
Meeting Access Information

Audit & Finance Committee (AFC) meetings are held in a hybrid format. Members of the AFC and the public can join the meeting in-person in the Blaney room at Maple Ridge City Hall or remotely using the following access information:

Join the meeting from your computer, tablet or smartphone

<https://mapleridge-ca.zoom.us/j/86216286799>

Or join the meeting using your phone

Dial: 1-778-907-2071 Meeting ID: 862 1628 6799

1. **CALL TO ORDER**
2. **APPROVAL OF THE AGENDA**
3. **ADOPTION OF MINUTES** – February 7, 2023
4. **DELEGATIONS**
5. **NEW AND UNFINISHED BUSINESS**
 - 5.1 2022 Audited Financial Statements
 - 5.2 2022 Auditor's Update on the 2022 Financial Statements
6. **QUESTION PERIOD FOR THE PUBLIC**
7. **NOTICE OF CLOSED MEETING**

Recommendation:

THAT, pursuant Section 90 of the *Community Charter*, this portion of the meeting be closed to the public as the subject matter being considered relates to the following:

- 90(1)(l) – Discussions 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].

AND, any other matter that may be brought before the Committee of Council that meets the requirements for a meeting closed to the public pursuant of Section 90 of the *Community Charter* or *Freedom of Information and Protection of Privacy Act*.

8. **ADJOURNMENT**

Next Meeting: To be determined
Agenda Submission Deadline: To be determined

QUESTION PERIOD

Question Period provides the public with the opportunity to ask questions or make comments on subjects that are of concern to them. Each person will be given 2 minutes to speak.

Up to ten minutes in total is allotted for Question Period.

The Minutes of the Regular Meeting of the Audit & Finance Committee
held in the Thornhill Room, City Hall on February 7, 2023 at 9:00 am

COMMITTEE MEMBERS PRESENT

Mayor Ruimy
Councillor Korleen Carreras, Chair
Councillor Jenny Tan

STAFF MEMBERS PRESENT

Scott Hartman	Chief Administrative Officer
Catherine Nolan	Deputy Director of Finance
Christina Crabtree	General Manager Corporate Services
Patrick Hlavac-Winsor	General Counsel and Executive Director, Legislative Service
Trevor Thompson	Director of Finance

GUEST

Brian Szabo	BDO Canada LLP
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1. **CALL TO ORDER – 9:00 am**
2. **APPROVAL OF THE AGENDA**

R/2023-AFC-001

It was moved and seconded

That the agenda for the February 7, 2023 Audit & Finance Committee Meeting be approved as circulated.

CARRIED UNANIMOUSLY

3. **ADOPTION OF MINUTES**

R/2023-AFC-002

It was moved and seconded

That the minutes of the July 4, 2022 Audit & Finance Committee Meeting be adopted as circulated.

CARRIED UNANIMOUSLY

4. **DELEGATIONS – NIL**
5. **NEW AND UNFINISHED BUSINESS**

5.1. Appointment of Chairperson

R/2023-AFC-003

It was moved and seconded

That Councillor Carreras be appointed as Chairperson of the Audit & Finance Committee Meeting for 2023.

CARRIED UNANIMOUSLY

5.2. Role of the Audit & Finance Committee

The Deputy Director of Finance, provided an overview of the role of the Audit & Finance Committee and the role of the External Auditor.

5.3. Review Terms of Reference

R/2023-AFC-004

It was moved and seconded

That the Terms of Reference for the Audit & Finance Committee be approved as circulated with no amendments.

CARRIED UNANIMOUSLY

5.4. Proposed 2023 Work Plan

The Deputy Director of Finance, provided details on the 2023 proposed Work Plan for the Audit & Finance Committee.

R/2023-AFC-005

It was moved and seconded

That the draft 2023 Audit and Finance Committee Work Plan be approved with the addition of an update on Development Cost Charges and Amenity Charges.

CARRIED UNANIMOUSLY

5.5. Proposed Meeting Schedule for 2023

The Deputy Director of Finance, provided details on proposed meetings in Q1, Q2, Q3, and Q4.

5.6. Audit Planning Report for 2022

Brian Szabo, audit partner with BDO Canada LLP provided details on the Audit Planning Report.

- 6. QUESTION PERIOD – NIL**
- 7. NOTICE OF CLOSED MEETING – NIL**
- 8. ADJOURNMENT at 12:30pm**

Councillor Korleen Carreras, Chair



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City of Maple Ridge

TO:	His Worship Mayor Ruimy and Members of Council	MEETING DATE:	May 2, 2023
		FILE NO:	05-1830-20
FROM:	Chief Administrative Officer	MEETING:	CoW
SUBJECT:	2022 Consolidated Financial Statements		

EXECUTIVE SUMMARY:

The purpose of this report is to present the Consolidated Financial Statements (the “Statements”) for the 2022 fiscal year. The City financial statements are a retrospective document intended to communicate the fiscal health and well-being of the community as at December 31 of the previous year. They provide a snapshot of the City’s financial condition at a point in time and its financial performance for the year just ended. The following refers to key terms in public sector financial reporting which are defined on page 2 of this report. In 2022 the City’s Net Financial Position increased by \$17.75 million to \$139.1 million and our Accumulated Surplus increased by \$41.8 million to \$1.334 billion.

The 2022 Statements have been prepared using the accounting standards and reporting model mandated by the Public Sector Accounting Board (PSAB). BDO Canada LLP (BDO) has conducted an audit of the Statements and in order to satisfy current Canadian Auditing Standards, Council must approve the Statements before BDO can issue their final audit opinion. The audit report will be “unqualified”; the highest form of assurance an auditor can provide, indicating the Statements are free of material misstatements and that readers can rely on them for decision making purposes.

RECOMMENDATION:

That the 2022 Consolidated Financial Statements be approved.

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 also 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 provides snapshot of the City's financial condition as at December 31 of the year that just ended. The statements compare our actual financial performance in the year to the activities identified in the applicable 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 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 just ended.

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 summary 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 2022.

The 2022 Statements present the City's results of operations during the year and the financial position as at December 31, 2022. Financial performance is compared to the Financial Plan adopted in May of 2022 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, have conducted an audit of the Statements and will finalize their audit report once Council has approved the statements as noted in the recommendation to this 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 used in the Financial Statements, that are defined here prior to reviewing the statements themselves.

- **Net Financial Position:** provides a snapshot of where the City stood financially in terms of the resources it held and the amounts it owed at December 31, 2022. It is the difference between our financial assets and our liabilities and is considered an indicator of financial flexibility. If Net Financial Position is negative, it is referred to as Net Debt and indicates 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 may indicate 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 1-2

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. Of note, Schedule 2 is a temporary schedule to the Financial Statements and meets the Provincial requirement to provide information regarding the use of the BC Safe Restart funding received by the City. As at the end of 2022, that funding is fully expended and this schedule will not form part of future financial statements.

A discussion of the Financial Statements follows:

Statement of Financial Position

The Statement of Financial Position provides information about the City's financial assets, liabilities, and its non-financial assets. 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 2022, the City had Net Financial Assets of \$139.1 million, an increase of \$17.75 million from 2021. The increase can be attributed to increases in cash and investments of \$8.8 million and accounts receivable of \$9 million.

The other key indicator that appears on the Statement of Financial Position is the Accumulated Surplus. As noted above, this is the total of all of 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 2022, the City's Accumulated Surplus was \$1.334 billion compared to \$1.293 billion for 2021. Of this amount, \$1.177 billion is the book value of the City's tangible capital assets, compared to \$1.154 billion in 2021.

Key items to note on the Statement of Financial Position:

- Combined cash and cash equivalents, and portfolio investments increased by \$8.8 million.
- Accounts receivable and recoverable local improvements Increased by \$9 million with key contributors to the increase being a \$2.3 million increase in accrued grants receivable and an increase in accrued interest receivable of approximately \$4 million.

Statement of Operations

The Statement of Operations reports the City's 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 revenue 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 requirement contributes to a reported Annual Surplus that does not fully represent a cash surplus.

In 2022, the City recorded contributed infrastructure with a value of \$17.56 million; this amount was recognized as revenue. On the expense side, the amortization recorded for these assets was approximately \$1.3 million. The City's Annual Surplus was \$41.8 million and \$16.26 million of that 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 this 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 of Operations. Information about the difference between the Financial Plan and the Financial Statements is shown in Note 19 to the Financial Statements.

