For information only.
 - 4.2. Albion and Maple Ridge Road 13 Dyking Districts 2019 Tax Rate Bylaws
That the report titled “Albion and Maple Ridge Road 13 Dyking Districts 2019 Tax Rate Bylaws” be forwarded to the April 23, 2019 Council meeting.
 - 4.3. 2018 Consolidated Financial Statements
That the report titled “2018 Consolidated Financial Statements” be forwarded to the next Council meeting.
 - 4.4. Post Audit Review
 - BDO Canada LLPNo resolution. For information only.
 - 4.5. Auditor to Council Closed Discussion
 - BDO Canada LLPThis item is closed to the public pursuant to section 90(1) of the Community Charter as the subject matter being considered relates to the following:
 - Discussion with municipal officers and employees respecting municipal objectives, measures and progress reports for the purposes of preparing an annual report under section 98 [annual municipal report].
5. ADJOURNMENT

Checked by: 

Date: Apr 18/19

City of Maple Ridge

AUDIT AND FINANCE COMMITTEE MEETING MINUTES

The Minutes of the Audit and Finance Committee Meeting held in the Blaney Room of the Municipal Hall, 11995 Haney Place, Maple Ridge, BC on April 16, 2019 at 4:32 pm.

PRESENT

Committee Members

Councillor J. Dueck, Chair
Mayor M. Morden
Councillor K. Duncan
Councillor C. Meadus
Councillor R. Svendsen
Councillor A. Yousef
Councillor G. Robson

Appointed Staff

K. Swift, Acting Chief Administrative Officer
F. Quinn, General Manager Public Works and Development Services
D. Boag, Acting General Manager Parks, Recreation & Culture
T. Thompson, Chief Financial Officer
C. Nolan, Corporate Controller
L. Benson, Director of Corporate Administration
A. Allen, Committee Clerk

Note: These Minutes are also posted on the City's Website at www.mapleridge.ca

The meeting was live streamed and recorded by the City of Maple Ridge.

Note: Councillor Svendsen was not in attendance at the start of the meeting.

1. **CALL TO ORDER**

2. **APPROVAL OF THE AGENDA**

R/2019-006

It was moved and seconded

That the agenda for the April 16, 2019 Audit & Finance Committee meeting be approved as circulated.

CARRIED

3. **ADOPTION OF MINUTES**

R/2019-007

It was moved and seconded

That the minutes of the Audit & Finance Committee dated February 19, 2019 be adopted as circulated.

CARRIED

4. **UNFINISHED BUSINESS**

4.1. **Terms of Reference as amended**

The Corporate Controller reviewed the amended Terms of Reference.

Note: Councillor Svendsen joined the meeting at 4:35 pm.

4.2. **2018 Year-End Update**

The Corporate Controller reviewed the 2018 results in the General Revenue Fund. There was discussion on the General Revenue Fund, the accumulated surplus balance and funds set aside to support Council's Strategic Plan.

Note: Councillor Duncan left the meeting at 4:48 pm.

4.3. **Investment Report 2018**

The Chief Financial Officer reviewed legislation, recent regulatory changes and investment policy. There was discussion on alternate options and opportunities to leverage investments and returns moving forward. A separate land strategy discussion by Council is required and direction to explore options could be included in the upcoming business plan guidelines.

4.4. **2019-2023 Financial Plan Amending Bylaw**

The Chief Financial Officer summarized a business planning cycle and reviewed the proposed amendments to the Financial Plan amending bylaw. There was discussion on various elements of the financial plan and the implications to property tax increases.

Note: Councillor Duncan returned to the meeting at 5:20 pm.

R/2019-008

It was moved and seconded

That the report titled "2019-2023 Financial Plan Amending Bylaw" be forwarded to the next Council meeting.

CARRIED

Councillor Robson - OPPOSED

4.5. 2019 Property Tax Rates Bylaw

The Chief Financial Officer summarized the legislated requirements of property tax rates bylaws and the tax rate increases as included in the Financial Plan adopted by the previous Council. There was discussion on property tax multiples between different property classes.

R/2019-009

It was moved and seconded

That the report titled "2019 Property Tax Rates Bylaw" be forwarded to the next Council meeting

CARRIED

4.6. Sewer Rate Bylaw Amendment

R/2019-010

It was moved and seconded

That the report titled "Sewer Rate Bylaw Amendment" be forwarded to the next Council meeting.

CARRIED

5. *ADJOURNMENT* – 5:42 pm

Councillor Judy Dueck, Chair

TO:	Audit & Finance Committee	MEETING DATE:	23-April-2016
FROM:	Corporate Controller	FILE NO:	
		MEETING:	AFC
SUBJECT:	Community Grants Policy Review		

EXECUTIVE SUMMARY:

The Community Charter grants Council powers to deliver services in the community and the Community Grants Program provides Council with a tool to support the delivery of services by various community groups.

Over time Maple Ridge has moved from having a policy of not providing grants to community groups, to having a policy framework establishing eligibility and evaluation criteria. The budget envelope for 2019 is \$45,000.

The current policy framework was formalized in 2013, establishing the eligibility and evaluation criteria used to evaluate applications for funding. It was last reviewed by Council in August of 2015.

The purpose of today's report is to provide some history about the evolution of the Community Grant Program and review the current policy framework. Should the Committee wish to make any changes to the current policy, staff will bring an amended policy back to a future meeting.

RECOMMENDATION(S): None required, information only

DISCUSSION:

a) Background Context:

The Community Charter is the legislation that governs municipalities, and with some exceptions, such as the prohibition of assistance to business, provides Councils with broad powers to deliver services in their communities. Programs, such as our Community Grants Program, allow Council to support groups that deliver valuable services in our community.

A number of years ago, Maple Ridge had a policy of not providing grants to community organizations. The rationale was that citizens were free to support these organizations through their own donations and that we would not use citizens' tax dollars for that purpose. Despite this policy there were organizations that Council chose to support, most notably, the Friends in Need Food Bank in recognition of the need for their services in the community. In 2019, a budget of \$45,000 is available for Community Grant purposes.

The Community Grant program provides a framework for the City to provide support to various community groups. The City also uses "fee for service agreements" for certain community groups where the group receives funding in exchange for the provision of specific services. Fee for service agreements are managed by the departments closest to the area of service provision and are

approved as part of the business planning process. Community grants are applied for annually and are awarded by Council resolution.

For a number of years, staff reviewed grant applications using a consistent set of principles with Council having final approval of the budget allocation. In April 2012, Council directed staff to prepare a policy to establish eligibility and evaluation criteria for community grants. That policy, attached as Appendix "A", incorporated the principles already in use and key concepts from the Council of the day's objective of creating a safe and livable community. The policy was last reviewed in August of 2015.

Eligible requests are defined as requests that:

- support one time items or events, or
- provide bridge funding while an organization looks for long-term stable funding, or
- allow an organization to leverage additional funding from other agencies, or
- allow an organization denied a permissive tax exemption to apply for a grant, or
- are for services not duplicated in the private sector

Requests for funding are evaluated using the following criteria:

- the organization is a registered not-for-profit or charitable community organization, based in Maple Ridge that has been in operation for more than one year,
- the purpose of the grant request is consistent with the City's Vision Statement,
- the proposed service, project or event supports one or more of the following Council Key Strategies for a safe and livable community:
 - Strive for quality of life and independence by citizens
 - Develop and implement preventative as well as reactionary plans to address the impacts of emerging issues on the local community and citizens
 - Encourage active and healthy living among citizens
 - Encourage a strong sense of community by providing citizens with opportunities to connect
- the citizens of Maple Ridge are the primary beneficiaries of the services provided by the organization
- the proposed service, project or event will be sustainable past the support of the grant funding
- the organization has a proven track record of working collaboratively with other community partners.

While previous councils have expressed a preference for one-time funding requests from organizations, the reality is that in many instances the same groups have received annual funding for a period of time.

A summary of the community grants Council has awarded over the past five years is attached as Appendix "B".

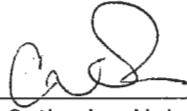
b) Desired Outcome(s):

The purpose of this report is to provide the Committee with some history about the evolution of community grants in Maple Ridge and to review the current policy framework. If there are any changes the Committee would like to see made to the current policy framework staff will bring an amended policy back to a future meeting for review and forwarding to Council for adoption.

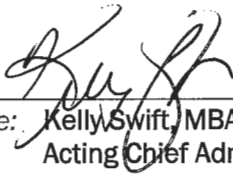
CONCLUSIONS:

The Community Grant Program is a tool available to Council for the provision of support to community groups offering services for the benefit of Maple Ridge citizens. The program has evolved over time,

with \$45,000 dedicated to community grant purposes in 2019. The current policy framework was adopted in 2013, formalizing the eligibility and evaluation criteria used to evaluate applications for funding. The policy was last reviewed in August 2015. Over the past five years, Council has provided a total of over \$250,000 to various community groups.



Prepared by: Catherine Nolan, CPA, CGA
Corporate Controller



Concurrence: Kelly Swift, MBA
Acting Chief Administrative Officer



Deep Roots
Greater Heights

POLICY MANUAL

Title: Community Grants		Policy No: 5.56
		Supersedes: New
Authority: <input checked="" type="checkbox"/> Legislative <input type="checkbox"/> Operational Approval: <input checked="" type="checkbox"/> Council <input type="checkbox"/> CMT <input type="checkbox"/> General Manager		Effective Date: February 27, 2013 Review Date: February 2014
Policy Statement: Council's vision for a safe and livable community is supported by a network of organizations that contribute to the wellness and vitality of the community. Funding will be allocated to the Community Grants program as part of the District's business planning process and grants awarded to organizations that provide valuable community services in support of Council's objectives.		
Purpose: It is recognized that community organizations contribute significant value to the community. The purpose of this policy is to establish open and transparent guidelines for the evaluation and distribution of Community Grants, respecting the limited financial resources available for this purpose.		
Definitions: Community Grant Review Committee: refers to a committee of four staff members including representatives from Administration, Finance and Community Development, Parks and Recreation. The work of the committee is to evaluate grant requests against Council's guidelines and provide Council with recommendations for allocating the annual community grant budget. Eligible Requests: The following requests, submitted on a completed application with financial statements from the most recently completed fiscal year, would be eligible for funding from the Community Grant Program: <ul style="list-style-type: none"> ➤ requests to fund one-time items or events, or ➤ requests for bridge funding while an organization works to secure long-term stable funding, or ➤ requests that will allow a community group to leverage additional funding from other agencies, or ➤ organizations denied a permissive tax exemption will be eligible to apply for a community grant or ➤ requests for services that are not duplicated in the private sector 		

Evaluation Criteria: The following criteria will be used to evaluate grant requests:

- The organization is a registered not-for-profit or charitable community organization based in Maple Ridge that has been in operation for more than one year
- The purpose of the grant request is consistent with the District's Vision Statement
- The proposed service, project or event supports one or more of the following Council Key Strategies for a safe and livable community
 - Strive for quality of life and independence by citizens.
 - Develop and implement preventative as well as reactionary plans to address the impacts of emerging issues on the local community and citizens
 - Encourage active and healthy living among citizens
 - Encourage a strong sense of community by providing citizens with opportunities to connect
- The citizens of Maple Ridge are the primary beneficiaries of the services provided by the organization
- The proposed service, project or event will be sustainable past the support of the grant funding
- The organization has a proven track record of working collaboratively with other community partners

Key Areas of Responsibility

Action to Take	Responsibility
1. Review grant applications received	Review committee
2. Prepare report to Council	Review committee
3. Authorize distribution of Community Grants	Council
4. Distribute grants	Finance
5. Report back	Recipient

	2018	2017	2016	2015	2014	Totals
Agricultural Association ¹	-	-	-	12,000	12,000	24,000
Alouette Additions	5,000	-	-	-	-	5,000
Alouette River Mgt. Society ²	-	-	-	-	30,000	30,000
Celebrate the Night (Halloween Fireworks)	3,000	3,000	3,000	3,000	3,000	15,000
Family Education & Support Centre (Community Kitchen)	5,000	5,000	5,000	4,000	4,000	23,000
Family Education & Support Centre (Community Network)	-	-	-	-	5,000	5,000
Family Education & Support Centre (Multicultural Women's Group)	5,000	-	5,000	5,000	-	15,000
Fraser River All Nation Aboriginal Society	-	-	-	3,000	-	3,000
Friends in Need Food Bank	-	15,000	17,000	17,000	15,000	64,000
Haney Farmer's Market ¹	-	-	-	6,000	6,000	12,000
Maple Ridge Community Foundation	-	-	10,000	-	-	10,000
Maple Ridge Concert Band ²	-	-	-	-	5,000	5,000
MR, PM, Katzie Seniors Network	-	-	3,000	-	2,000	5,000
MR/PM Community Services (Youth Wellness Centre seed funding)	-	-	10,000	-	-	10,000
North Fraser Therapeutic Riding Association	-	-	-	700	1,538	2,238
One Way Club	8,000	-	-	-	-	8,000
Salvation Army	-	-	-	6,500	6,000	12,500
Youth Safe House	-	-	-	-	5,000	5,000
	26,000	23,000	53,000	57,200	94,538	253,738

1. Funding is now managed through a Fee for Service Agreement managed by Parks, Recreation & Culture

2. Funding was provided from gaming revenues

TO: His Worship Mayor Michael Morden and Members of Council MEETING DATE: April 23, 2019

FROM: Chief Administrative Officer MEETING: Audit & Finance Committee

SUBJECT: Albion and Maple Ridge Road 13 Dyking Districts 2019 Tax Rate Bylaws

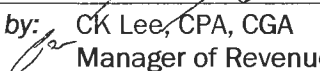
EXECUTIVE SUMMARY:

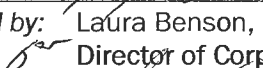
The City of Maple Ridge serves as Interim Trustee for Albion Dyking District and the Maple Ridge Road 13 Dyking District. Levies are collected from property owners within those dyking districts to maintain the dykes and equipment. Bylaws have been prepared for the collection of these levies. A 3.5% increase in the amount collected is in line with the municipal property tax increase and is proposed for the rates levied in 2019. The mill rates have been adjusted accordingly.