The following discusses the Statement of Operations:

Consolidated Revenues: Actual \$201.4 million; Budget \$230.7 million

Not all monies the City receives are recorded as revenues at the time of payment. Monies, such as Development Cost Charges, that are collected for specific works, typically capital in nature, are recorded as restricted revenue and reported as a liability when received. It's only when we do the works funded from these sources that we draw down the liability and recognize the revenue. Until that occurs, the funds remain recorded as a liability.

In 2022, consolidated revenues were below budget by \$29.34 million. This is comprised of variances in a number of categories, particularly those related to capital. The following highlights some of the key variances:

- Government Transfers (grants) revenues were below budget estimates by \$5.58 million due to timing delays in grant funded capital projects.
- Development revenues below budget estimates by \$28.8 million. This is due in large part to factors such as expenditures for DCC funded capital projects not being incurred and, as noted previously, when this happens the funds remain recorded as a liability.
- The value of contributed assets was \$2.4 million below the budgeted provision for this item, noting again that this item does not represent cash received.

While revenues related to the capital program were below budgeted estimates this was offset on the operating side by the following:

- User fees exceeded budgeted estimates by \$2.5 million with key contributors including \$200 thousand from business licences and \$582 thousand from recycling revenues; subdivision inspection fees exceeded targets by \$250 thousand and \$1.1 million from user fees for sewer & water;
- Gaming revenues exceeded budget by \$827 thousand; and,
- Interest income exceeded targets by \$4.1 million.

Consolidated Expenses – Actual \$159.6 million; Budget \$173.3 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 2022, consolidated expenses were below budget by \$13.7 million. Some key items contributing to this result include:

- RCMP contract costs below budget estimates by \$1.6 million;
- Approximately \$9.0 million in projects provided for in 2022 for which work will proceed or continue in 2023; and,
- Savings of approximately \$2.5 million on labour costs, due in part vacancies throughout the organization and ongoing recruitment challenges.

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 2022, the City's financial position increased by \$17.75 million to \$139.1 million.

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 the City invested \$32.6 million to acquire or construct tangible capital assets.

Segment Report

The Segment Report repeats the information found on the Consolidated Statement of Operations but breaks it down into a greater level of detail. On this report, City services have been segmented by grouping activities by function, as directed by PSAB. Where possible, revenues and expenses have been attributed to the appropriate reporting segment. Expenses have been 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	Parks Recreation & Cultural	Planning; Public Health & Other	Transportation	Water	Sewer
Administration	Police	Parks	Planning	Engineering	Water	Sewer
Legal & Legislative	Fire	Leisure Svc	Recycling	Operations		
Economic Dev	Bylaws	Youth Svc	Cemetery	Drainage		
Communications	Inspection Svc	Arts	Social Planning	Roads		
Finance	Emergency Svc	Library				
Human Resources						
Information Svc						

The above discussion focuses on the summary level Consolidated Financial Statements, and, as noted, consists of transactions only with outside parties; internal transactions, such as transfers, are not included. The following section of the report looks at various elements of the organization in isolation, in particular the General Revenue Fund, the Sewer & Water Utilities and the City's reserves.

General Revenue Fund

The majority of the City's diverse day-to-day operations take place within the General Revenue Fund. This includes activities ranging from the development of master plans to guide the community's future, to maintaining infrastructure such as roads to all the activities integral to the delivery of the essential City services.

The accumulated surplus balance in the General Revenue fund is a source of one-time monies that, by policy, is available to Council to fund extraordinary one-time items. The accumulated surplus balance is the cumulative balance of revenues over expenditures and net transfers to reserves over time. It is not the result of a single year of operations, rather the balance has been fluctuating each year since the City was incorporated. At the beginning of 2022, the General Revenue Accumulated Surplus balance was \$8.6 million and the Financial Plan contemplated drawing that balance down by \$1.4 million. As a result of variations between budgeted and actual results and Council decisions to use surplus to advance a strategic land acquisition we ended 2022 by drawing the accumulated surplus balance down by \$2.8 million to \$5.73 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 and the related infrastructure. A large portion of the costs in the utilities are driven by the Regional District and Council has historically employed a rate stabilization practice to manage fluctuations in these costs. Under this practice, we will see cycles where Accumulated Surplus amounts are deliberately built up over a period of time, then subsequently drawn down 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.

The Financial Plan included activities that would have seen the Accumulated Surplus balances in the Water Utility drawn down by \$2.2 million and in the Sewer Utility by \$1.8 million. As with the General Revenue Fund, variations between budgeted and actual results final results differed. We saw the Water Utility Accumulated Surplus was increased slightly and the Sewer Utility Accumulated Surplus was drawn down slightly.

The following shows the Accumulated Surplus amounts in each of the General Revenue fund and the Sewer and Water Utilities, and can also be found in Note 14 to the Financial Statements:

	2022	2021
General Revenue	\$ 5,727,398	\$ 8,563,194
Sewer Utility	5,937,537	5,966,930
Water Utility	<u>13,793,118</u>	<u>13,707,170</u>
	<u>\$ 25,458,053</u>	<u>\$ 28,237,294</u>

Reserves

The City's Reserves are an important financial planning tool, providing a mechanism to build capacity over time to undertake strategic projects or address long-term infrastructure sustainability requirements. They are reviewed on a regular basis to assess their adequacy, with adjustments made when capacity permits.

The City's Reserves consist of two distinct categories, Reserve Funds and Reserve Accounts. 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.

Note 15 to the Financial Statements provides a listing of all the City's Reserves showing an opening balance of \$139.7 million and a closing balance of \$156.9 million. Contributors to the increase of \$17.1 million include the following:

- | | |
|--|-----------------|
| • Allocation of interest earnings | \$ 1.8 million |
| • Ongoing studies & projects | \$ 9.0 million |
| • Capital Projects in progress | \$ 7.8 million |
| • RCMP Contract savings | \$ 1.6 million |
| • Funding PRC projects (Albion Community Centre) | \$(4.0) million |

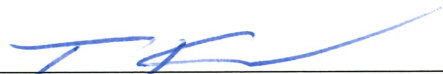
CONCLUSION:

The 2022 Consolidated Financial Statements (the "Statements") have been prepared using the accounting standards and reporting model mandated by the Public Sector Accounting Board (PSAB). BDO Canada LLP (BDO) has conducted an audit of the Financial Statements. In order to satisfy current Canadian Accounting Standards, Council must formally approve the Statements before BDO can issue their final audit opinion. 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.

As noted previously, the City's Financial Statements represent a snapshot of the City's Financial Position on December 31, 2022. We ended the year with an Annual Surplus amount of \$41.8 million, an Accumulated Surplus balance of \$1.29 billion, and Net Financial Assets of \$139.1 million.



Prepared by: Catherine Nolan, CPA, CGA
Deputy Director of Finance



Reviewed by: Trevor Thompson, BBA, CPA, CGA
Director of Finance



Approved by: Christina Crabtree
GM, Corporate Services



Concurrence: Scott Hartman
Chief Administrative Officer

Appendices:

- (A) 2022 Consolidated Financial Statements
- (B) BDO Audit Results Letter

City of Maple Ridge

Financial Statements and Auditor's Report

For the Year Ended December 31, 2022



The information in this 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.

A blue ink signature of Scott Hartman, consisting of stylized, overlapping loops and strokes.

Scott Hartman
Chief Administrative Officer

A blue ink signature of Trevor Thompson, featuring a long horizontal stroke with several smaller, curved strokes above and below it.

Trevor Thompson, BBA, CPA, CGA
Director of Finance

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 (the "City"), which comprise the Consolidated Statement of Financial Position as at December 31, 2022, the Consolidated Statements of Operations, Changes in Net Financial Assets and Cash Flows for the year then ended, and notes and schedules, 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 financial position of the City as at December 31, 2022 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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.

Unaudited Information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of 'Schedule 2 - Schedule for BC Safe Restart Grant' that is included in these consolidated financial statements.