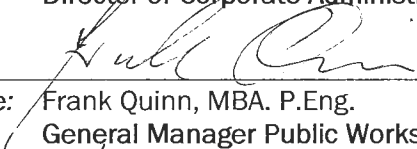
RECOMMENDATION:

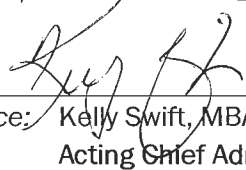
That Albion Dyking District Tax Rates Bylaw No. 7458 -2019 be given first, second and third readings; and

That Maple Ridge Road 13 Dyking District Tax Rates Bylaw No. 7459-2019 be given first, second and third readings.


Prepared by: CK Lee, CPA, CGA
Manager of Revenue & Collections


Reviewed by: Laura Benson, CPA, CMA
Director of Corporate Administration


Concurrence: Frank Quinn, MBA. P.Eng.
General Manager Public Works & Development Services


Concurrence: Kelly Swift, MBA
Acting Chief Administrative Officer

CITY OF MAPLE RIDGE

BYLAW NO.7548-2019

A Bylaw for imposing taxes upon lands in the Albion Dyking District

The Council of the City of Maple Ridge, acting as Receiver for the Albion Dyking District, enacts as follows:

1. This Bylaw may be cited for all purposes as "Albion Dyking District Tax Rates Bylaw No.7548-2019".
2. The following rates are hereby imposed and levied for those lands within the boundaries of Albion Dyking District:

For purposes of dyke maintenance and improvements and equipment repair and maintenance:

- (a) a rate of \$1.8807 per \$1000 of assessment of land and improvements in all categories
3. If any section, subsection, clause or other part of this Bylaw is for any reason held to be invalid by the decision of a court of competent jurisdiction, such decision will not affect the validity of the remaining portions of this Bylaw.

READ a first time on the day of April, 2019.

READ a second time on the day of April, 2019.

READ a third time on the day of April, 2019

ADOPTED on the day of May, 2019.

PRESIDING MEMBER

CORPORATE OFFICER

CITY OF MAPLE RIDGE

BYLAW NO. 7549-2019

A Bylaw for imposing taxes upon lands in Maple Ridge Road 13 Dyking District

The Council of the City of Maple Ridge, acting on behalf of the Trustees for Maple Ridge Road 13 Dyking District, enacts as follows:

1. This Bylaw may be cited for all purposes as "Maple Ridge Road 13 Dyking District Tax Rates Bylaw No. 7549-2019".
2. The following rates are hereby imposed and levied for those lands within the boundaries of Maple Ridge Road 13 Dyking District:

For purposes of dyke maintenance and improvements and equipment repair and maintenance:

- (a) a rate of \$0.2882 per \$1000 of assessment of land and improvements in all categories
 - (b) a rate of \$12.00 per acre of land with a minimum charge of \$5.00.
3. If any section, subsection, clause or other part of this Bylaw is for any reason held to be invalid by the decision of a court of competent jurisdiction, such decision will not affect the validity of the remaining portions of this Bylaw.

READ a first time on the day of April, 2019.

READ a second time on the day of April, 2019.

READ a third time on the day of April, 2019.

ADOPTED on the day of May, 2019.

PRESIDING MEMBER

CORPORATE OFFICER

TO: His Worship Mayor Morden
and Members of Council
FROM: Chief Administrative Officer
MEETING DATE: April 23, 2018
FILE NO:
MEETING: Audit & Finance
SUBJECT: 2018 Consolidated Financial Statements

EXECUTIVE SUMMARY:

The 2018 Financial Statements have been prepared using the accounting standards and reporting model mandated by the Public Sector Accounting Board (PSAB). BDO Canada LLP has conducted an audit of the financial statements and they will form an integral part of the 2018 Annual Report. In order to satisfy current audit rules, Council must formally accept the financial statements before BDO can issue their audit opinion.

Financial reporting in local government serves to communicate the fiscal health and well-being of a community and there are two main documents that form part of the City's financial reporting:

- The **Financial Plan**, a forward looking document that sets out planned expenditures and how they will be paid for over the next five years, and
- The **Financial Statements**, a retrospective document that reports on the City's financial condition at a point in time and financial performance during the year just ended.

There are a number of key terms included in the financial statements that are important to understand before drawing any conclusions about the City's financial results for 2018:

- **Net Financial Position:** provides a snapshot of where the City stands financially in terms of the financial resources it held and the amounts it owed at December 31. It is the difference between our financial assets and our liabilities and provides an indication of financial flexibility. If Net Financial Position is negative it is referred to as Net Debt and indicates that revenues that will be collected in the future are needed to pay for liabilities that already exist. If it is positive, it is referred to as Net Financial Assets and indicates a greater degree of flexibility.
- **Accumulated Surplus:** is the total of all the City's assets, both financial and non-financial, less our liabilities. It represents the net economic resources available for service provision. The largest element of this number is the value of our tangible capital assets, the physical assets used in day-to-day service provision, meaning the accumulated surplus balance does not represent a source of cash available to finance our day-to-day operations.
- **Annual Surplus:** is the difference between annual revenues and expenses, as reported on the Statement of Operations. It is important to keep in mind that items included in revenue do not necessarily represent cash received during the year. For example, the value of contributed tangible capital assets is reported as a revenue, but does not represent cash the City received. On the expense side, only the annual cost of using those assets is recognized through amortization. The amounts expended for capital investment or renewal is not included, nor is the value of infrastructure contributed to the City through development. This accounting requirement results in a large reported annual surplus, but does not represent a cash surplus.

This report focuses on our Financial Statements for the 2018 fiscal year. Overall results for the year were positive. Our Net Financial Position increased by \$10.37 million to \$114.98 million and our Accumulated Surplus increased by \$60.8 million to \$1.158 billion.

RECOMMENDATION:

That the 2018 Financial Statements be accepted.

DISCUSSION:

Financial reporting in local government serves to communicate the fiscal health and well-being of a community and there are two main documents that accomplish this: the **Financial Plan** and the **Financial Statements**, each with very different objectives.

The **Financial Plan** is a forward looking document that sets out the City's planned expenditures and transfers to reserves for the next five years and identifies how those expenditures and transfers will be funded. The *Community Charter* requires that municipalities prepare a "balanced budget". This means that the total of any proposed expenditures or transfers to reserves must not exceed the total of proposed revenues or transfers from reserves. In simple terms, the Financial Plan answers the question: "what are we going to do and how are we going to pay for it?"

In contrast, the **Financial Statements** are a retrospective document that looks at the year just ended, comparing our actual financial performance in the year to the activities identified in the Financial Plan. The *Community Charter* requires municipalities to prepare the financial statements in accordance with generally accepted accounting principles for local governments. In Canada, those principles are set by the Public Sector Accounting Board (PSAB). The objective of a municipality's Financial Statements is to report on its financial condition at a point in time and its financial performance for the year.

The differing objectives of the Financial Plan and the Financial Statements, combined with the different rules guiding their preparation, can easily result in confusion when trying to compare the two documents. For example, the Financial Plan treats transfers to and from reserves as transactions, while the Financial Statements, at the consolidated level, ignore transfers as they take place within the corporate entity. It is important to keep the different rules and objectives in mind as we look at financial results for 2018.

The 2018 Consolidated Financial Statements present the City's results of operations during the year and the financial position as at December 31, 2018. Financial performance is compared to the Financial Plan adopted in May of 2018 as this was the plan used to set property taxation rates, and to prior year results. The transactions included in the Financial Statements are those that took place between the City and outside parties. Internal transactions, such as transfers between reserves, which are important for financial planning purposes, have been eliminated.

The City's auditors, BDO Canada LLP, have conducted an audit of the Statements and, pending Council's acceptance of the statements, will finalize their audit report. The audit report will be "unqualified". This is the highest form of assurance an auditor can provide and indicates the statements are free of material misstatements and that readers can rely on them for decision making purposes.

There are a number of key terms in the Financial Statements that are important to be familiar with before drawing any conclusions about the 2018 results:

- **Net Financial Position:** provides a snapshot of where the City stands financially in terms of the resources it held and the debt it owed at December 31. It is the difference between our financial assets and our liabilities and provides an indication of financial flexibility. If Net Financial Position

is negative it is referred to as Net Debt and indicates that revenues that will be collected in the future are needed to pay for liabilities that already exist. If it is positive, it is referred to as Net Financial Assets and indicates a greater degree of flexibility.

- **Accumulated Surplus:** is the total of all the City's assets, both financial and non-financial, less our liabilities. It represents the net economic resources available for service provision. The largest element of this number is the value of our tangible capital assets, the physical assets used in day-to-day service provision, meaning the accumulated surplus balance does not represent a source of cash available to finance our day-to-day operations.
- **Annual Surplus:** is the difference between annual revenues and expenses, as reported on the Statement of Operations. It is important to keep in mind that items included in revenue do not necessarily represent cash received during the year. For example, the value of contributed tangible capital assets is reported as a revenue, but does not represent cash the City received. On the expense side, only the annual cost of using those assets is recognized through amortization. The amounts expended for capital investment or renewal is not included, nor is the value of infrastructure contributed to the City through development. This accounting requirement results in a large reported annual surplus, but does not represent a cash surplus.

The City's Financial Statements are comprised of the following:

- Statement of Financial Position
- Statement of Operations
- Statement of Change in Net Financial Assets
- Statement of Cash Flow
- Significant Accounting Policies
- Notes to the Financial Statements
- Segment Report
- Supporting Schedules 1-6

The Notes to the Financial Statements provide additional information for the items found on the Statement of Financial Position and the Statement of Operations and are referenced on each of these statements.

A discussion of the Financial Statements follows:

Statement of Financial Position

The Statement of Financial Position is the public sector version of a balance sheet. One of the key indicators on this statement is the Net Financial Position. As noted above, it is calculated by subtracting our liabilities from our financial assets and is one piece of information available to assess the City's financial flexibility. At the end of 2018 the City had Net Financial Assets of \$114.98 million, an increase of \$10.37 million over 2017. The increase is the result of timing differences between actual and planned expenditures. In addition, as part of our long-term financial planning processes, we may deliberately collect revenues over time to build the financial capacity needed for future expenditures. This practice will increase our financial assets, and our financial position, until the expenditures occur.

The other key indicator that appears on this statement is Accumulated Surplus. As noted above, this is the total of all our assets, both financial and non-financial, less our liabilities. This number represents the net economic resources available for service provision. The bulk of this number comes from the value of our tangible capital assets, meaning it does not represent cash that can be spent to support our operations. At the end of 2018, the City's accumulated surplus was \$1.158 billion compared to \$1.097 billion in 2017. Of this amount, \$1.027 billion is the book value of the City's tangible capital assets, compared to \$976 million in 2017.

Key items to note on the Statement of Financial Position:

- Combined cash and cash equivalents, and portfolio investments increased by \$8.5 million. This is the result of increased amounts available to invest due to timing differences between planned and actual expenditures, and increases in accounts payable and accrued liabilities at year-end.
- Debt decreased by \$2.45 million due to the scheduled repayment of debt, most of which relates to our Town Centre facilities.

Statement of Operations

The Statement of Operations is the public sector version of an income statement, reporting revenues and expenses for the year. The difference between revenues and expenses is referred to as the annual surplus if positive, or the annual deficit if negative. It is important to note that accounting rules require us to include in revenues items such as the value of infrastructure contributed to the city through development, but on the expense side we include only the cost of using those assets through amortization, not the value of the assets received. This results in a reported annual surplus that does not represent a cash surplus. In 2018, the City recorded contributed infrastructure with a value of \$29.7 million. This amount was recorded as revenue. On the expense side, the amortization recorded for these assets was \$266K. The City's Annual Surplus was \$60.76 million. Almost half of this amount comes from the transactions associated with contributed assets received during the year and, as noted previously, there is no cash received by the City related to these assets.

As noted earlier in the report, when the Financial Plan is prepared, we ensure that all planned sources of funding are equal to all planned uses of funding. This is referred to as a "balanced budget". Not all of the elements that result in a balanced budget are included in the Statement of Operations. Some Financial Plan transactions, such as transfers to and from reserves, are eliminated from the summary financial statements as they are internal transactions; other items are not included as they do not meet the definition of an expense. For example, our planned investment in tangible capital assets will result in an expenditure of resources, but not an expense. The annual cost of using our tangible capital assets, recorded as amortization, is an expense and is included on this statement. A reconciliation between the Financial Plan and the Financial Statements is shown in Note 17 to the Financial Statements.

The following discusses the Statement of Operations:

Consolidated Revenues: Actual \$183.2 million; Budget \$208.2 million

Not all monies the City receives are recorded as revenues at the time of receipt. Monies, such as Development Cost Charges, that are collected for specific capital works are recorded as a liability when received. When we budget for the capital expenditures that are funded from these sources we also budget to record the revenue, which results in a draw down of the liability. If capital expenditures do not occur, no revenue is recognized and the funds remain on hand, recorded as a liability.

In 2018, consolidated revenues were below budget by \$25 million. This is comprised of variances in a number of categories, particularly those related to capital. The following highlights some of the key variances:

- Development revenues below budget estimates by \$29.7 million, due in large part to factors such as DCC liabilities not being drawn down to fund the related work.
- Government Transfers (grants) revenues below budget estimates by \$5.5 million, due to timing differences between budget and actual expenditures.
- Interest income greater than budget estimates by \$2.4 million.
- Developer contributed assets greater than budget estimates by \$9.7 million.

As noted above, revenues below budget estimates for development revenues do not represent a cash shortfall as the related expenditures did not occur. Similarly, the revenue amount recorded for contributed

assets does not represent a cash windfall as this number represents the value of assets received, not a payment received by the City.

Consolidated Expenses – Actual \$122.4 million; Budget \$138.87 million

Expenses are comprised of general operating expenses for goods and services, labour, interest on debt and amortization of our tangible capital assets. The actual cash expended to invest in the replacement or acquisition of assets is not reflected on this statement.

In 2018, consolidated expenses were below budget by \$16.45 million. Some key items contributing to this result include:

- Approximately \$1.1 million in interest costs related to authorized borrowing that has not yet been entered into.
- \$1.9 million from the RCMP contract.
- Approximately \$6 million in projects scheduled for 2018 that will proceed in 2019.
- Savings of approximately \$3.3 million on labour costs, due in part to recruitment challenges experienced in 2018.
- Approximately \$2 million in savings from Parks Recreation & Culture.
- Overall cost containment of approximately \$1.1 million.

Statement of Change in Net Financial Assets

The change in Net Financial Position in a year is explained by the difference between revenues and expenditures. If we recognize more revenue than we expend, then the net financial position will increase; if less then it will decrease. In 2018, the City's financial position increased by \$10.4 million to \$114.7 million. It is important to keep in mind that as part of the City's long-term financial planning processes, we may collect revenues over time to build capacity for future expenditures. This practice increases the City's financial assets, and the net financial position, until the related expenditures occur.

Statement of Cash Flow

The Statement of Cash Flow explains the change in the balance of cash and cash equivalents for the year, showing the impact of various types of transactions on the balance. For example the statement shows that \$42.9 million was generated from operating activities and that \$43 million was used for capital activities.

Segment Report

The Segment Report enhances the information found on the Consolidated Statement of Operations. The information is laid out in the same manner, but provides a greater level of detail. City services have been segmented by grouping activities by function, as directed by PSAB. For example, protection of the public is achieved by activities such as bylaw enforcement and inspection services in addition to police and fire fighting services, so all of these activities are reported as part of the Protective Services segment. Revenues that are directly related to the costs of a function have been reported in each segment, including revenues related to capital investment. Expenses are broken down into the categories of goods and services, labour, debt servicing, and amortization. The Segment Report allows us to see how much each segment contributes to the annual surplus before considering allocations of taxes and other municipal resources. As described earlier, annual surplus is the difference between annual revenues and expenses.

The following table shows the departments included in each segment:

Reporting Segments						
General Gov't	Protective Svc	Recreation	Planning; Public Health & Other	Transportation	Water	Sewer
Human Resources	Police	Parks	Planning	Engineering	Water	Sewer
Clerks	Fire	Leisure Svc	Recycling	Operations		
Administration	Bylaws	Youth Svc	Cemetery	Drainage		
Finance	Inspection Svc	Arts	Social Planning	Roads		
Purchasing	Emergency Svc	Library				
Information Svc						
Legislative Svc						
Economic Dev						
Communications						

The above discussion focuses on the Consolidated Financial Statements, and, as noted, consists of transactions only with outside parties; internal transactions, such as transfers are not included. It is useful to look at some areas of our organization in isolation, particularly the General Revenue Fund and the Sewer and Water Utilities. While the Financial Statements do not show each of these elements in isolation, aggregated information is shown on Schedules 1 and 3 to the Consolidated Financial Statements.

General Revenue

It is important to look at the General Revenue Fund in isolation, because to a large extent, the transactions that take place in this fund drive property taxation. Overall results were favorable and, after providing some initial funding for Council's Community Safety Plan and addressing some funding pressures, we ended 2018 with a surplus of \$1.1 million, bringing the accumulated surplus balance to \$11.1 million.

Sewer and Water Utilities

The Sewer and Water Utilities are self-funded business units that manage the collection and distribution of water and liquid waste as well as the related infrastructure. A large portion of the costs in the utilities are driven by the Regional District and Council has used a rate stabilization policy for a number of years. Under this policy, accumulated surplus amounts are deliberately built in a systematic manner over a period of time in order to provide for our commitment towards larger regional projects as well as variations in our own annual infrastructure investment. This practice allows Council to smooth the impact of variations in annual spending levels on our rate payers.

As projected, the accumulated surplus balance in the Sewer Utility was drawn down in 2018 and the balance in the Water Utility increased. At the present time, the surplus balance in the Sewer Utility is expected to be drawn down through 2023 as a result of regional rate increases outpacing City increases. While the surplus balance in the Water Utility is expected to increase over the same time frame, the Regional District has indicated that their projected rate increases will be higher than previously indicated which is likely to introduce pressures on the City's surplus balance. City rates for sewer have been adjusted for 2019 and rates for both sewer and water will be revisited as part of the 2020 planning process.

The following shows the accumulated surplus amounts in each of the utilities and can also be found in Note 14 to the Financial Statements:

	2018	2017
Sewer Utility	\$ 8,512,633	\$ 8,935,862
Water Utility	\$ 13,799,283	\$ 12,840,034

Reserves

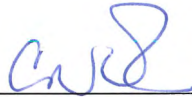
The City's reserves are an important financial planning tool and provide a mechanism to build capacity over time to undertake strategic projects. They are reviewed on a regular basis to assess their adequacy, with adjustments made when capacity permits.

The term "reserve" is often applied to both our reserve funds and our reserve accounts and there are important distinctions between the two resources. Reserve funds are statutory, meaning they are established by bylaw for specific purposes. Once monies are transferred to a reserve fund, they can only be used for the purpose outlined in the establishing bylaw. Reserve accounts are appropriations of surplus, established to meet specific business needs. They can be established or dissolved as directed by Council, as long as identified business needs are met and risks are managed appropriately.

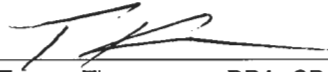
At the beginning of 2018, the City had \$97.7 million in total reserves, as shown in Schedule 6 to the Financial Statements. At the end of 2018 the City has \$104.2 million in reserves, an increase of \$6.6 million. This variance is the combined result of planned capital investment that will occur in the future and end of year provisions for various operating projects and initiatives.

CONCLUSIONS:

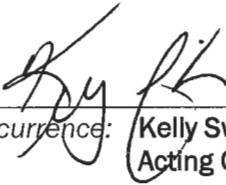
The City's reserves are sound and the long-term financial plans reflect the ability of the City to meet its future obligations. Overall results for 2018 are positive. We ended the year with an Annual Surplus amount of \$60.7 million, and an Accumulated Surplus balance of \$1.158 billion.



Prepared by: Catherine Nolan, CPA, CGA
Corporate Controller



Reviewed by: Trevor Thompson, BBA, CPA, CGA
Chief Financial Officer



Concurrence: Kelly Swift, MBA
Acting Chief Administrative Officer

City of Maple Ridge

Financial Statements and Auditor's Report

For the Year Ended December 31, 2018



Management's Responsibility for Financial Reporting

The information in this Annual Report is the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian Public Sector accounting guidelines as outlined under "Significant Accounting Policies". These include some amounts based on management's best estimates and careful judgment.

Management maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded, and reported properly. Management also administers a program of proper business compliance.

BDO Canada LLP, the Municipality's independent auditors have audited the accompanying financial statements. Their report accompanies this statement.

Council carries out its responsibility for the consolidated financial statements jointly with its Audit and Finance Committee. The Committee meets with management on a scheduled basis and at least semi-annually with BDO Canada LLP to review their activities and to discuss auditing, internal control, accounting policy, and financial reporting matters.

BDO Canada LLP has unrestricted access to the Municipality, the Audit and Finance Committee, and Council. Council approves the consolidated financial statements, the Audit and Finance Committee reviews the recommendations of the independent auditors for improvements to controls as well as the actions of management to implement such recommendations.



Kelly Swift, MBA
Acting Chief Administrative Officer



Trevor Thompson, BBA, CPA, CGA
Chief Financial Officer

Independent Auditor's Report

To the Mayor and Council of the City of Maple Ridge

Opinion

We have audited the consolidated financial statements of the City of Maple Ridge and its controlled entities (the "City"), which comprise the consolidated Statement of Financial Position as at December 31, 2018, and the consolidated Statements of Operations, Change in Net Financial Assets and Cash Flows for the year then ended, and notes and schedules to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2018 and its results of operations, changes in net financial assets, and 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 Consolidated Financial Statements section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the City'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 City or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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 consolidated 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 City'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 City'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 consolidated 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 City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Chartered Professional Accountants

Vancouver, British Columbia
Date of Board Approval

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Consolidated Statement of Financial Position
as at December 31, 2018

	2018	2017
Financial Assets		
Cash and cash equivalents (Note 1)	\$ 22,186,741	\$ 27,631,877
Portfolio investments (Note 2)	201,666,082	187,717,851
Accounts receivable (Note 3)	15,515,417	14,663,433
Recoverable local improvements (Note 4)	1,379,072	1,126,247
Other assets (Note 5)	779,813	763,208
Inventory available for resale	<u>2,459,585</u>	<u>3,579,094</u>
	243,986,710	235,481,710
Liabilities		
Accounts payable and accrued liabilities (Note 6)	24,858,292	20,795,751
Deferred revenue (Note 8)	15,760,504	14,198,182
Restricted revenue (Note 9)	35,996,158	39,633,654
Refundable performance deposits and other	21,908,866	23,403,713
Employee future benefits (Note 10)	4,662,100	4,567,300
Debt (Note 11, Schedule 4)	<u>25,822,631</u>	<u>28,273,707</u>
	129,008,551	130,872,307
Net Financial Assets	<u>114,978,159</u>	<u>104,609,403</u>
Non Financial Assets		
Tangible capital assets (Note 12, Schedule 5)	1,027,400,677	976,145,224
Undeveloped land bank properties (Note 13)	15,526,529	15,526,529
Supplies inventory	326,363	363,885
Prepaid expenses	<u>471,486</u>	<u>1,294,624</u>
	1,043,725,055	993,330,262
Accumulated Surplus (Note 14)	<u>\$ 1,158,703,214</u>	<u>\$ 1,097,939,665</u>

Kelly Swift, MBA
Acting Chief Administrative Officer

Trevor Thompson, BBA, CPA, CGA
Chief Financial Officer

The accompanying summary of significant accounting policies and notes to the Consolidated Financial Statements are an integral part of this statement.