Chartered Professional Accountants

Vancouver, British Columbia
[REPORT DATE]

Consolidated Statement of Financial Position

as at December 31, 2022

	2022	2021
Financial Assets		
Cash and cash equivalents (Note 1)	\$ 22,933,056	\$ 116,531,792
Portfolio investments (Note 2)	253,251,692	150,882,727
Accounts receivable (Note 3)	25,283,520	16,238,012
Recoverable local improvements (Note 4)	614,913	772,641
Other assets (Note 5)	1,146,868	1,121,812
Inventory available for resale	56,169	56,169
	<u>303,286,218</u>	<u>285,603,153</u>
Liabilities		
Accounts payable and accrued liabilities (Note 6)	32,565,424	32,035,516
Deferred revenue (Note 8)	19,475,845	18,065,700
Restricted revenue (Note 9)	38,878,746	38,083,113
Refundable performance deposits and other	27,470,091	25,945,403
Employee future benefits (Note 10)	2,861,700	3,145,300
Debt (Note 11)	42,930,686	46,975,903
	<u>164,182,492</u>	<u>164,250,935</u>
Net Financial Assets	<u>139,103,726</u>	<u>121,352,218</u>
Non Financial Assets		
Tangible capital assets (Note 12, Schedule 1)	1,177,844,681	1,154,325,050
Undeveloped land bank properties (Note 13)	15,526,529	15,526,529
Supplies inventory	610,871	533,617
Prepaid expenses	1,456,190	1,003,351
	<u>1,195,438,271</u>	<u>1,171,388,547</u>
Accumulated Surplus (Note 14)	<u>\$ 1,334,541,997</u>	<u>\$ 1,292,740,765</u>

Scott Hartman
Chief Administrative Officer

Trevor Thompson, BBA, CPA, CGA
Director of Finance

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, 2022

	Budget 2022 Note 19	Actual 2022	Actual 2021
Revenue (Segment Report, Note 23)			
Taxes for municipal purposes (Note 16)	\$ 103,991,814	\$ 104,187,540	\$ 99,296,699
User fees and other revenue	52,910,221	55,431,092	50,497,200
Government transfers (Note 17)	12,910,331	7,325,205	6,803,129
Development revenue	37,457,515	8,634,346	5,016,024
Interest and investment income	2,694,988	6,801,307	2,411,236
Gaming revenues	750,004	1,576,904	780,946
Refinancing and asset disposal losses	-	(149,126)	(1,065,038)
Contributed tangible capital assets (Note 12)	<u>20,000,000</u>	<u>17,560,027</u>	<u>16,435,062</u>
	230,714,873	201,367,295	180,175,258
Expenses (Segment Report, Note 23)			
Protective services	52,284,717	48,800,726	45,049,842
Transportation services	27,487,924	26,247,478	22,798,719
Parks, recreation & cultural	26,669,074	24,654,225	21,263,223
Water utility	19,652,587	17,441,267	16,757,542
Sewer utility	15,576,404	13,339,392	13,395,349
General government	23,238,572	21,830,513	20,074,697
Planning, public health and other	<u>8,352,812</u>	<u>7,252,462</u>	<u>7,173,527</u>
	173,262,090	159,566,063	146,512,899
Annual Surplus	<u>57,452,783</u>	<u>41,801,232</u>	<u>33,662,359</u>
Accumulated Surplus - beginning of year	<u>1,292,740,765</u>	<u>1,292,740,765</u>	<u>1,259,078,406</u>
Accumulated Surplus - end of year (Note 14)	<u>\$ 1,350,193,548</u>	<u>\$ 1,334,541,997</u>	<u>\$ 1,292,740,765</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, 2022

	Budget 2022 Note 19	Actual 2022	Actual 2021
Annual Surplus	\$ 57,452,783	\$ 41,801,232	\$ 33,662,359
Add (Less):			
Change in Tangible Capital Assets			
Acquisition of tangible capital assets	(187,741,339)	(50,169,026)	(57,444,676)
Amortization	24,593,930	26,466,120	23,863,066
Proceeds from disposal of tangible capital assets	-	34,149	139,110
Loss on disposal of tangible capital assets	-	149,126	1,565,038
	<u>(163,147,409)</u>	<u>(23,519,631)</u>	<u>(31,877,462)</u>
Change in Other Non Financial Assets			
Increase in supplies inventory	-	(77,254)	(71,664)
Increase in prepaid expenses	<u>-</u>	<u>(452,839)</u>	<u>(150,135)</u>
	-	(530,093)	(221,799)
Increase (decrease) in Net Financial Assets	(105,694,626)	17,751,508	1,563,098
Net Financial Assets beginning of the year	<u>121,352,218</u>	<u>121,352,218</u>	<u>119,789,120</u>
Net Financial Assets end of the year	<u>\$ 15,657,592</u>	<u>\$ 139,103,726</u>	<u>\$ 121,352,218</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, 2022

	Actual 2022	Actual 2021
Operating transactions		
Annual surplus	\$ 41,801,232	\$ 33,662,359
Items not utilizing cash		
Amortization	26,466,120	23,863,066
Loss on disposal of assets	149,126	1,065,038
Contributed tangible capital assets	(17,560,027)	(16,435,062)
Actuarial adjustment on debt	(500,883)	(440,357)
Restricted revenues recognized	(7,969,147)	(4,550,168)
	<u>585,189</u>	<u>3,502,517</u>
Change in non-cash operating items		
Increase in prepaid expenses	(452,839)	(150,135)
Increase in supplies inventory	(77,254)	(71,664)
Decrease (increase) in accounts receivable	(9,045,508)	(1,205,428)
Decrease in recoverable local improvements	157,728	403,071
Increase in other assets	(25,056)	(307,415)
Increase (decrease) in accounts payable and accrued liabilities	529,908	3,987,620
Increase (decrease) in deferred revenue	1,410,145	2,779,302
Increase (decrease) in refundable performance deposits	1,524,688	5,471,404
(Decrease) in employee future benefits	(283,600)	(202,900)
	<u>(6,261,788)</u>	<u>10,703,855</u>
Cash provided by operating transactions	36,124,633	47,868,731
Capital transactions		
Proceeds on disposal of tangible capital assets	34,149	139,110
Cash used to acquire tangible capital assets	(32,608,999)	(41,009,614)
	<u>(32,574,850)</u>	<u>(40,870,504)</u>
Investing transactions		
Proceeds on disposal of land available for sale	-	500,000
(Increase) decrease in portfolio investments	(102,368,965)	(60,562,493)
	<u>(102,368,965)</u>	<u>(60,062,493)</u>
Financing transactions		
Proceeds from debt issues	-	29,000,000
Debt repayment	(3,544,334)	(2,260,235)
Collection of restricted revenues	8,764,780	11,894,417
	<u>5,220,446</u>	<u>38,634,182</u>
(Decrease) increase in cash and cash equivalents	(93,598,736)	(14,430,084)
Cash and cash equivalents - beginning of year	116,531,792	130,961,876
Cash and cash equivalents - end of year	<u>\$ 22,933,056</u>	<u>\$ 116,531,792</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, 2022

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 during construction. 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 estimated 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.

A liability for remediation of a contaminated site is recognized when a site is not in productive use or an unexpected event occurs 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 remediation and 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, 2021 or December 31, 2020.

(f) Landfill Closure and Post Closure Costs

The Ministry of Environment establishes certain requirements for the closure and post closure monitoring of landfill sites. The obligation for closure and post closure costs associated with the City's former landfill is based on the present value of estimated future expenses.

(g) Expense Recognition

Expenses are recorded using the accrual basis of accounting whereby expenses are recognized as they are incurred and measurable based upon receipt of goods and services and/or the legal obligation to pay.

**(h) 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 in the City's revenues.

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 when the services are provided.

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.

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. Contributed tangible capital assets are recorded at their estimated fair value at the time of contribution and are also recorded as revenue.

(i) Use of estimates/measurement uncertainty

The preparation of financial statements 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, landfill closure and post closure obligations, the outcome of litigation and claims, and the percentage of completion of buildings and subdivision inspections. Actual results could differ from these estimates.

(j) Budget figures

The budget figures reported in the Consolidated Financial Statements represent the 2022 component of the Financial Plan Bylaw, No. 7727-2021, adopted by Council on May 10, 2022.

(k) 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.

(l) 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 term to maturity of three months or less.

(m) Portfolio Investments

Investments with an original term to maturity of more than three months from the date of acquisition 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.

(n) Basis of segmentation

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.

(o) 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. As this is a multi-employer plan, no liability is attributed to the City and no liability is recorded in the financial statements.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

1. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2022 were comprised as follows:

	<u>Dec 31, 2022</u>	<u>Dec 31, 2021</u>
Cash	\$ 7,443,999	\$ 108,452,634
Cash equivalents	<u>15,489,057</u>	<u>8,079,158</u>
	<u>\$ 22,933,056</u>	<u>\$ 116,531,792</u>

Cash equivalents were comprised of a pooled mortgage fund with an effective interest rate of 3.10% (4.82% for 2021).

2. Portfolio Investments

Portfolio investments include Canadian bank notes, Guaranteed Investment Certificates and BC Credit Union term deposits with effective interest rates of 1.41% - 5.48%. 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.

The carrying value of portfolio investments at December 31, 2022 was \$253,251,692 (\$150,882,727 for 2021). The market value of portfolio investments at December 31, 2022 was \$243,693,597 (\$151,802,777 for 2021).

3. Accounts Receivable

	<u>2022</u>	<u>2021</u>
Property Taxes	\$ 6,400,737	\$ 5,594,269
Other Governments	6,343,201	3,178,097
General and Accrued Interest	8,672,159	4,257,060
Development Cost Charges	<u>4,077,852</u>	<u>3,395,482</u>
	25,493,949	16,424,908
Less: Allowance for Doubtful Accounts	<u>(210,429)</u>	<u>(186,896)</u>
	<u>\$ 25,283,520</u>	<u>\$ 16,238,012</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. As part of each loan issuance, 1% of the gross debt proceeds are held back by the MFA to form the MFA's Debt Reserve Fund (DRF). The amounts in the DRF are held in trust for each borrower by the MFA, as protection against borrower default. Upon maturity of each debt issue, the DRF and any interest earned is discharged to the borrower. The City has estimated that there is only a remote possibility that these funds will not be recovered and therefore these funds have been included in Other Assets of \$1,146,868 (\$1,121,812 for 2021).

6. Accounts Payable and Accrued Liabilities

	<u>2022</u>	<u>2021</u>
Accounts Payable:		
General	\$ 11,227,439	\$ 9,779,172
Other Governments	14,401,385	14,853,709
Salaries and Wages	<u>1,344,351</u>	<u>1,639,827</u>
	26,973,175	26,272,708
Accrued Liabilities:		
Landfill Liability	3,454,381	3,750,986
Vacation Pay	1,071,537	887,756
Other Employment Benefits	<u>1,066,331</u>	<u>1,124,066</u>
	<u>5,592,249</u>	<u>5,762,808</u>
	<u>\$ 32,565,424</u>	<u>\$ 32,035,516</u>

The City's Landfill closed in 1989 and legislation requires closure and post closure care of solid waste landfill sites. Closure is estimated to be completed in 2030 and includes final covering, landscaping, erosion control, leachate and gas management. Post closure requirements extend for 30 years beyond completion of the closure plan and includes inspection and maintenance of the final covering, ground water monitoring, gas management systems operations, inspections and annual reports.

The liability recognized in the consolidated financial statements is the present value of the expected future cash flows for the closure and post closure care activities and is subject to measurement uncertainty. The inflation rate used was 3.08% (2.16% for 2021) and the discount rate was 4.07% (2.59% for 2021). As at the Consolidated Financial Statement date the feasibility of a revised closure plan is being considered. Should a revised plan be approved by the provincial regulator, it is expected the liability will increase.

7. Contingencies and Commitments:

- (a) Where losses related to litigation are likely and can be reasonably estimated management accrues its best estimate of loss. 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 determined. Any ultimate settlements will be recorded in the year the settlements can be determined and are not expected to be material.

- (b) 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 \$706,000. Additional ice time is purchased separately. These payments are recorded as expenses when the ice time is provided.
- (c) The City is a shareholder and member of E-Comm Emergency Communications for British Columbia Incorporated ("E-Comm") whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The city has 2 Class A share and 1 Class B shares (of a total of 37 Class A shares and 18 Class B shares issued and outstanding as of December 31, 2022).

As a class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.

8. Deferred Revenues

Deferred revenues held by the City were comprised as follows:

	<u>December 31, 2021</u>	<u>Additions</u>	<u>Revenue earned</u>	<u>December 31, 2022</u>
Property taxes	\$ 8,589,236	\$ 17,332,653	\$ 16,783,679	\$ 9,138,210
Connection Revenues	1,841,494	832,804	816,331	1,857,967
Other	<u>7,634,970</u>	<u>6,053,218</u>	<u>5,208,520</u>	<u>8,479,668</u>
	<u>\$ 18,065,700</u>	<u>\$ 24,218,675</u>	<u>\$ 22,808,530</u>	<u>\$ 19,475,845</u>

9. Restricted Revenues

Restricted revenues held by the City were comprised as follows:

	<u>December 31, 2021</u>	<u>Collections/Interest</u>	<u>Disbursements</u>	<u>December 31, 2022</u>
Development cost charges	\$ 21,077,096	\$ 5,533,077	\$ (7,215,685)	\$ 19,394,488
Parkland acquisition charges	2,195,991	350,922	-	2,546,913
Amenity Charges	7,003,779	2,267,542	(622,901)	8,648,420
Parking Charges	999,812	70,847	-	1,070,659
Other	<u>6,806,435</u>	<u>542,392</u>	<u>(130,561)</u>	<u>7,218,266</u>
	<u>\$ 38,083,113</u>	<u>\$ 8,764,780</u>	<u>\$ (7,969,147)</u>	<u>\$ 38,878,746</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, 2021 and updated for December 31, 2022. The valuation resulted in a cumulative unamortized actuarial gain of **\$290,000** at December 31, 2022, (cumulative unamortized loss of \$64,200 for 2021). Actuarial gains or losses are amortized over the expected average remaining service life of employees. The benefit liability at December 31, 2022 was **\$2,861,700**, (\$3,145,300 for 2021) comprised as follows:

	<u>2022</u>	<u>2021</u>
Accrued benefit obligation, beginning of year	\$ 3,209,500	\$ 3,317,900
Add: Current service costs	183,200	200,400
Interest on accrued benefit obligation	70,900	49,100
Actuarial (gain)/loss	(290,000)	82,300
Less: Benefits paid during the year	<u>(532,400)</u>	<u>(440,200)</u>
Accrued benefit obligation, end of year	2,641,200	3,209,500
 Add: Unamortized actuarial (loss)/gain	 <u>220,500</u>	 <u>(64,200)</u>
Accrued Benefit liability	<u>2,861,700</u>	<u>3,145,300</u>

10. Employee Future Benefits (cont'd)

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

	2022	2021
Discount rate (long-term borrowing rate)	4.30 %	2.25 %
Expected future inflation rate	2.00 %	2.00 %
Merit and inflationary wage and salary increases averaging	2.68 %	2.73 %
Estimated average remaining service life of employees (years)	12.0	12.0

11. Debt

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. During the year, the City's outstanding debt balance was reduced by a combination of direct principal payments and sinking fund earnings totaling **\$4,045,217** (\$2,700,592 for 2021). Interest payments for the year totalled **\$1,632,244** (\$1,581,216 for 2021).

The gross amount of debt less sinking fund installments and actuarial adjustments to date are as follows:

MFA Issue	Bylaw No.	Purpose	Rate	Due	Gross Debt	Cumulative Payments	2022 Debt Outstanding	2021 Debt Outstanding
93	6246	Downtown Civic Facilities	5.70%	2027	32,100,000	22,992,077	9,107,923	10,782,231
99	6246	Downtown Office Complex	5.00%	2026	16,300,000	12,041,938	4,258,061	5,251,753
121	6560	Animal Shelter	2.90%	2027	625,000	377,911	247,089	291,492
121	6559	Cemetery Expansion	2.90%	2037	1,520,000	441,899	1,078,101	1,130,022
121	6679	Cemetery Expansion	2.90%	2037	700,000	203,506	496,494	520,405
153	6558	Fire Hall #4	2.41%	2031	6,000,000	550,409	5,449,591	6,000,000
153	7370	Leisure Ctr. Reno	2.41%	2046	3,500,000	107,522	3,392,478	3,500,000
153	7371	Synthetic Field	2.41%	2046	7,000,000	215,044	6,784,956	7,000,000
153	7372	Albion Community Ctr.	2.41%	2046	8,500,000	261,125	8,238,875	8,500,000
153	7374	Hammond Community Ctr.	2.41%	2046	2,000,000	61,441	1,938,559	2,000,000
153	7376	MRSS Track Facility	2.41%	2046	2,000,000	61,441	1,938,559	2,000,000
					<u>80,245,000</u>	<u>37,314,313</u>	<u>42,930,686</u>	<u>46,975,903</u>

The following debenture debt amounts plus projected Sinking Fund earnings are payable over the next five years and thereafter are as follows:

	Debt Payments
2023	\$ 3,599,153
2024	3,647,762
2025	3,697,744
2026	3,749,136
2027	3,254,597
Thereafter	15,974,864
Actuarial earnings	9,007,430
	<u>\$ 42,930,686</u>