Consolidated Statement of Operations
For the year ended December 31, 2018

	Actual 2018	Budget 2018 (Note 17)	Actual 2017
Revenue (Segment Report, Note 20)			
Taxes for municipal purposes (Note 15)	\$ 85,645,660	\$ 85,708,027	\$ 81,729,003
User fees and other revenue	42,266,363	42,042,952	42,409,361
Government transfers (Note 16)	4,862,137	10,376,782	3,434,531
Development revenue	15,787,623	44,958,943	8,155,007
Interest and investment income	4,581,311	2,132,988	3,182,894
Gaming revenues	1,781,613	1,400,000	1,561,090
Refinancing and asset disposal gains (losses)	(1,470,673)	1,582,750	(807,330)
Contributed tangible capital assets (Note 12)	<u>29,727,691</u>	<u>20,000,000</u>	<u>16,725,863</u>
	183,181,725	208,202,442	156,390,419
Expenses (Segment Report, Note 20)			
Protective services	37,458,755	41,638,521	38,065,340
Transportation services	19,445,582	21,485,306	19,511,458
Recreation and cultural	18,754,440	22,947,392	19,784,632
Water utility	13,787,153	15,005,613	13,305,309
Sewer utility	11,688,964	12,659,702	10,761,203
General government	15,252,598	18,449,276	15,106,167
Planning, public health and other	<u>6,030,684</u>	<u>6,686,728</u>	<u>5,818,396</u>
	122,418,176	138,872,538	122,352,505
Annual Surplus	<u>60,763,549</u>	<u>69,329,904</u>	<u>34,037,914</u>
Accumulated Surplus - beginning of year	<u>1,097,939,665</u>	<u>1,097,939,665</u>	<u>1,063,901,750</u>
Accumulated Surplus - end of year (Note 14)	<u>\$ 1,158,703,214</u>	<u>\$ 1,167,269,569</u>	<u>\$ 1,097,939,665</u>

The accompanying summary of significant accounting policies and notes to the Consolidated Financial Statements are an integral part of this statement.

Consolidated Statement of Change in Net Financial Assets
For the year ended December 31, 2018

	Actual 2018	Budget 2018 (Note 17)	Actual 2017
Annual Surplus	\$ 60,763,549	\$ 69,329,904	\$ 34,037,914
Add (Less):			
Change in Tangible Capital Assets			
Acquisition of tangible capital assets	(74,540,940)	(192,854,171)	(38,277,439)
Amortization	21,168,109	19,780,000	20,585,216
Proceeds from disposal of tangible capital assets	183,461	1,582,750	278,424
(Gain) loss on disposal of tangible capital assets	<u>1,933,914</u>	<u>(1,582,750)</u>	<u>1,664,676</u>
	(51,255,456)	(173,074,171)	(15,749,123)
Change in Other Non Financial Assets			
Decrease (increase) in supplies inventory	37,523	-	(8,723)
Increase in prepaid expenses	<u>823,140</u>	<u>-</u>	<u>(16,789)</u>
	860,663	-	(25,512)
Increase (decrease) in Net Financial Assets	10,368,756	\$ (103,744,267)	18,263,279
Net Financial Assets beginning of the year	<u>104,609,403</u>	<u>104,609,403</u>	<u>86,346,124</u>
Net Financial Assets end of the year	<u>\$ 114,978,159</u>	<u>\$ 865,136</u>	<u>\$ 104,609,403</u>

The accompanying summary of significant accounting policies and notes to the Consolidated Financial Statements are an integral part of this statement

Consolidated Statement of Cash Flow
For the year ended December 31, 2018

	Actual 2018	Actual 2017
Operating transactions		
Annual surplus	\$60,763,549	\$34,037,914
Items not utilizing cash		
Amortization	21,168,109	20,585,216
Loss on disposal of assets	1,470,673	807,520
Contributed tangible capital assets	(29,727,691)	(16,725,863)
Restricted revenues recognized	<u>(14,711,412)</u>	<u>(7,606,470)</u>
	(21,800,321)	(2,939,597)
Change in non-cash operating items		
Increase in prepaid expenses	823,140	(16,789)
Decrease (increase) in supplies inventory	37,523	(8,723)
Decrease (increase) in accounts receivable	(851,984)	2,318,228
Decrease (increase) in recoverable local improvements	(252,825)	85,689
Decrease (increase) in other assets	(16,605)	16,088
Increase (decrease) in accounts payable and accrued liabilities	4,062,541	2,146,348
Increase (decrease) in deferred revenue	1,562,321	2,959,211
Increase (decrease) in refundable performance deposits	(1,494,848)	7,550,507
Increase (decrease) in employee future benefits	<u>94,800</u>	<u>(137,401)</u>
	3,964,063	14,913,158
 Cash provided by operating transactions	 <u>42,927,291</u>	 <u>46,011,475</u>
 Capital transactions		
Proceeds on disposal of assets	1,766,211	1,861,174
Acquisition of tangible capital assets	<u>(44,813,249)</u>	<u>(21,551,576)</u>
Cash applied to capital transactions	<u>(43,047,038)</u>	<u>(19,690,402)</u>
 Investing transactions		
Decrease (increase) in portfolio investments	<u>(13,948,231)</u>	<u>(29,138,677)</u>
	(13,948,231)	(29,138,677)
 Financing transactions		
Debt repayment	(2,451,076)	(2,930,825)
Collection of restricted revenues	<u>11,073,918</u>	<u>13,838,212</u>
Cash applied to financing transactions	<u>8,622,842</u>	<u>10,907,387</u>
 Increase (decrease) in cash and cash equivalents	 (5,445,136)	 8,089,783
 Cash and cash equivalents - beginning of year	 <u>27,631,877</u>	 <u>19,542,094</u>
 Cash and cash equivalents - end of year	 <u>\$22,186,741</u>	 <u>\$27,631,877</u>

The accompanying summary of significant accounting policies and notes to the Consolidated Financial Statements are an integral part of this statement

Summary of Significant Accounting Policies

For the year ended December 31, 2018

The City of Maple Ridge (the "City") is a municipality in the province of British Columbia and operates under the provisions of the Community Charter. The City provides municipal services such as fire, public works, planning, parks, recreation and other general government services.

(a) Reporting Entity and Basis of Consolidation

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) using guidelines developed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

They consolidate the activities of all of the funds of the City and the City's wholly owned subsidiaries C.D.M.R. Developments Ltd. and Maple Ridge Municipal Holdings Ltd. Transactions between the City's funds and wholly owned subsidiaries have been eliminated and only transactions with outside entities are reported.

(b) Basis of Accounting

The basis of accounting followed in these financial statements is the accrual method and includes revenues in the period in which the transactions or events occurred that gave rise to the revenues and expenses in the period the goods and services were acquired and a liability was incurred.

(c) 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 business.

(d) Tangible Capital Assets

Tangible capital assets are a special class of non-financial assets and are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation and installation costs, design and engineering fees, legal fees and site preparation costs. Interest costs are not capitalized. Amortization is recorded on a straight line basis over the estimated life of the tangible capital asset commencing once the asset is put into use. Assets under construction are not amortized. Contributed tangible capital assets are recorded at fair value at the time of the contribution and are also recorded as revenue.

Estimated useful lives of tangible capital assets are as follows:

Buildings (including building components)	7 to 50 years
Transportation network	10 to 75 years
Storm sewer system	10 to 75 years
Fleet and equipment	8 to 20 years
Technology	3 to 25 years
Water system	10 to 85 years
Sanitary sewer system	30 to 75 years
Furniture and fixtures	3 to 20 years
Structures	15 to 75 years

Natural resources, works of art and historic assets are not recorded as assets in these consolidated financial statements.

(e) 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. Liabilities are recorded net of any expected recoveries.

A liability for remediation of a contaminated site is recognized when a site is not in productive use and the following criteria are met:

- i. an environmental standard exists;
- ii. contamination exceeds the environmental standards;
- iii. the City is directly responsible or accepts responsibility;
- iv. it is expected that future economic benefits will be given up; and
- v. a reasonable estimate of the amount can be made.

The liability is recognized as management's best 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. Management has assessed its potential liabilities for contamination, including sites that are no longer in productive use and sites for which the City accepts responsibility. There were no such sites that had contamination in excess of an environmental standard requiring remediation at this time, therefore no liability was recognized at December 31, 2018 or December 31, 2017.

(f) Revenue Recognition

Taxation

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. Annual levies for non-optional municipal services and general administrative services are recorded as taxation for municipal purposes in the year they are levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts. Levies imposed by other taxing authorities are not included as taxes for municipal purposes.

Through the British Columbia Assessments' appeal process, taxes may be adjusted by way of supplementary roll adjustments. The effects of these adjustments on taxes are recognized at the time they are awarded.

User fees and other revenue

Charges for sewer and water usage are recorded as user fees and other revenue.

Government transfers

Government transfers are recognized as revenue in the financial statements when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Government transfers are recorded as deferred revenue when transfer stipulations give rise to a liability and are recognized in the statement of operations as the stipulated liabilities are settled.

Development revenues

Receipts that are restricted by the legislation of senior governments or by agreement with external parties are a liability of the municipality and are reported as Restricted Revenues at

the time they are received. When qualifying expenditures are incurred Restricted Revenues are brought into revenue as development revenue. Restricted Revenues are comprised of the amounts shown in Note 9.

Investment income

Investment income is recorded on the accrual basis and recognized when earned. Investment income is allocated to various reserves and operating funds on a proportionate basis.

To the extent that financial instruments have no stated rate of return, investment income is recognized as it is received.

Contributed tangible capital assets

Subdivision developers are required to provide subdivision infrastructure such as streets, lighting, sidewalks, and drainage etc. Upon completion these assets are turned over to the City. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

(g) Use of estimates/measurement uncertainty

The preparation of financial statements in accordance with Canadian PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring use of management estimates relate to the useful lives of tangible capital assets, determination of employee future benefits, the outcome of litigation and claims, and the percentage of completion of buildings and subdivision inspections. Actual results could differ from those estimates.

(h) Budget figures

The budget figures reported in the Consolidated Financial Statements represent the 2018 component of the Financial Plan Bylaw adopted by Council on May 8, 2018.

(i) Financial instruments

The City's financial instruments consist of cash and cash equivalents, portfolio investments, accounts receivable, recoverable local improvements, other assets, accounts payable and accrued liabilities, refundable performance deposits and debt. Unless otherwise indicated, it is management's opinion that the City is not exposed to any significant interest, credit or currency risks arising from these financial instruments.

(j) Cash and cash equivalents

Cash and cash equivalents are comprised of the amounts held in the City's bank accounts and investments with an original maturity date of three months or less.

(k) Portfolio Investments

Investments with an original maturity date of more than three month are reported as portfolio investments. Investments and pooled investments are reported using the cost method. Provisions for declines in the market value of investments are recorded when they are considered to be other than temporary. Declines in the market values of investments are considered to be other than temporary when the carrying value exceeds market value for more than three years.

(l) Basis of segmentation (Segment Report, Note 21)

Municipal services have been segmented by grouping services that have similar service objectives (by function). Revenues that are directly related to the costs of the function have been attributed to each segment. Interest expense is allocated to functions based on the purpose of specific borrowings.

(m) Employee future benefits

The City and its employees make contributions to the Municipal Pension Plan, and the employees accrue benefits under this plan based on service. The City's contributions are expensed as incurred. (Note 20)

Sick leave benefits and retirement severance benefits are also available to the City's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The liabilities under these benefit plans are accrued based on projected benefits prorated as the employees render services necessary to earn the future benefits. (Note 10)

Notes to the Consolidated Financial Statements
For the year ended December 31, 2018

1. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2018 were comprised as follows:

	<u>Dec 31, 2018</u>	<u>Dec 31, 2017</u>
Cash	\$ 11,960,755	\$ 20,631,877
Cash equivalents	<u>10,225,986</u>	<u>7,000,000</u>
	<u>\$ 22,186,741</u>	<u>\$ 27,631,877</u>

Cash equivalents are comprised of high-interest savings accounts or term deposits held at Canadian banking institutions with effective interest rates of 2.46% (1.5% - 1.9% for 2017). Additionally, the City holds cash and cash equivalents of \$3,281,038 (\$3,288,086 for 2017) and agreements and interest receivable of \$193,474 (\$215,934 for 2017) for trusts which are not reported elsewhere in the financial statements. They are held for the following trusts:

	Balance Dec 31, 2017	Interest Earned	Receipts	Disbursements	Balance Dec 31, 2018
Latecomer Fees	\$ 84,835	\$ -	\$ 301,192	\$ 273,641	\$ 112,386
Cemetery Perpetual Care	1,151,604	30,859	54,418	30,859	1,206,022
Election Surplus	-	-	7,187	-	7,187
Metro Vancouver Sewer & Drainage District	955,106	-	637,863	1,023,886	569,083
Albion Dyking District	<u>1,312,476</u>	<u>711</u>	<u>272,379</u>	<u>5,732</u>	<u>1,579,834</u>
	<u>\$ 3,504,021</u>	<u>\$ 31,570</u>	<u>\$ 1,273,039</u>	<u>\$ 1,334,118</u>	<u>\$ 3,474,512</u>

2. Portfolio Investments

Portfolio investments include Canadian bank notes and BC Credit Union term deposits with effective interest rates of 2.12% - 5.65%. A portion of the bank notes held have interest payments linked to the performance of a set of equities or a financial index without stated or certain interest rates. For these investments, income is recognized as it is received; in 2018 returns were positive and ranged to 4.0%. Included in interest earnings are gains on investments sold before maturity. In 2018 gains were \$Nil (\$71,498 for 2017). The City does not hold any asset backed commercial paper or hedge funds.