The City has the following authorized but unissued financing available as at December 31, 2022:

L/A Bylaw	L/A Amount	L/A Bylaw	L/A Amount
#6560	\$ 275,000	#6679	\$ 1,100,000
#7373	1,000,000	#7374	500,000
#7375	1,000,000	#7376	500,000
#7377	23,500,000		
	Total		\$ 27,875,000

12. Tangible Capital Assets

		<u>Net book value</u>	
		<u>2022</u>	<u>2021</u>
Land	\$	296,648,241	\$ 287,303,392
Buildings		84,764,834	85,896,611
Transportation network		224,884,037	216,622,442
Storm sewer system		222,877,103	222,817,744
Fleet and equipment		22,175,953	20,263,737
Technology		5,672,612	6,217,561
Water system		138,161,075	136,157,705
Sanitary sewer system		141,310,826	141,032,148
Other		41,350,000	38,013,710
	\$	<u>1,177,844,681</u>	\$ <u>1,154,325,050</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1)

During the year there were no write-downs of assets (2021 - \$Nil). In addition, the fair value of roads and related infrastructure, underground networks and land contributed to the City totaled **\$17,560,027** (\$16,435,062 for 2021) and was capitalized and recorded as revenue 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 2022 is **\$1,334,545,933** (\$1,292,740,765 for 2021) and is distributed as follows:

		<u>2022</u>	<u>2021</u>
Operating surplus	General	\$ 5,727,398	\$ 8,563,194
	Sewer	5,937,537	5,966,930
	Water	<u>13,793,118</u>	<u>13,707,170</u>
		25,458,053	28,237,294
Equity in the capital funds	General	867,398,256	842,930,177
	Sewer	143,022,206	142,398,327
	Water	<u>141,808,064</u>	<u>139,437,695</u>
		1,152,228,526	1,124,766,199
Reserves	Funds	49,015,284	44,524,272
	Accounts	<u>107,840,134</u>	<u>95,213,000</u>
		156,855,418	139,737,272
Accumulated Surplus		\$ <u>1,334,541,997</u>	\$ <u>1,292,740,765</u>

15. Reserves

	<u>December 31,</u> <u>2021</u>	<u>Interest</u> <u>Allocated</u>	<u>Contributions/</u> <u>Transfers</u>	<u>Use of</u> <u>Reserves</u>	<u>December 31,</u> <u>2022</u>
Reserve Funds					
Local Improvement	\$ 2,669,747	\$ 40,817	\$ -	\$ -	\$ 2,710,564
Equipment Replacement	19,583,271	429,002	3,134,544	(1,959,854)	21,186,963
Capital Works	16,176,221	338,432	3,344,418	(1,768,502)	18,090,569
Fire Department Capital Acquisition	4,094,702	104,717	1,196,111	(357,649)	5,037,881
Sanitary Sewer	1,227,204	25,219	-	(52,153)	1,200,270
Land	<u>773,127</u>	<u>15,910</u>	<u>-</u>	<u>-</u>	<u>789,037</u>
Total Reserve Funds	<u>44,524,272</u>	<u>954,097</u>	<u>7,675,073</u>	<u>(4,138,158)</u>	<u>49,015,284</u>
Reserve Accounts					
Specific Projects - Capital	13,799,761	-	5,511,139	(3,945,358)	15,365,542
Specific Projects - Operating	9,846,884	-	6,089,562	(7,135,909)	8,800,537
Self Insurance	653,809	13,600	45,000	(67,842)	644,567
Police Services	9,746,964	273,121	1,624,451	(415,401)	11,229,135
Fire Services	485,230	9,983	-	(48,543)	446,670
Core Development	1,724,172	35,036	5,918,375	(6,237,915)	1,439,668
Recycling	4,106,894	86,424	646,902	(410,325)	4,429,895
Community Safety Initiatives	772,746	-	-	(188,808)	583,938
Building Inspections	3,569,030	73,440	-	-	3,642,470
Gravel Extraction	912,857	19,613	59,349	(5,846)	985,973
Community Works (Gas Tax)	966,576	17,497	315,198	(24,988)	1,274,283
Facility Maintenance	448,144	18,267	2,140,000	(2,087,874)	518,537
Snow Removal	850,061	-	-	(143,372)	706,689
Park & Recreation Improvements	5,310,021	-	2,379,997	(4,302,480)	3,387,538
Cemetery Maintenance	256,840	-	160,241	(13,568)	403,513
Infrastructure Sustainability (Town Centre Bldgs)	-	-	794,200	(559,531)	234,669
Infrastructure Sustainability (Roads)	5,415,418	124,817	4,280,587	(4,366,308)	5,454,514
Infrastructure Sustainability (Drainage)	3,341,593	76,600	1,050,884	(814,673)	3,654,404
Drainage Improvements	5,797,872	140,887	2,000,239	(323,047)	7,615,951
Gaming Revenues	2,253,496	-	1,576,904	(766,324)	3,064,076
Self Insurance (Sewer)	171,940	-	6,504	-	178,444
Self Insurance (Water)	152,252	-	6,504	(6,542)	152,214
Specific Projects (Sewer)	11,762,103	-	7,482,001	(2,645,605)	16,598,499
Specific Projects (Water)	<u>12,868,337</u>	<u>-</u>	<u>6,648,396</u>	<u>(2,488,325)</u>	<u>17,028,408</u>
Total Reserve Accounts	<u>95,213,000</u>	<u>889,285</u>	<u>48,736,433</u>	<u>(36,998,584)</u>	<u>107,840,134</u>
Total Reserves	<u>\$ 139,737,272</u>	<u>1,843,382</u>	<u>56,411,506</u>	<u>(41,136,742)</u>	<u>156,855,418</u>

16. Property Tax Levies

In addition to its own tax levies, the City is required to collect 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>2022 Budget</u>	<u>2022</u>	<u>2021</u>
Municipal Tax Levies	\$ 103,991,814	\$ 104,187,540	\$ 99,296,699
Levies for other authorities			
School taxes	47,004,053	46,999,301	42,974,954
TransLink	9,437,278	9,441,526	8,277,785
British Columbia Assessment	1,419,700	1,420,328	1,259,526
Metro Vancouver Regional District	2,061,422	2,061,483	1,693,254
Dyking Districts	1,144,538	1,144,538	744,042
Municipal Finance Authority	<u>7,877</u>	<u>7,879</u>	<u>6,003</u>
Total Collections for Others	<u>61,074,868</u>	<u>61,075,055</u>	<u>54,955,564</u>
Total Tax Levies	<u>\$ 165,066,682</u>	<u>\$ 165,262,595</u>	<u>\$ 154,252,263</u>

17. Government Transfers

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

	2022			2021
	Capital	Operating	Total	Total
Federal Government	\$ 500,837	\$ 419,118	\$ 919,955	\$ 1,697,618
Provincial Government	331,557	2,425,882	2,757,439	2,518,261
TransLink	1,986,977	1,644,398	3,631,375	2,559,687
Other	16,436	-	16,436	27,563
Total	<u>\$ 2,835,807</u>	<u>\$ 4,489,398</u>	<u>\$ 7,325,205</u>	<u>\$ 6,803,129</u>

18. Trust Funds

Certain assets have been conveyed or assigned to the City to be administered as directed by an agreement or statute. The City holds the assets for the benefit of, and stands in a fiduciary relationship, to the beneficiary. The following trusts are excluded from the City's consolidated financial statements:

	Balance Dec 31, 2021	Interest Earned	Receipts	Disbursements	Balance Dec 31, 2022
Latecomer Fees	\$ -	\$ -	\$ 776,201	\$ (2,940)	\$ 773,261
Cemetery Perpetual Care	1,410,782	3,345	87,586	(3,345)	1,498,368
Election Surplus	8,690	111	-	(8,801)	-
Metro Vancouver Sewer & Drainage District	2,222,066	-	1,598,490	(1,704,548)	2,116,008
TransLink	919,448	-	810,228	(1,038,733)	690,943
School Site Acquisition Fees	-	-	26,100	-	26,100
Road 13 Dyking District	1,420,980	-	179,951	(20,035)	1,580,896
Albion Dyking District	2,401,485	-	311,286	(5,763)	2,707,008
	<u>\$ 8,383,451</u>	<u>\$ 3,456</u>	<u>\$ 3,789,842</u>	<u>\$ (2,784,165)</u>	<u>\$ 9,392,584</u>

19. Expenses and Expenditures by Object

	Operations	Capital Acquisitions	2022 Total	2022 Budget	2021 Total
Goods and services	\$ 76,937,666	\$ 31,742,700	\$ 108,680,366	\$ 257,620,023	\$ 110,720,871
Wages and salaries	54,459,133	866,299	55,325,432	57,029,491	51,308,259
Interest	1,703,144	-	1,703,144	1,759,984	1,630,317
Total	133,099,943	32,608,999	165,708,942	316,409,498	163,659,447
Amortization expenses	26,466,120	-	26,466,120	24,593,930	23,863,066
Contributed tangible capital assets	-	17,560,027	17,560,027	20,000,000	16,435,062
Total Expenses and Expenditures	<u>\$ 159,566,063</u>	<u>\$ 50,169,026</u>	<u>\$ 209,735,089</u>	<u>\$ 361,003,428</u>	<u>\$ 203,957,575</u>

20. Budget

Budget amounts represent the Financial Plan Bylaw adopted by Council on May 10, 2022. 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 the reconciliation of the amounts presented on the financial statements to the approved budget:

Revenue	
Taxation	\$ 103,991,814
User fees and other revenue	52,910,221
Other	53,812,838
Contributed subdivision infrastructure	<u>20,000,000</u>
Total Revenue	<u><u>230,714,873</u></u>
Expenses	
Protective services	52,284,717
Transportation services	27,487,924
Recreation and cultural	26,669,074
Water utility	19,652,587
Sewer utility	15,576,404
General Government	23,238,572
Planning, public health and other	<u>8,352,812</u>
Total expenses	<u><u>173,262,090</u></u>
Annual Surplus	<u><u>\$ 57,452,783</u></u>
Less:	
Capital expenditures	187,741,338
Debt repayment	4,055,066
Add:	
Interfund transfers	80,848,953
Amortization	24,593,930
Borrowing proceeds	<u>28,900,738</u>
Financial Plan Bylaw	<u><u>\$ -</u></u>

21. Contractual Rights

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 estimated 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. Estimated fair value is determined at the time the assets are recognized.

22. Municipal Pension Plan

The City of Maple Ridge 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 2021, the plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 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, 2021, indicated a \$3.761 million funding surplus for basic pension benefits on a going concern basis.

The City of Maple Ridge paid **\$4,060,332** (2021 \$3,848,908) for employer contributions while employees contributed **\$3,567,537** (2021 \$3,218,889) to the plan in fiscal 2022.

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

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

23. 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.

Parks, Recreation & Cultural Services

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.

23. Segmented Information (cont'd)

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. Commercial operations are also included in this segment.

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.

Segment Report

Consolidated Report of Segmented Revenue and Expenses

For the year ended December 31, 2022

	Protective Services	Transportation Services	Recreation and Cultural	Water Utility	Sewer Utility
Revenue					
Tax revenue	\$ -	\$ -	\$ -	\$ 155,558	\$ 996,800
Other revenues	5,875,627	901,510	3,351,390	21,694,371	15,667,907
Government transfers	1,655,024	4,213,176	918,128	35,871	(48,076)
Development revenue	13,557	1,842,314	5,602,176	289,867	455,612
Interest and investment income	-	-	-	-	-
Gaming Revenues					
Asset disposal gain(loss)	(255)	402,270	(22,348)	(177,979)	(346,387)
Contributed infrastructure	<u>-</u>	<u>9,159,013</u>	<u>4,883,000</u>	<u>2,569,439</u>	<u>948,575</u>
Total Revenue	7,543,953	16,518,283	14,732,346	24,567,127	17,674,431
Expenses					
Operating:					
Goods and services	26,434,870	5,718,797	11,185,867	12,454,810	9,924,530
Labour	19,952,549	7,044,600	9,397,819	2,138,161	587,174
Debt Servicing	<u>140,853</u>	<u>-</u>	<u>1,016,796</u>	<u>-</u>	<u>-</u>
Sub total	46,528,272	12,763,397	21,600,482	14,592,971	10,511,704
Amortization	<u>2,272,455</u>	<u>13,484,080</u>	<u>3,053,742</u>	<u>2,848,297</u>	<u>2,827,687</u>
Total Expenses	<u>48,800,727</u>	<u>26,247,477</u>	<u>24,654,224</u>	<u>17,441,268</u>	<u>13,339,391</u>
Excess (deficiency) of revenue over expenses	\$ <u>(41,256,774)</u>	\$ <u>(9,729,194)</u>	\$ <u>(9,921,878)</u>	\$ <u>7,125,859</u>	\$ <u>4,335,040</u>

General Government	Commercial Tower	Planning Public Health & Other	Unallocated	Total 2022 Actual	Total Budget	Total 2021 Actual
\$ -	\$ -	\$ 2,482,585	\$ 100,552,597	\$ 104,187,540	\$ 103,991,814	\$ 99,296,699
2,203,702	2,065,407	3,671,178	-	55,431,092	52,910,221	50,497,200
540,098	-	10,984	-	7,325,205	12,910,331	6,803,129
418,320	-	12,500	-	8,634,346	37,457,515	5,016,024
-	-	-	6,801,307	6,801,307	2,694,988	2,411,236
-	-	-	1,576,904	1,576,904	750,004	780,946
(4,427)	-	-	-	(149,126)	-	(1,065,038)
-	-	-	-	17,560,027	20,000,000	16,435,062
3,157,693	2,065,407	6,177,247	108,930,808	201,367,295	230,714,873	180,175,258
6,720,834	710,352	3,787,606	-	76,937,666	89,878,685	70,531,201
12,216,418	-	3,122,412	-	54,459,133	57,029,491	50,488,315
136,579	367,061	41,855	-	1,703,144	1,759,984	1,630,317
19,073,831	1,077,413	6,951,873	-	133,099,943	148,668,160	122,649,833
1,679,270	-	300,589	-	26,466,120	24,593,930	23,863,066
20,753,101	1,077,413	7,252,462	-	159,566,063	173,262,090	146,512,899
\$ (17,595,408)	\$ 987,994	\$ (1,075,215)	\$ 108,930,808	\$ 41,801,232	\$ 57,452,783	\$ 33,662,359

Schedule 1

Schedule of Tangible Capital Assets

For the year ended December 31, 2022

	Land ²	Building	Transportation Network	Storm System
Historical Cost ¹				
Opening cost	\$ 287,303,392	\$ 144,466,521	\$ 356,899,006	\$ 300,231,449
Additions	9,344,849	2,204,111	15,465,590	5,150,298
Disposals	-	(12,888)	638,319	(1,618,499)
	<u>296,648,241</u>	<u>146,657,744</u>	<u>373,002,915</u>	<u>303,763,248</u>
Accumulated Amortization				
Opening balance	-	58,569,910	140,276,564	77,413,705
Amortization expense	-	3,330,583	8,633,596	4,049,654
Effect of disposals	-	(7,583)	(791,282)	(577,211)
	<u>-</u>	<u>61,892,910</u>	<u>148,118,878</u>	<u>80,886,148</u>
Net Book Value as at December 31, 2022	<u>\$ 296,648,241</u>	<u>\$ 84,764,834</u>	<u>\$ 224,884,037</u>	<u>\$ 222,877,100</u>
Net Book Value as at December 31, 2021	\$ 287,303,392	\$ 85,896,611	\$ 216,622,442	\$ 222,817,744

¹ Historical cost includes work in progress at December 31, 2022 of **\$14,756,896** (\$31,977,067 for 2021) comprised of: Land \$658,032 (\$614,988 for 2021); Buildings \$111,063 (\$20,275,525 for 2021); Transportation network \$6,027,059 (\$876,825 for 2021); Storm system \$24,641 (\$24,641 for 2021); Fleet and equipment \$437,010 (\$430,962 for 2021); Technology \$248,001 (\$177,218 for 2021); Water system \$1,776,196 (\$1,960,180 for 2021); Sanitary system \$3,856,060 (\$6,697,799 for 2021); and Other \$1,618,834 (\$918,930 for 2021). Work in progress is not amortized.

² Additions to land are net of \$-Nil (\$-Nil for 2021) of land reclassified to inventory available for sale.