The carrying value of securities is based on the cost method whereby the cost of the security is adjusted to reflect investment income that is accruing and any permanent decline in market value. During the term of individual investments there will be fluctuations in market values. Such fluctuations are considered normal, and if held to maturity, market value will be equal to face value.

The carrying value of Portfolio Investments at December 31, 2018 was \$201,666,082 (\$187,717,851 for 2017). The market value at December 31, 2018 was \$201,793,693 (\$187,715,380 for 2017).

3. Accounts Receivable

	<u>2018</u>	<u>2017</u>
Property Taxes	\$ 5,035,959	\$ 4,944,597
Other Governments	2,447,778	2,450,382
General and Accrued Interest	4,467,405	3,856,276
Development Cost Charges	<u>3,645,582</u>	<u>3,472,935</u>
	15,596,724	14,724,190
Less: Allowance for Doubtful Accounts	<u>(81,307)</u>	<u>(60,757)</u>
	<u>\$ 15,515,417</u>	<u>\$ 14,663,433</u>

4. **Recoverable Local Improvements**

The City provides interim financing for certain geographically localized capital projects. It recovers these amounts from benefiting property owners. Interest rates are established at the outset of the process and are a function of borrowing rates at the time. Repayment is typically made over fifteen years.

5. **Other Assets**

Debt Reserve Fund:

The Municipal Finance Authority of British Columbia (MFA) provides capital financing for regional districts and their member municipalities. The MFA is required to establish a Debt Reserve Fund. Each regional district, through its member municipalities who share in the proceeds of a debt issue, is required to pay into the Debt Reserve Fund certain amounts set out in the debt agreements. The MFA pays into the Debt Reserve Fund these monies from which interest earned thereon less administrative expenses becomes an obligation to the regional districts. It must then use this fund, if at any time there are insufficient funds, to meet payments on its obligations. If this occurs, the regional districts may be called upon to restore the fund.

Upon the maturity of a debt issue the unused portion of the Debt Reserve Fund established for that issue will be discharged to the City. The City has estimated that there is only a remote possibility that these funds will not be paid to it and therefore these funds have been included in Other Assets of **\$779,813** (\$763,208 for 2017).

6. **Accounts Payable and Accrued Liabilities**

	<u>2018</u>	<u>2017</u>
Accounts Payable:		
General	\$ 10,182,695	\$ 5,587,746
Other Governments	11,372,311	12,197,994
Salaries and Wages	<u>1,860,221</u>	<u>1,701,308</u>
	23,415,227	19,487,048
Accrued Liabilities:		
Vacation Pay	484,008	401,134
Other Vested Benefits	<u>959,057</u>	<u>907,569</u>
	<u>1,443,065</u>	<u>1,308,703</u>
	<u>\$ 24,858,292</u>	<u>\$ 20,795,751</u>

7. **Contingencies, Commitments and Unrecognized Liabilities:**

(a) **Third Party Claims**

Where losses related to litigation are likely and can be reasonably estimated management accrues its best estimate of loss. For 2018 this estimate is **\$326,015** (\$171,236 for 2017). These amounts are included in accounts payable and accrued liabilities.

There are various other claims by and against the City, the outcome of which cannot reasonably be estimated. Any ultimate settlements will be recorded in the year the settlements occur.

(b) **Contractual Obligations**

In 1998 the City entered into an agreement to purchase ice sheet time for five years commencing in 1999, with five five-year renewal options. In 2018, the agreement was renewed for an additional five-year period. The minimum annual payment due for the provision of ice time is \$638,000. Additional ice time is purchased separately. These payments are recorded as expenses when the ice time is provided.

(c) **Unrecognized Liability**

The City holds shares in a non-profit organization that provides protective services to its members. Should the organization dissolve or management choose to withdraw from the organization the City would be liable for a proportionate share of any debt the organization held at that time. The liability is expected to be discharged over time through payments by the City and others for the provision of these services by the organization. Due to the ongoing operations of the organization the liability could only be quantified if the City chose to withdraw. Consequently no liability has been recognized in these financial statements.

8. Deferred Revenues

Deferred revenues held by the City were comprised as follows:

		Prepaid Taxes		Connection Revenues	
		2018	2017	2018	2017
Beginning balance	\$	6,864,267	\$ 6,437,206	\$ 1,035,037	\$ 724,875
Deferred during the year		14,250,434	13,645,937	1,370,294	1,026,652
Revenue recognized		(13,898,578)	(13,218,876)	(711,286)	(716,490)
Ending balance	\$	<u>7,216,123</u>	<u>\$ 6,864,267</u>	<u>\$ 1,694,045</u>	<u>\$ 1,035,037</u>
		Other		Total Deferred Revenues	
		2018	2017	2018	2017
Beginning balance	\$	6,298,878	\$ 4,076,891	\$ 14,198,182	\$ 11,238,972
Deferred during the year		4,931,744	4,068,902	20,552,472	18,741,491
Revenue recognized		(4,380,286)	(1,846,915)	(18,990,150)	(15,782,281)
Ending balance	\$	<u>6,850,336</u>	<u>\$ 6,298,878</u>	<u>\$ 15,760,504</u>	<u>\$ 14,198,182</u>

9. Restricted Revenues

Restricted revenues held by the City were comprised as follows:

		Development Cost Charges		Parkland Acquisition Charges	
		2018	2017	2018	2017
Beginning Balance	\$	29,546,673	\$ 26,019,028	\$ 1,163,953	\$ 412,027
Collections and interest		6,275,171	10,988,859	355,743	779,225
Disbursements - operating		(398,474)	(118,685)	-	-
Disbursements - capital		(11,598,291)	(7,342,530)	-	(27,301)
Ending Balance	\$	<u>23,825,079</u>	<u>\$ 29,546,672</u>	<u>\$ 1,519,696</u>	<u>\$ 1,163,951</u>
		Other Restricted Revenues		Total Restricted Revenues	
		2018	2017	2018	2017
Beginning Balance	\$	8,923,028	\$ 6,970,857	\$ 39,633,654	\$ 33,401,912
Collections and interest		4,443,001	2,070,128	11,073,915	13,838,212
Disbursements - operating		(63,009)	(54,574)	(461,483)	(173,259)
Disbursements - capital		(2,651,637)	(63,380)	(14,249,928)	(7,433,211)
Ending Balance	\$	<u>10,651,383</u>	<u>\$ 8,923,031</u>	<u>\$ 35,996,158</u>	<u>\$ 39,633,654</u>

10. Employee Future Benefits

The City provides employee future benefits in the form of severance benefits and vested and non-vested sick leave to qualifying employees. These benefits are not separately funded.

Severance benefits are cash settlements paid to employees who cease their employment with the City after a specified period of time. Employees hired before February 11, 1999 qualify for five days pay per year of employment, provided they either work a minimum of 20 years with the City or retire as defined by the Public Sector Pension Plan Act. Full time employees hired after February 11, 1999 qualify for 20 days pay provided they work a minimum of 10 years with the City and retire as defined by the Public Sector Pension Plan Act.

The City permits regular employees to accumulate up to 18 days per year of service for future illnesses up to a maximum of 250 days. For certain qualifying employees a portion of this benefit vests; for the balance, this benefit does not vest and cannot be converted to any other type of benefit.

An actuarial valuation of these benefits was performed to determine the City's liability and accrued benefit obligation as at December 31, 2018. The valuation resulted in an unamortized actuarial gain of \$861,200 at December 31, 2018, (unamortized loss of \$364,900 for 2017). Actuarial gains or losses are amortized over the expected average remaining service life of employees. The benefit liability at December 31, 2018 was \$4,662,100, (\$4,657,300 for 2017) comprised as follows:

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation, beginning of year	\$ 4,932,200	\$ 5,102,900
Add: Current service costs	397,600	343,800
Interest on accrued benefit obligation	143,900	148,300
Actuarial (gain)/loss	(1,192,800)	-
Less: Benefits paid during the year	<u>(480,000)</u>	<u>(662,800)</u>
Accrued benefit obligation, end of year	<u>3,800,900</u>	<u>4,932,200</u>
 Add (Less): Unamortized actuarial gain (loss)	 <u>861,200</u>	 <u>(364,900)</u>
Accrued benefit liability	<u>4,662,100</u>	<u>4,567,300</u>

Actuarial assumptions used to determine the City's accrued benefit obligation are as follows:

	<u>2018</u>	<u>2017</u>
Discount rate (long-term borrowing rate)	3.00 %	2.90 %
Expected future inflation rate	2.00 %	2.00 %
Merit and inflationary wage and salary increases averaging	2.68 %	3.04 %
Estimated average remaining service life of employees (years)	11.0	13.0

11. Debt (Schedule 4)

The City obtains debt instruments through the Municipal Finance Authority (MFA), pursuant to security issuing bylaws under authority of the Community Charter, to finance certain capital expenditures. Debt is reported net of Sinking Fund balances and interest expense is reported net of Sinking Fund earnings.

The City carries no debt for others.

The following debenture debt amounts plus related interest are payable over the next five years and thereafter:

	<u>Debt Payments</u>
2019	\$ 2,172,036
2020	2,215,521
2021	2,260,235
2022	2,306,211
2023	2,353,485
Thereafter	9,899,632
Sinking Fund Contributions	<u>4,615,511</u>
Debt principal repayments	<u>\$ 25,822,631</u>

The City has the following authorized but un-issued long term debt as at December 31, 2018:

<u>L/A Bylaw</u>	<u>L/A Amount</u>
#6558	\$ 6,000,000
#6560	275,000
#6679	1,100,000
#7370	3,500,000
#7371	7,000,000
#7372	8,500,000
#7373	1,000,000
#7374	2,500,000
#7375	1,000,000
#7376	2,500,000
#7377	<u>23,500,000</u>
	<u>\$ 56,875,000</u>

12. Tangible Capital Assets

	<u>Net book value</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 234,687,064	\$ 226,003,706
Buildings	48,668,723	44,141,166
Transportation network	226,678,102	218,934,481
Storm sewer system	215,378,001	206,751,562
Fleet and equipment	16,476,349	14,680,214
Technology	4,891,574	4,516,466
Water system	125,869,323	116,201,245
Sanitary sewer system	130,908,256	128,186,305
Other	<u>23,843,287</u>	<u>16,730,081</u>
	<u>\$ 1,027,400,677</u>	<u>\$ 976,145,224</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5)

During the year there were no write-downs of assets (2017 - \$Nil). In addition, roads and related infrastructure, underground networks and land contributed to the City totaled \$29,727,691 (\$16,725,863 for 2017) and were capitalized at their fair value at the time of recognition

Natural assets, works of art, artifacts, cultural and historic assets are not recorded as assets in these financial statements. The City controls various works of art and historical treasures including artifacts, paintings, sculptures and mosaics located at City sites and public display areas.

13. Undeveloped Land Bank

The City owns property in various areas identified for future growth in the Official Community Plan. These properties are not currently used in the provision of service to the citizens of Maple Ridge. The properties represent a strategic, non-renewable resource available for the advancement of Council's strategic plan.