³ "Other" at net book value includes Furniture and Fixtures at \$1,131,451 (\$967,734 for 2021) and Structures at \$40,218,549 (\$37,045,974 for 2021)

Fleet and Equipment	Technology	Water System	Sanitary System	Other³	Total
\$ 37,703,513	\$ 15,980,714	\$ 179,820,507	\$ 196,857,458	\$ 57,285,158	\$ 1,576,547,718
4,110,154	849,426	4,871,173	3,321,831	4,851,594	50,169,026
<u>(228,023)</u>	<u>(259,072)</u>	<u>(391,968)</u>	<u>(732,278)</u>	<u>(99,893)</u>	<u>(2,704,302)</u>
41,585,644	16,571,068	184,299,712	199,447,011	62,036,859	1,624,012,442
17,439,776	9,763,153	43,662,802	55,825,310	19,271,448	422,222,668
2,189,124	1,389,501	2,683,846	2,689,116	1,500,700	26,466,120
<u>(219,209)</u>	<u>(254,199)</u>	<u>(208,013)</u>	<u>(378,243)</u>	<u>(85,287)</u>	<u>(2,521,027)</u>
<u>19,409,691</u>	<u>10,898,455</u>	<u>46,138,635</u>	<u>58,136,183</u>	<u>20,686,861</u>	<u>446,167,761</u>
<u>\$ 22,175,953</u>	<u>\$ 5,672,613</u>	<u>\$ 138,161,077</u>	<u>\$ 141,310,828</u>	<u>\$ 41,349,998</u>	<u>\$ 1,177,844,681</u>
\$ 20,263,737	\$ 6,217,561	\$ 136,157,705	\$ 141,032,148	\$ 38,013,710	\$ 1,154,325,050

Schedule 2

Schedule for BC Safe Restart Grant
For the year ended December 31, 2022
(unaudited)

Grant Received	
Balance of BC Safe Restart Grant	\$ 165,613
Application of Grant	
Lost revenue*	-
Operational adaptations**	<u>165,613</u>
Total Application	\$ <u>165,613</u>
Balance Remaining	\$ <u>-</u>

* Lost revenues are comprised of revenue shortfalls associated with the closure of City Recreation facilities

**Operational adaptations are comprised of expenditures incurred to facilitate remote work and meeting attendance for staff and Council, the installation of physical barriers in the workplace, increased cleaning and various other incremental costs.

City of Maple Ridge

Audit findings report to the Mayor and
Council for the year ended December 31,
2022

START

IBDO

APPENDIX B



To the Mayor and Council of City of Maple Ridge

We are pleased to provide you with the results of our audit of City of Maple Ridge (the "City") consolidated financial statements for the year ended December 31, 2022.

The enclosed final report includes our approach to your audit, including: significant risks identified and the nature, extent, and results of our audit work. We will also report any significant internal control deficiencies identified during our audit and reconfirm our independence.

During the course of our audit, management made certain representations to us—in discussions and in writing. We documented these representations in the audit working papers.

This report has been prepared solely for the use of City's Mayor and Council and others within the organization, and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We look forward to discussing our audit conclusions with you. In the meantime, please feel free to contact us if you have any questions or concerns.

Yours truly,

BDO Canada LLP

BDO Canada LLP

For the year ended December 31, 2022

BDO



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For the year ended December 31, 2022



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Audit at a glance

Scope of our Work

The scope of the work performed was substantially the same as that described in our Planning Report to the Mayor and Council dated September 22, 2022.

Final materiality for all items other than infrastructure was set at \$3.9 million and materiality for infrastructure was set at \$23.5 million. These levels are based on expenses and tangible capital assets, respectively, a slight increase from what was communicated to you in our Planning Report

Independence & Professional Ethics

Our Independence Letter is included in [Appendix A](#).

We have complied with relevant ethical requirements and confirm that we are independent with respect to the City within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

Auditor's Responsibility With Respect To Fraud

Our responsibilities with respect to fraud were communicated in our Planning Report to the Mayor and Council dated September 22, 2022.

We are not aware of any fraud affecting the City. If you have become aware of changes to processes or are aware of any instances of actual, suspected, or alleged fraud since our discussions held at planning, please let us know.

For the year ended December 31, 2022

For the year ended December 31, 2022



Status of the audit

We have substantially completed our audit of the year ended December 31, 2022 consolidated financial statements, pending completion of the following items:

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

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 consolidated financial statements are free from material misstatement. Please refer to the draft financial statement for the copy of the draft independent auditor's report.



Updates to Auditing Standards (CAS 315)

As reported in our planning report for the fiscal 2022 audit, Canadian Auditing Standard, CAS 315, Identifying and Assessing the Risks of Material Misstatement, was significantly revised to have more robust risk identification, assessment, and response procedures. The revised standard is required and has been implemented for the City's 2022 fiscal year.

The update to this audit standard resulted in a significant amount of additional audit work, including more focus on IT systems as they related to financial reporting. Most of the effort to implement CAS 315 was incurred in this initial year of implementation and may require a reduction of additional work in the following years.



Assessment of Inherent and Control Risk

More in depth consideration of inherent risks (risk of material misstatement without consideration of control) and control risks (risk of control not preventing or detecting material misstatement), including increased focus on risks arising from the use of IT systems



Spectrum of inherent Risks

Inherent risk is concluded based on the assessment of likelihood and magnitude of misstatement in absence of controls, considering how inherent risk factors impact the degree to which inherent risk varies.



Risk Levels

With the revised CAS 315 requirements, there are now four levels at which risks can be assessed:

- ▶ Significant Risk of Material Misstatement
- ▶ Elevated Risk
- ▶ Moderate Risk
- ▶ Low Risk

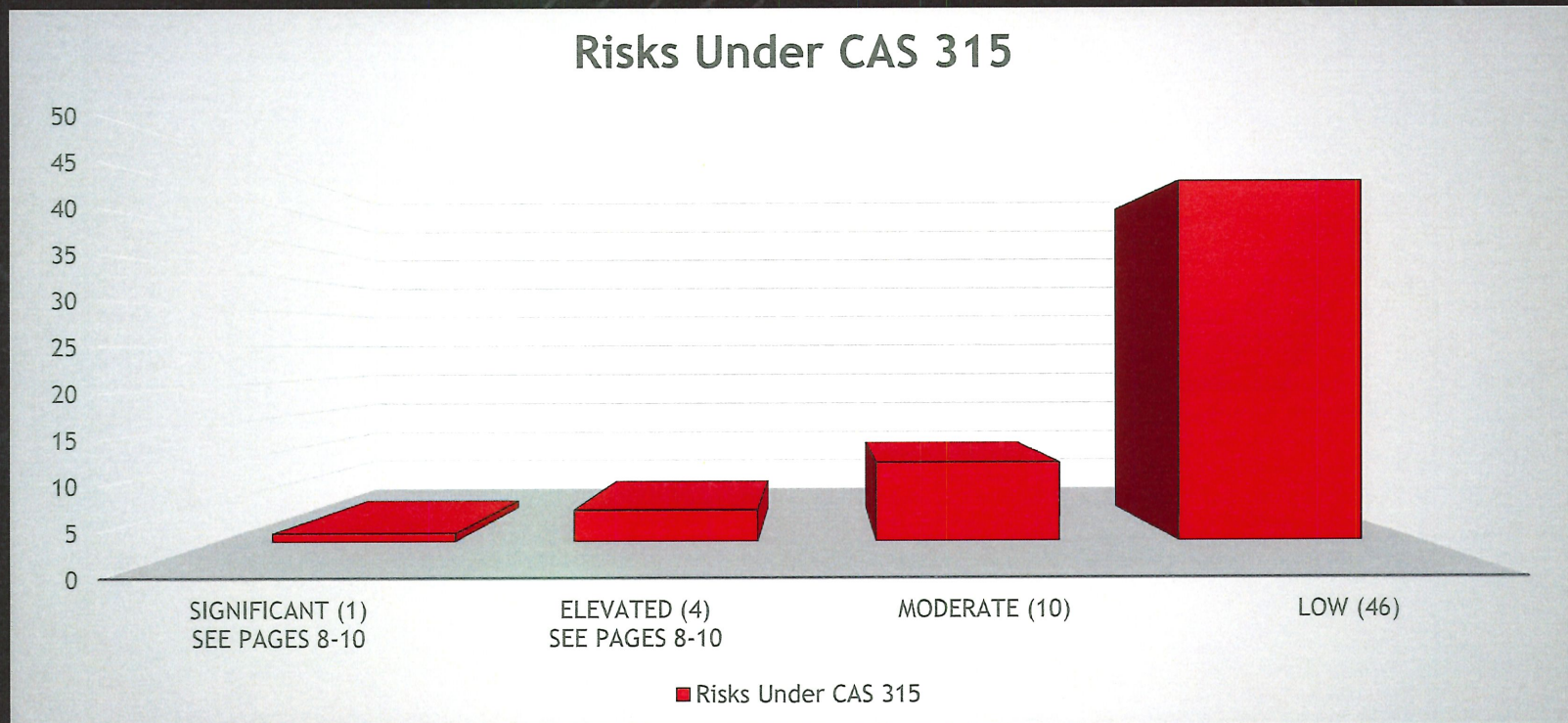
The new risk assessments resulted in an adjusted audit strategy that focuses on addressing the concluded risk level for all areas of the financial statement. This allows for more consistent and effective audits with improved responses to identified risks, improving audit quality for all stakeholders.