14. Accumulated Surplus

Accumulated Surplus is comprised of operating surpluses and equity in tangible capital assets held in the general, sewer and water funds as well as reserves. Accumulated surplus for 2017 is **\$1,158,703,212** (\$1,097,939,665 for 2017) and is distributed as follows:

		<u>2018</u>	<u>2017</u>
Operating surplus (Schedule 1)	General	\$ 11,111,456	\$ 10,011,882
	Sewer	8,512,633	8,935,862
	Water	<u>13,799,283</u>	<u>12,840,034</u>
		33,423,372	31,787,778
Equity in the capital funds (Schedule 2)	General	761,597,886	721,401,366
	Sewer	132,175,506	129,423,192
	Water	<u>127,272,400</u>	<u>117,671,736</u>
		1,021,045,792	968,496,294
Reserves (Schedule 3)	Funds	39,570,150	41,639,403
	Accounts	<u>64,663,900</u>	<u>56,016,190</u>
		104,234,050	97,655,593
Accumulated Surplus		<u>\$ 1,158,703,214</u>	<u>\$ 1,097,939,665</u>

15. Property Tax Levies

In addition to its own tax levies, the City is required to levy taxes on behalf of various other taxing authorities. These include the provincial government for local school taxes, incorporated dyking districts located within the City and, organizations providing regional services in which the City has become a member. Taxes levied for other agencies are not included in City revenues. Total tax levies were comprised as follows:

	<u>2018</u>	<u>2018 Budget</u>	<u>2017</u>
Municipal Tax Levies	\$ 85,645,660	\$ 85,708,027	\$ 81,729,003
Levies for other authorities			
School taxes	36,281,590	34,049,403	34,552,104
Greater Vancouver Transit Authority	6,139,075	5,683,482	5,622,711
British Columbia Assessment	1,074,697	974,094	995,188
Greater Vancouver Regional District	1,131,973	937,942	958,555
Dyking Districts	648,834	523,716	616,936
Municipal Finance Authority	<u>5,052</u>	<u>3,448</u>	<u>4,328</u>
Total Collections for Others	<u>45,281,221</u>	<u>42,172,085</u>	<u>42,749,822</u>
Total Tax Levies	<u>\$ 130,926,881</u>	<u>\$ 127,880,112</u>	<u>\$ 124,478,825</u>

16. Government Transfers

Government transfers recognized during the year were comprised of the following:

	<u>2018</u>		<u>2017</u>	
	Capital	Operating	Capital	Operating
Federal Gov't	\$ 252,368	\$ 300,941	\$ 136,508	\$ 353,137
Provincial Gov't	1,877,731	1,336,511	186,465	1,293,903
TransLink	176,370	790,717	116,794	1,092,910
Other	<u>64,975</u>	<u>62,524</u>	<u>176,932</u>	<u>77,882</u>
Total	<u>\$ 2,371,444</u>	<u>\$ 2,490,693</u>	<u>\$ 616,699</u>	<u>\$ 2,817,832</u>

17. Budget

Budget amounts represent the Financial Plan Bylaw adopted by Council on May 8, 2018. The Financial Plan anticipated use of surpluses accumulated in previous years to balance against current year expenditures in excess of current year revenues.

The following shows how these amounts were combined:

	Financial Plan Bylaw	Financial Statement Budget
Revenue		
Taxation	\$ 85,708,027	\$ 85,708,027
User fees and other revenue	42,042,952	42,042,952
Other	60,451,463	60,451,463
Contributed subdivision infrastructure	<u>20,000,000</u>	<u>20,000,000</u>
Total Revenue	<u>208,202,442</u>	<u>208,202,442</u>
Expenses		
Protective services	41,638,521	41,638,521
Transportation services	21,485,306	21,485,306
Recreation and cultural	22,947,392	22,947,392
Water utility	15,005,613	15,005,613
Sewer utility	12,659,702	12,659,702
General Government	18,449,276	18,449,276
Planning, public health and other	<u>6,686,728</u>	<u>6,686,728</u>
Total expenses	<u>138,872,538</u>	<u>138,872,538</u>
Annual Surplus	<u>\$ 69,329,904</u>	<u>\$ 69,329,904</u>
Less:		
Capital expenditures	192,854,157	
Debt repayment	3,705,844	
Add:		
Interfund transfers	62,913,234	
Amortization	19,780,000	
Borrowing proceeds	<u>44,536,863</u>	
	<u>\$ -</u>	

18. Expenses and Expenditures by Object

	Operations	Capital Acquisitions	2018 Total	2018 Budget	2017 Total
Goods and services	\$ 57,454,958	\$ 43,785,048	\$ 101,240,006	\$ 243,935,569	\$ 78,209,829
Wages and salaries	42,182,171	1,028,201	43,210,372	45,463,931	43,388,499
Interest	<u>1,612,938</u>	<u>-</u>	<u>1,612,938</u>	<u>2,547,209</u>	<u>1,720,537</u>
Total	101,250,067	44,813,249	146,063,316	291,946,709	123,318,865
Amortization expenses	21,168,109	-	21,168,109	19,780,000	20,585,216
Contributed tangible capital assets	<u>-</u>	<u>29,727,691</u>	<u>29,727,691</u>	<u>20,000,000</u>	<u>16,725,863</u>
Total Expenses and Expenditures	<u>\$ 122,418,176</u>	<u>\$ 74,540,940</u>	<u>\$ 196,959,116</u>	<u>\$ 331,726,709</u>	<u>\$ 160,629,944</u>

19. Contractual Rights

(a) Contributed Tangible Capital Assets

There are a number of development projects in progress throughout the City where there is a requirement for the developer to provide infrastructure to the City such as roads, sewers, sidewalks and street lighting. The fair value of the infrastructure is recognized as "contributed tangible capital assets" revenue in these consolidated financial statements when the City accepts responsibility for the infrastructure. Fair value will be determined at the time the assets are recognized.

(b) Land Sale

The City has entered into an agreement that will result in the phased sale of certain City lands. The City expects title to part of the lands to transfer to the purchaser in 2019 and the balance in 2020. Total proceeds of \$4,000,000 will be received as title transfers.

20. Pension Plan

The employer 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, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 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 valuation for the Municipal Pension Plan as of December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1.927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The City of Maple Ridge paid \$3,390,825 (2017 \$3,436,295) for employer contributions while employees contributed \$2,810,502 (2017 \$2,817,284) to the plan in fiscal 2018.

The next valuation will be as at December 31, 2018, with results available in 2019.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution 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.

21. Segmented Information

The City is a diversified municipal government entity in the province of British Columbia that provides a wide range of services to its citizens. Municipal services have been segmented by grouping activities that have similar service objectives (by function) and separately disclosed in the segment report. Where certain activities cannot be attributed to a specific segment they have been reported as unallocated. The segments and the services they provide are as follows:

Protective Services

Protective Services is comprised of the Ridge Meadows RCMP detachment, the Maple Ridge Fire Department, bylaw enforcement, inspection services and emergency services. Services provided by the segment are focused on protecting the citizens of Maple Ridge.

Transportation Services

Transportation Services is comprised of Engineering, Operations, Drainage and Roads. Services provided by the segment include the construction and maintenance of transportation related infrastructure.

Recreation and Cultural

Recreation and cultural services provides library services, access to recreation facilities and maintains and operates City parks.

Water Utility

The Water Utility, in conjunction with Metro Vancouver, provides safe, clean, reliable water to the residents and businesses of the City of Maple Ridge.

Sewer Utility

The Sewer Utility collects waste water and transports it to treatment plants operated by Metro Vancouver in addition to maintaining the sanitary sewer infrastructure.

General Government

General Government provides administrative, legislative and support services for the City. Functions include financial planning and reporting, information technology, economic development and communications.

Planning, Public Health and Other

This segment is comprised of Planning, Recycling, Cemetery and Social Planning. Activities include land use guidelines, development of the City's official community plan, management of the recycling contract and improving the social well-being of the community.

Unallocated

Unallocated includes revenues that cannot be directly attributed to the activities of an identified functional segment.

Consolidated Report of Segmented Revenue and Expenses

For the year ended December 31, 2018

	Protective Services	Transportation Services	Recreation and Cultural	Water Utility	Sewer Utility
Revenue					
Tax revenue	\$ -	\$ -	\$ -	\$ 137,361	\$ 930,720
Other revenues	5,653,157	713,830	2,380,903	17,325,475	10,372,738
Government transfers	98,964	2,974,378	446,996	-	(33,455)
Development revenue	11,626	3,954,011	4,470,332	6,762,719	241,912
Interest and investment income	-	-	-	-	-
Gaming Revenues					
Refinancing & asset disposal gain(loss)	(35,049)	(488,126)	(49,026)	(195,739)	(955,394)
Contributed infrastructure	<u>-</u>	<u>17,205,804</u>	<u>4,905,240</u>	<u>2,085,378</u>	<u>5,531,269</u>
Total Revenue	5,728,698	24,359,897	12,154,445	26,115,194	16,087,790
Expenses					
Operating:					
Goods and services	20,322,507	2,898,095	8,600,731	10,038,281	8,415,472
Labour	15,754,262	5,647,266	7,174,115	1,528,836	654,537
Debt Servicing	<u>10,947</u>	<u>-</u>	<u>787,719</u>	<u>-</u>	<u>-</u>
Sub total	36,087,716	8,545,361	16,562,565	11,567,117	9,070,009
Amortization	<u>1,371,039</u>	<u>10,900,221</u>	<u>2,191,875</u>	<u>2,220,036</u>	<u>2,618,955</u>
Total Expenses	<u>37,458,755</u>	<u>19,445,582</u>	<u>18,754,440</u>	<u>13,787,153</u>	<u>11,688,964</u>
Excess (deficiency) of revenue over expenses	\$ <u>(31,730,057)</u>	\$ <u>4,914,315</u>	\$ <u>(6,599,995)</u>	\$ <u>12,328,041</u>	\$ <u>4,398,826</u>

General Government	Commercial Tower	Planning Public Health & Other	Unallocated	Total 2018 Actual	Total Budget	Total 2017 Actual
\$ -	\$ -	\$ 2,086,764	\$ 82,490,815	\$ 85,645,660	\$ 85,708,027	\$ 81,729,003
1,771,562	1,595,753	2,452,945	-	42,266,363	42,042,952	42,409,361
926,680	-	448,574	-	4,862,137	10,376,782	3,434,531
271,409	-	75,613	-	15,787,622	44,958,943	8,155,007
-	-	-	4,581,311	4,581,311	2,132,988	3,182,894
			1,781,613	1,781,613	1,400,000	1,561,090
(211,639)	-	1,059	463,241	(1,470,673)	1,582,750	(807,330)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,727,691</u>	<u>20,000,000</u>	<u>16,725,863</u>
2,758,012	1,595,753	5,064,955	89,316,980	183,181,724	208,202,442	156,390,419
3,592,479	566,812	3,020,581	-	57,454,958	71,081,398	57,540,668
8,649,951	-	2,773,204	-	42,182,171	45,463,931	42,506,084
<u>253,131</u>	<u>509,112</u>	<u>52,029</u>	<u>-</u>	<u>1,612,938</u>	<u>2,547,209</u>	<u>1,720,537</u>
12,495,561	1,075,924	5,845,814	-	101,250,067	119,092,538	101,767,289
<u>1,681,113</u>	<u>-</u>	<u>184,870</u>	<u>-</u>	<u>21,168,109</u>	<u>19,780,000</u>	<u>20,585,216</u>
<u>14,176,674</u>	<u>1,075,924</u>	<u>6,030,684</u>	<u>-</u>	<u>122,418,176</u>	<u>138,872,538</u>	<u>122,352,505</u>
<u>\$ (11,418,662)</u>	<u>\$ 519,829</u>	<u>\$ (965,729)</u>	<u>\$ 89,316,980</u>	<u>\$ 60,763,548</u>	<u>\$ 69,329,904</u>	<u>\$ 34,037,914</u>

Schedule of Change in Operating Accumulated Surplus

For the year ended December 31, 2018

	Actual 2018	Budget 2018	Actual 2017
Revenue			
Taxes for municipal purposes	\$ 85,645,660	\$ 85,708,027	\$ 81,729,003
User fees and other revenues	42,266,363	42,042,952	42,409,361
Government transfers	2,490,693	2,874,996	2,817,832
Development Revenue	949,219	(5,139,894)	612,917
Interest and investment income	3,373,244	1,587,988	2,334,227
Gaming revenues	1,781,613	1,400,000	1,561,090
Refinancing and other gains	<u>1,766,211</u>	<u>1,582,750</u>	<u>1,861,363</u>
	138,273,003	130,056,819	133,325,793
Expenses			
Protective services	36,087,716	40,288,521	36,729,698
Transportation services	8,545,361	11,525,306	9,044,403
Recreation and cultural	16,562,565	20,737,392	17,526,934
Water utilities	11,567,117	12,985,613	11,193,201
Sewer utilities	9,070,009	10,269,702	8,254,257
General government	13,571,485	16,859,276	13,422,981
Public and environmental health	<u>5,845,814</u>	<u>6,426,728</u>	<u>5,595,815</u>
	101,250,067	119,092,538	101,767,289
Annual Surplus	37,022,936	10,964,281	31,558,504
Internal transfers			
Transfers to capital funds	(6,041,110)	(13,934,852)	(6,317,213)
Transfers to reserves	<u>(29,346,232)</u>	<u>(5,581,927)</u>	<u>(22,179,779)</u>
Increase (decrease) in operating accumulated surplus	1,635,595	(8,552,498)	3,061,512
Operating accumulated surplus-beginning of year	<u>31,787,778</u>	<u>31,787,778</u>	<u>28,726,266</u>
Operating accumulated surplus-end of year (Note 14)	<u>\$ 33,423,372</u>	<u>\$ 23,235,280</u>	<u>\$ 31,787,778</u>

Schedule 2

Schedule of Change in Capital Funds
For the year ended December 31, 2018

	Actual 2018	Budget 2018	Actual 2017
Revenue			
Subdivision infrastructure contributions	\$ 29,727,691	\$ 20,000,000	\$ 16,725,863
Government transfers	2,371,444	7,501,786	616,699
Development fees	13,680,732	47,134,032	7,412,371
Other capital contributions	1,157,672	2,964,805	129,719
Disposal of assets	<u>(3,236,884)</u>	<u>-</u>	<u>(2,668,693)</u>
Total Revenue	43,700,655	77,600,623	22,215,959
Expenses			
Amortization	<u>21,168,109</u>	<u>19,780,000</u>	<u>20,585,216</u>
Total Expenses	21,168,109	19,780,000	20,585,216
Annual Surplus	22,532,546	57,820,623	1,630,743
Internal Transfers			
Transfers from revenue funds	6,041,110	13,934,852	6,317,213
Transfers from reserves	<u>23,975,842</u>	<u>66,837,678</u>	<u>10,013,587</u>
Increase in capital funds	52,549,498	138,593,153	17,961,543
Capital funds - beginning of the year	<u>968,496,294</u>	<u>968,496,294</u>	<u>950,534,751</u>
Capital funds - end of the year (Note 14)	<u>\$ 1,021,045,792</u>	<u>\$ 1,107,089,447</u>	<u>\$ 968,496,294</u>

Schedule of Change in Reserves
For the year ended December 31, 2018

	Actual 2018	Budget 2018	Actual 2017
Revenue and Transfers			
Revenue			
Interest and investment income	\$ 1,208,067	\$ 545,000	\$ 848,667
Add (less)			
Internal transfers			
Transfers from revenue funds	29,346,232	5,581,927	22,179,779
Transfers to capital funds	<u>(23,975,842)</u>	<u>(66,837,678)</u>	<u>(10,013,587)</u>
Increase (decrease) in Reserved Accumulated Surplus	6,578,457	(60,710,751)	13,014,859
Reserved Accumulated Surplus - Beginning of the Year	<u>97,655,593</u>	<u>97,655,593</u>	<u>84,640,735</u>
Reserved Accumulated Surplus - End of Year (Note 14)	<u>\$ 104,234,050</u>	<u>\$ 36,944,842</u>	<u>\$ 97,655,593</u>

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Continuity Schedule of Debenture Debt
For the Year Ended December 31, 2018

	Date of Issue/Maturity	Bylaw/MFA	Function/Purpose	Interest Rate
Long Term Debts				
	Apr 2005/2027	6246/93	Recreation/Downtown Civic Properties	5.7 %
	Apr 2005/2027	6246/93	General Government/Downtown Office Complex	5.7 %
	Dec 2006/2026	6246/99	General Government/Downtown Office Complex	5.0 %
	Oct 2012/2027	6560/121	Protective Services/Animal Shelter	2.9 %
	Oct 2012/2037	6559/121	Public Health/Cemetery Expansion	2.9 %
	Oct 2012/2037	6679/121	Public Health/Cemetery Expansion	2.9 %
			Subtotal	
LESS:				
Sinking Funds				
	Dec 2006/2026	6246/99	General Government/Downtown Office Complex	5.0 %
	Oct 2012/2027	6560/121	Protective Services/Animal Shelter	2.9 %
	Oct 2012/2037	6559/121	Public Health/Cemetery Expansion	2.9 %
	Oct 2012/2037	6679/121	Public Health/Cemetery Expansion	2.9 %
			Subtotal	
Net Amount				

Dec 31, 2017 Balance Outstanding	New Debt Issued During the year	Principal/ Sinking Fund Payments	Sinking Fund Earnings	2018 Balance Outstanding	Interest Paid/ Earned For The Year
\$ 14,957,815	\$ -	\$ 1,315,433	\$ -	\$ 13,642,382	\$ 787,720
2,074,345	-	182,409	-	1,891,936	109,231
16,300,000	-	-	-	16,300,000	811,142
625,000	-	-	-	625,000	18,075
1,520,000	-	-	-	1,520,000	43,959
<u>700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700,000</u>	<u>20,244</u>
36,177,160	-	1,497,842	-	34,679,318	1,790,371
7,441,254	-	547,382	302,029	8,290,665	302,029
170,691	-	31,213	7,129	209,033	7,129
199,591	-	36,498	8,336	244,425	8,336
<u>91,917</u>	<u>-</u>	<u>16,808</u>	<u>3,839</u>	<u>112,564</u>	<u>3,839</u>
7,903,453	-	631,901	321,333	8,856,687	321,333
<u>\$ 28,273,707</u>	<u>\$ -</u>	<u>\$ 2,129,743</u>	<u>\$ 321,333</u>	<u>\$ 25,822,631</u>	<u>\$ 1,469,038</u>

Schedule of Tangible Capital Assets
For the year ended December 31, 2018

	Land ²	Building	Transportation Network	Storm System
Historical Cost ¹				
Opening cost	\$ 226,003,706	\$ 93,136,418	\$ 338,637,087	\$ 269,115,241
Additions	8,683,358	7,357,354	14,701,053	12,496,463
Disposals	<u>-</u>	<u>(439,255)</u>	<u>(1,568,641)</u>	<u>(152,939)</u>
	234,687,064	100,054,517	351,769,499	281,458,765
Accumulated Amortization				
Opening balance	-	48,995,252	119,702,606	62,363,679
Amortization expense	-	2,649,485	6,588,267	3,753,290
Effect of disposals	<u>-</u>	<u>(258,943)</u>	<u>(1,199,476)</u>	<u>(36,205)</u>
	<u>-</u>	<u>51,385,794</u>	<u>125,091,397</u>	<u>66,080,764</u>
Net Book Value as at December 31, 2018	\$ <u>234,687,064</u>	\$ <u>48,668,723</u>	\$ <u>226,678,102</u>	\$ <u>215,378,001</u>
Net Book Value as at December 31, 2017	\$ 226,003,707	\$ 44,141,165	\$ 218,934,481	\$ 206,751,562

¹ Historical cost includes work in progress at December 31, 2018 of **\$28,815,386** (\$5,004,065 for 2017) comprised of: Land \$49,572 (\$34,081 for 2017); Buildings \$7,420,131 (\$771,438 for 2017); Transportation network \$8,780,007 (\$987,757 for 2017); Storm system \$39,145 (\$1,479 for 2017); Fleet and equipment \$152,645 (\$32,836 for 2017); Technology \$72,607 (\$27,900 for 2017); Water system \$9,619,524 (\$1,355,848 for 2017); Sanitary system \$626,238 (\$238,912 for 2017); and Other \$2,055,548 (\$1,553,814 for 2017). Work in progress is not amortized.

² Additions to land are net of \$-Nil (\$-Nil for 2016) of land reclassified to inventory available for sale.

³ "Other" at net book value includes Furniture and Fixtures at \$574,211 (\$561,343 for 2017) and structures at \$23,269,078 (\$16,168,739 for 2017)

Fleet and Equipment	Technology	Water System	Sanitary System	Other ³	Total
\$ 29,223,658	\$ 11,468,318	\$ 151,414,708	\$ 174,716,785	\$ 33,000,412	\$ 1,326,716,331
3,566,003	1,341,171	11,986,589	6,294,102	8,114,844	74,540,937
<u>(988,724)</u>	<u>(750,627)</u>	<u>(383,543)</u>	<u>(1,228,982)</u>	<u>(774,730)</u>	<u>(6,287,441)</u>
31,800,937	12,058,862	163,017,754	179,781,905	40,340,526	1,394,969,827
14,543,444	6,951,852	35,213,463	46,530,480	16,270,331	350,571,107
1,612,567	925,055	2,115,772	2,579,591	944,082	21,168,109
<u>(831,423)</u>	<u>(709,619)</u>	<u>(180,804)</u>	<u>(236,422)</u>	<u>(717,174)</u>	<u>(4,170,066)</u>
<u>15,324,588</u>	<u>7,167,288</u>	<u>37,148,431</u>	<u>48,873,649</u>	<u>16,497,239</u>	<u>367,569,150</u>
<u>\$ 16,476,349</u>	<u>\$ 4,891,574</u>	<u>\$ 125,869,323</u>	<u>\$ 130,908,256</u>	<u>\$ 23,843,287</u>	<u>\$ 1,027,400,677</u>
\$ 14,680,214	\$ 4,516,466	\$ 116,201,245	\$ 128,186,305	\$ 16,730,083	\$ 976,145,226

Continuity Schedule of Reserves
For the year ended December 31, 2018

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Interest</u> <u>Allocated</u>
Reserve Funds		
Local Improvements	\$ 2,583,883	\$ 25,170
Equipment Replacement	15,955,119	286,809
Capital Works	11,286,556	184,023
Fire Department Capital Acquisition	9,848,751	184,284
Sanitary Sewer	1,657,981	27,975
Land	<u>307,113</u>	<u>5,513</u>
Total Reserve Funds	41,639,403	713,774
Reserve Accounts		
Specific Projects - Capital	10,931,005	-
Specific Projects - Operating	7,966,840	-
Self Insurance	876,550	17,225
Police Services	7,514,810	133,526
Core Development	1,983,902	36,652
Recycling	2,570,240	49,662
Community Safety Initiatives	-	-
Building Inspections	3,333,243	59,835
Gravel Extraction	797,583	14,530
Community Works (Gas Tax)	257,440	-
Facility Maintenance	2,883,355	62,673
Snow Removal	850,061	-
Park & Recreation Improvements	-	-
Cemetery Maintenance	243,486	-
Infrastructure Sustainability (Town Centre Buildings)	475,738	-
Infrastructure Sustainability (Road Network)	2,570,378	57,736
Infrastructure Sustainability (Drainage)	1,491,014	31,689
Drainage Improvements	1,135,223	27,445
Critical Infrastructure	195,927	3,320
Infrastructure Grants Contribution	3,557	-
Gaming Revenues	2,042,880	-
Self Insurance (sewer utility)	147,881	-
Self Insurance (water utility)	126,236	-
Specific Projects (sewer utility)	3,079,749	-
Specific Projects (water utility)	<u>4,539,092</u>	<u>-</u>
Total Reserve Accounts	<u>56,016,190</u>	<u>494,293</u>
Total Reserves	<u><u>\$ 97,655,593</u></u>	<u><u>\$ 1,208,067</u></u>

<u>Transfers Revenue Funds</u>	<u>Transfers Capital Funds</u>	<u>Balance Dec 31, 2018</u>
\$ -	\$ -	\$ 2,609,053
3,096,652	(3,395,413)	15,943,167
4,568,410	(7,245,887)	8,793,102
1,613,452	(1,261,064)	10,385,423
-	(159,177)	1,526,779
-	-	<u>312,626</u>
9,278,514	(12,061,541)	39,570,150
2,975,112	(2,208,871)	11,697,246
(1,879,431)	(70,000)	6,017,409
(10,311)	-	883,464
1,952,287	(56,017)	9,544,606
213,615	(227,124)	2,007,045
388,247	(46,574)	2,961,575
1,600,000	-	1,600,000
-	-	3,393,078
(2,087)	-	810,026
293,940	(149,858)	401,522
534,853	(1,638,954)	1,841,927
-	-	850,061
1,943,482	-	1,943,482
(13,389)	(18,207)	211,890
83,636	(65,554)	493,820
3,333,548	(2,999,967)	2,961,695
792,989	(671,669)	1,644,023
1,118,034	(617,687)	1,663,015
-	(68,176)	131,071
(3,557)	-	-
823,672	(731,504)	2,135,048
6,504	-	154,385
6,504	-	132,740
2,432,879	(325,308)	5,187,320
<u>3,477,191</u>	<u>(2,018,831)</u>	<u>5,997,452</u>
<u>20,067,718</u>	<u>(11,914,301)</u>	<u>64,663,900</u>
<u>\$ 29,346,232</u>	<u>\$ (23,975,842)</u>	<u>\$ 104,234,050</u>



CITY OF MAPLE RIDGE

AUDIT FINAL REPORT TO THE AUDIT & FINANCE COMMITTEE

For the meeting on April 23, 2019

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



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SUMMARY

Our audit and therefore this report will not necessarily identify all matters that may be of interest to the Audit & Finance Committee and Council in fulfilling its responsibilities. This report has been prepared solely for the use of the Audit Committee and Council, and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.



Status of the Audit

As of the date of this report, we have substantially completed our audit of the 2018 consolidated financial statements, pending completion of the following items:

- ▶ Receipt of signed management representation letter
- ▶ Subsequent events review through to financial statement approval date
- ▶ Approval of financial statements by Council

We conducted our audit in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the financial statements are free from material misstatement. Our draft auditor's report is attached to the draft financial statements prepared by management.

The scope of the work performed was substantially the same as that described in our Planning Report to the Audit & Finance Committee and Council dated February 7, 2019.



Materiality

As communicated to you in our Planning Report to the Audit & Finance Committee and Council, preliminary materiality was \$1,725,000. Final materiality remained unchanged from our preliminary assessment.



Audit Findings

Our audit focused on the risks specific to your business and key accounts as identified in our planning report. Our discussion points below focus on areas of significant risks of material misstatement, or the following items:

- ▶ Risk of Management Override of Controls
- ▶ Cash & Investments
- ▶ Staff Salaries and Benefits
- ▶ Tangible Capital Assets and Accumulated Amortization
- ▶ Employee Future Benefits
- ▶ Grant & Revenue Recognition
- ▶ Contaminated Sites



Internal Control Matters

We are required to report to you in writing, any significant deficiencies in internal control that we have identified. The specifics of this communication are included in our report below. No control deficiencies were noted that, in our opinion, are of significant importance to discuss with those charged with governance.



Adjusted and Unadjusted Differences

There are no adjusted or unadjusted differences or disclosure omissions identified through the course of our audit engagement.



Independence

Our annual letter confirming our independence was previously provided to you. We know of no circumstances that would cause us to amend the previously provided letter.



Management Representations

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including in the audit working papers memoranda of discussions with management and written representations received from management.

A summary of the representation we have requested from management is set out in the representation letter included in the Appendix to this report.



Fraud Discussion

Through our planning process, and current and prior years' audits, we have developed an understanding of your oversight processes. We are not currently aware of any fraud affecting the City.

If you are aware of changes to processes or are aware of any instances of actual, suspected or alleged fraud affecting the City, we request that you provide us with this information.

Please refer to the Auditor's Responsibilities for Detecting Fraud in our Planning Report.

AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Company's accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In order to have a frank and open discussion, these matters will be discussed verbally with you. A summary of the key discussion points are as follows:

SIGNIFICANT RISKS OF MATERIAL MISSTATEMENT	RISKS NOTED	AUDIT FINDINGS
Management Override of Controls	The City's current internal control systems could be subject to an override of existing controls by management resulting in unauthorized transactions or unauthorized adjustments to the accounting records	Our audit work indicated controls in place over inappropriate override of controls were designed appropriately and no inappropriate journal entries were executed
Cash & Investments	Due to its nature, cash and investments are almost always considered to be a risk area in any audit.	Audit procedures were executed with no misstatements or issues noted
Staff Salaries and Benefits	A significant single type of expenditure that covers many employees and departments. As a municipality, this figure is often of particular interest to financial statement users.	Audit procedures were executed with no misstatements or issues noted
Tangible Capital Assets and Accumulated Amortization	Remaining useful lives of tangible capital assets to be re-evaluated through discussion with finance department with other relevant departments	Audit procedures were executed with no misstatements or issues noted

SIGNIFICANT RISKS OF MATERIAL MISSTATEMENT	RISKS NOTED	AUDIT FINDINGS
Employee Future Benefits	Significant assumptions and estimation is used in determining employee future benefits.	Audit procedures were executed with no misstatements or issues noted
Grant Revenue & Recognition	Accounting standards are complex and open to interpretation. There is a risk that revenue may be incorrectly deferred into future periods.	Audit procedures were executed with no misstatements or issues noted
Contaminated Sited	This standard is complex and therefore there is a risk that liabilities may not be identified and appropriately accounted for.	Audit procedures were executed with no misstatements or issues noted

INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the City's internal control environment:

- ▶ Documented operating systems to assess the design and implementation of control activities that were relevant to the audit.
- ▶ Discussed and considered potential audit risks with management.

The results of these procedures were considered in determining the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

As the purpose of the audit is for us to express an opinion on the City's financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

No control deficiencies were noted that, in our opinion, are of significant importance to discuss with the Committee. Our letter to management outlining performance improvement opportunities is in Appendix C.

OTHER REQUIRED COMMUNICATIONS

Potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements.

•BDO Response: None noted

Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern.

•BDO Response: None noted

Disagreements with management about matters that, individually or in the aggregate, could be significant to the entity's financial statements or our audit report.

•BDO Response: None noted

Matters involving non-compliance with laws and regulations.

•BDO Response: None noted

Significant related party transactions that are not in the normal course of operations and which involve significant judgments made by management concerning measurement or disclosure.

•BDO Response: None noted

Management consultation with other accountants about significant auditing and accounting matters.

•BDO Response: None noted

Other Matters

•BDO Response: None noted

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the attached table summarizes these additional required communications.

APPENDICES

Appendix A: Summary of Unadjusted and Adjusted Differences

Appendix B: Representation Letter

Appendix C: Management Letter

APPENDIX A:

SUMMARY OF UNADJUSTED DIFFERENCES

There were no misstatements noted during the course of our audit engagement that remain uncorrected.

SUMMARY OF ADJUSTED DIFFERENCES

There were no differences noted during our audit requiring management to correct.

APPENDIX B: REPRESENTATION LETTER

DATE OF COUNCIL APPROVAL

BDO Canada LLP
Chartered Professional Accountants
600 Cathedral Place
925 West Georgia Street
Vancouver, BC V6C 3L2

Dear Sirs/Mesdames:

This representation letter is provided in connection with your audit of financial statements of the City of Maple Ridge (the "City") for the year ended December 31, 2018, for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position as at December 31, 2018, and the results of operations and cash flows of the City for the year ended December 31, 2018 in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 16, 2017, for the preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards; in particular the consolidated financial statements are fairly presented in accordance therewith.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Public sector accounting standards.
4. All events subsequent to the date of the consolidated financial statements and for which Public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
5. The consolidated financial statements of the City use appropriate accounting policies that have been properly disclosed and consistently applied.

Information Provided

6. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the consolidated financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

7. We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware.
8. The minute books of the Council are a complete record of all meetings and resolutions of the Council throughout the year and to the present date.
9. We have disclosed to you all significant matters contained in the minutes of all meetings and resolutions of Council throughout the year and to the present date.
10. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.
11. We have disclosed to you all known instances of non-compliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
12. We have identified to you:
 - guarantees;
 - indemnifications against damages, liabilities, costs, charges or expenses suffered or incurred by officers or directors as a result of their service, and/or by any subsidiaries; and
 - non-monetary transactions and transactions for no consideration.
13. We have disclosed to you the identity of the entity's related parties and the related party relationships and transactions of which we are aware.
14. We are aware of the environmental laws and regulations that impact the City and we are in compliance. There are no known environmental liabilities or contingencies that have not been accrued for or disclosed in the consolidated financial statements in accordance with Public Sector Accounting Standards.

Fraud and Error

15. We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud, and have determined such risk to be low.
16. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the consolidated financial statements.
17. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.
18. We note for the current year that there were no adjustments recommended by the auditors during the audit to be approved.
19. There are no unadjusted misstatements that are, individually and in the aggregate, to the consolidated financial statements taken as a whole.

Existence, Completeness and Valuation of Specific Financial Statement Balances

20. There are no pledges or assignments of assets as security for liabilities except as disclosed in the consolidated financial statements.
21. All financial instruments have been appropriately recognized and measured in accordance with Public sector accounting standards. Significant assumptions used in arriving at fair value of financial instruments are reasonable and appropriate in the circumstances.
22. Where the value of any asset has been impaired, an appropriate provision has been made in the consolidated financial statements or has otherwise been disclosed to you.
23. The inventories as set out in the consolidated financial statements represent all of the inventories to which the municipality held title as at the balance sheet date. Appropriate provisions have been made for obsolete, slow-moving and defective inventories.
24. The employee future benefit costs, assets and obligation have been determined, accounted for and disclosed in accordance with Canadian public sector accounting standards. The source data and plan provisions provided are complete and accurate. The plans included in the valuation are complete. The determination of the discount rate and the use of specific actuarial assumptions are our best estimate assumptions. We believe that extrapolations are accurate and have properly reflected the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolation.

General Representations

25. The nature of all material uncertainties have been appropriately measured and disclosed in the consolidated financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the consolidated financial statements.
26. There were no direct contingencies or provisions (including those associated with guarantees or indemnification provisions), unusual contractual obligations nor any substantial commitments, whether oral or written, other than in the ordinary course of business, which would materially affect the consolidated financial statements or financial position of the City, except as disclosed in the consolidated financial statements.
27. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel. Since there are no outstanding or possible claims, no disclosure is required in the consolidated financial statements.
28. There have been no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
29. We confirm that operating segments are appropriately identified and disclosed in accordance with Canadian public sector accounting standards.
30. No significant matters, other than those disclosed in the consolidated financial statements, have arisen that would require a restatement of the comparative financial statements.

31. We have made the following additional significant representations to you during the course of your audit which we understand that you have relied upon:

- All tangible capital assets and inventory have been recorded and additions for the year are complete and accurate. Amortization based on the expected useful life of the tangible capital asset and residual value is our best estimate for the consumption of a portion of the tangible capital asset for the year. Where the value of any tangible capital asset has been impaired, an appropriate provision has been made in the consolidated financial statements or has otherwise been disclosed to you. The City also reviewed and made changes to its estimate of useful lives of various classes of tangible capital assets, and any resultant changes have been disclosed to you.

Yours truly,

Signature

Position

Signature

Position

APPENDIX C: MANAGEMENT LETTER



Tel: 604 688 5421
Fax: 604 688 5132
vancouver@bdo.ca
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Direct Line: 604-443-4716
E-mail: bcox@bdo.ca
bszabo@bdo.ca

April 18, 2019

Ms. Kelly Swift
Chief Administrative Officer
City of Maple Ridge
11995 Haney Place
Maple Ridge, BC V2X 6A9

Dear Ms. Swift:

As your external auditors, we are engaged to provide an audit opinion on your yearend consolidated financial statements. An external audit requires testing of transactions and balances and review of those internal control systems upon which we may place reliance. A positive opinion on the consolidated financial statements does not necessarily mean that your internal control systems are all operating effectively. This is because we review only those internal control systems where we feel that failure in those systems could result in a material error on the consolidated financial statements. With those systems that we do review, our focus is on the assertions necessary to meet our consolidated financial statement audit objectives.

Our review of systems, transactions and balances as well as discussions with staff at various levels gives us a unique insight into your operations. While conducting this work we make note of items that come to our attention where we feel that improvement could be made or alternatives could be considered. We are fortunate in that we work with a great number of clients and observe a wide variety of processes. We see firsthand any procedures that are emerging as best practices.

As matters come to our attention, we make note of these for subsequent follow-up. For minor matters we discuss directly with the staff involved. More important matters are brought forward in this letter (known as a management letter).

It is worth noting that we have management letter comments for virtually all audits of all clients. The existence of points does not mean that there are significant problems with your systems or staff. They are just recommendations to make good systems better.

Current Year Observations

- **Corporate Asset Management**

Council is quite aware that the 2018 British Columbia municipal elections resulted in one of the highest ever incidence of new councilors and mayors throughout the province. This changeover has resulted in many municipal councils developing new, far reaching and ambitious plans for their term.

The City is certainly a leader in this area with an ambitious strategic plan for 2019-2022. The plan is exciting since some of the objectives such as Indigenous relations and natural environment are not areas where local government always takes a lead role.

We commend Council for setting these important objectives for the community and would like to take this opportunity to bring forward previous comments we have made regarding the importance of asset management and long-term capital planning. Managing and refreshing the infrastructure is one of the most important responsibilities of any local government, particularly in this age of "infrastructure deficit" which is endemic across North America. Striving for ambitious plans is exciting and will benefit the community, as long as other areas, such as infrastructure management do not take a back seat.

Management Response


Council adopted a Corporate Asset Management policy in 2017 and has been dedicating a portion of annual tax revenues to infrastructure sustainability since 2008. The recently adopted Strategic Plan includes a focus on growth related issues and recognizes the importance of the long-term sustainability of the City's infrastructure.

This communication is prepared solely for the information of management and those charged with governance and is not intended for any other purposes. We accept no responsibility to a third party who uses this communication.

We would like to express our appreciation for the co-operation and assistance which we received from you, Catherine Nolan, Shannon Laxton and the rest of the Finance Department during the course of the audit. Our experience is that the Finance Department is well-prepared for the annual audit, which is a significant contributor to keeping audit costs down.

We shall be pleased to discuss with you further any matters mentioned in this letter at your convenience.

Yours truly,



Bill Cox, FCPA, FCA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants



Brian Szabo, CPA, CA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

BC/mkn

cc: Audit and Finance Committee and Council