As part of our audit, we have performed the following:

- updated our understanding and documentation of accounting cycles and processes within the City
- updated our documentation around the information technology environment and associated controls to assess any control deficiencies that would impact our audit testing approach
- assessed risks identified and documented internal controls that address these risks
- reviewed audit procedures to ensure they align with risks identified, incorporating internal controls to ensure audit procedures are efficient
- performed stand back procedures to ensure overall audit approach is sufficient to provide effective audit evidence.

All audit testing in this area was executed with no issues to be reported.

Summary of Risks Under CAS 315





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 City's accounting practices, including accounting policies, accounting estimates and consolidated financial statements disclosures. We look forward to exploring these topics in depth and answering your questions. A summary of the key discussion points are below:

Financial statement areas	Risks noted	Audit findings
Management Override of Internal Controls [Mandatory audit consideration - Significant Risk]	<p>Management is generally in a unique position to perpetrate fraud because of its ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>This risk is not unique to the City.</p>	<p>We reviewed transactions recorded in the various ledgers for unusual or non-recurring adjustments not addressed by other audit procedures.</p> <p>We reviewed the controls relating to processing of journal entries and examined a sample of journal entries subject to risk.</p> <p>All audit testing was performed in this area as planned with no issues to report where controls were overridden.</p>
Employee Future Benefits [Elevated Risk]	<p>The City records a liability for post-retirement and post-employment liabilities. Employee future benefits is a complex area that requires much estimation and reliance on actuarial experts.</p>	<p>We reviewed the actuarial report and audit the significant assumptions.</p> <p>We directly communicated with the external actuary.</p> <p>We tested the data provided to the actuary for accuracy and completeness, as it drives the actuarial calculations.</p> <p>All audit testing in this area was executed as planned with no issues to be reported.</p>



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 City's accounting practices, including accounting policies, accounting estimates and consolidated financial statements disclosures. We look forward to exploring these topics in depth and answering your questions. A summary of the key discussion points are below:

Financial statement areas	Risks noted	Audit findings
Development Revenue & Development Cost Charges <i>[Elevated Risk]</i>	There is a risk that development cost charges have not been recognized as revenue in alignment with when the resources are used for the purposes specified. This is a complex area that requires an element of judgement in determining whether a project or expense is eligible for DCC funding.	We enquired with management how DCC's are tracked and that all have been accounted for. We tested significant DCC collections and vouched to supporting documentation for completeness, existence and accuracy. All audit testing was performed in this area as planned with no issues to report.
Inappropriate Payments <i>[Elevated Risk]</i>	There is a risk of inappropriate payments to individuals and third parties	We reviewed transactions such as expense reimbursements to test the validity of the expense and to ensure that it was subject to the proper approval process. We reviewed transactions recorded in the various ledgers for unusual or non-recurring adjustments not addressed by other audit procedures All audit testing was performed in this area as planned with no issues to 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 City's accounting practices, including accounting policies, accounting estimates and consolidated financial statements disclosures. We look forward to exploring these topics in depth and answering your questions. A summary of the key discussion points are below:

Financial statement areas	Risks noted	Audit findings
Landfill Liability <i>[Elevated Risk]</i>	There is a risk that the assumptions used, and calculations made in determining the liability for closure and post closure costs are not accurate.	<p>We confirmed that the experts are qualified and in good standing.</p> <p>We verified the landfill liability and changes to this liability</p> <p>All audit testing in this area was executed as planned with no issues to be reported.</p>
Risk of Fraudulent Revenue Recognition <i>{Rebuttable presumption}</i>	<p>Auditing standards require us to consider the risk of fraudulent revenue recognition. Due to the nature of the City's revenue, we have rebutted this presumption.</p> <p>Nevertheless, accounting standards relating to grant and government transfer revenue recognition are complex and open to variation in application. There is a risk that grants, or revenue derived from other government transfers may be incorrectly deferred into future periods or recognized prior to stipulations being met.</p>	<p>Grant funding received was confirmed through a review of agreements. We also ensured revenue is recorded accurately in accordance with the settlement of any stipulations.</p> <p>We reviewed the deferred revenue balances by examining supporting documentation validate the accounting treatment.</p> <p>Other revenues streams also contain revenue recognition issues which we reviewed in context of the relevant revenue recognition standards.</p> <p>All audit testing was performed in this area as planned with no issues to report.</p>
Recognition of Grant & Government Transfer Revenue <i>[Moderate Risk]</i>		



Internal control matters

- ▶ During the audit, we performed the following procedures regarding 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.

We considered the results of these procedures in determining the extent and nature of audit testing required.



We are required to report to you in writing about any 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 merits the attention of those charged with governance.

The audit expresses an opinion on the City's consolidated financial statements. As a result, it does not cover every aspect of internal controls—only those relevant to preparing the consolidated financial statements and designing 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.

Adjusted differences

Summary of adjusted differences

The following is a summary of corrected misstatements noted during the course of our audit engagement:

	Debit (Credit)			
	Assets	Liabilities	Opening Accumulated Surplus	Annual Surplus
To reflect developer contributed tangible capital assets that the City obtained control over during November-December 2021 as additions to the prior year (2021) accumulated surplus, instead of the current year (2022) annual surplus. <i>DR Developer contributed asset revenue</i> <i>CR Opening accumulated surplus</i>			(1,176,000)	1,176,000
Effect of prior year's reversing errors	-	-	-	-
Total adjusted differences	-	-	(1,176,000)	1,176,000

For the year ended December 31, 2022

Adjusted differences

Summary of adjusted differences

There were no differences that were corrected by management during the course of our audit engagement.



Other required communications

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.

Issue	BDO response
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.	No such matters noted.
Material uncertainties related to events and conditions that may cast significant doubt on the City's ability to continue as a going concern.	No such matters noted.
Disagreements with management about matters that, individually or in the aggregate, could be significant to the City's financial statements or our audit report.	No disagreements with management.
Matters involving non-compliance with laws and regulations.	No such matters 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.	No such matters noted.
Management consultation with other accountants about significant auditing and accounting matters.	No such matters noted.
Other Matters	No such matters noted.

BDO's digital audit suite

For the year ended
December 31, 2022

Our digital audit suite of technologies enables our engagement teams to conduct consistent risk-based audits, both domestically and internationally, with maximum efficiency and minimal disruption to our clients' operations and people.



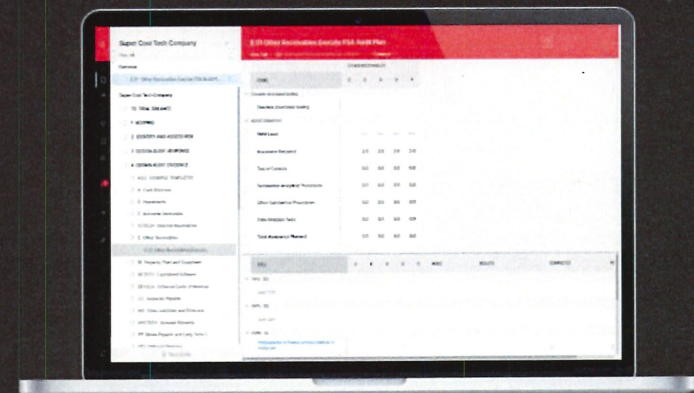
APT Next Gen

Our audit software and documentation tool, APT, is an integral part of our audit methodology. Our professionals engage APT to devise and perform appropriate, risk-based audit procedures and testing based on applicable Canadian Auditing Standards (CASs), as well as to factor in engagement and industry-specific objectives and circumstances.

APT enables us to deliver an audit that fits your organization—whether large or small; complex or basic.

This sophisticated tool also amplifies two key attributes of our audits: consistency and quality. The quality framework that we developed measures our audit performance with hard quality indicators and reflects our indispensable culture for quality. To see our audit quality and consistency in action, look no further than how our teams share best audit practices for continuous improvement.

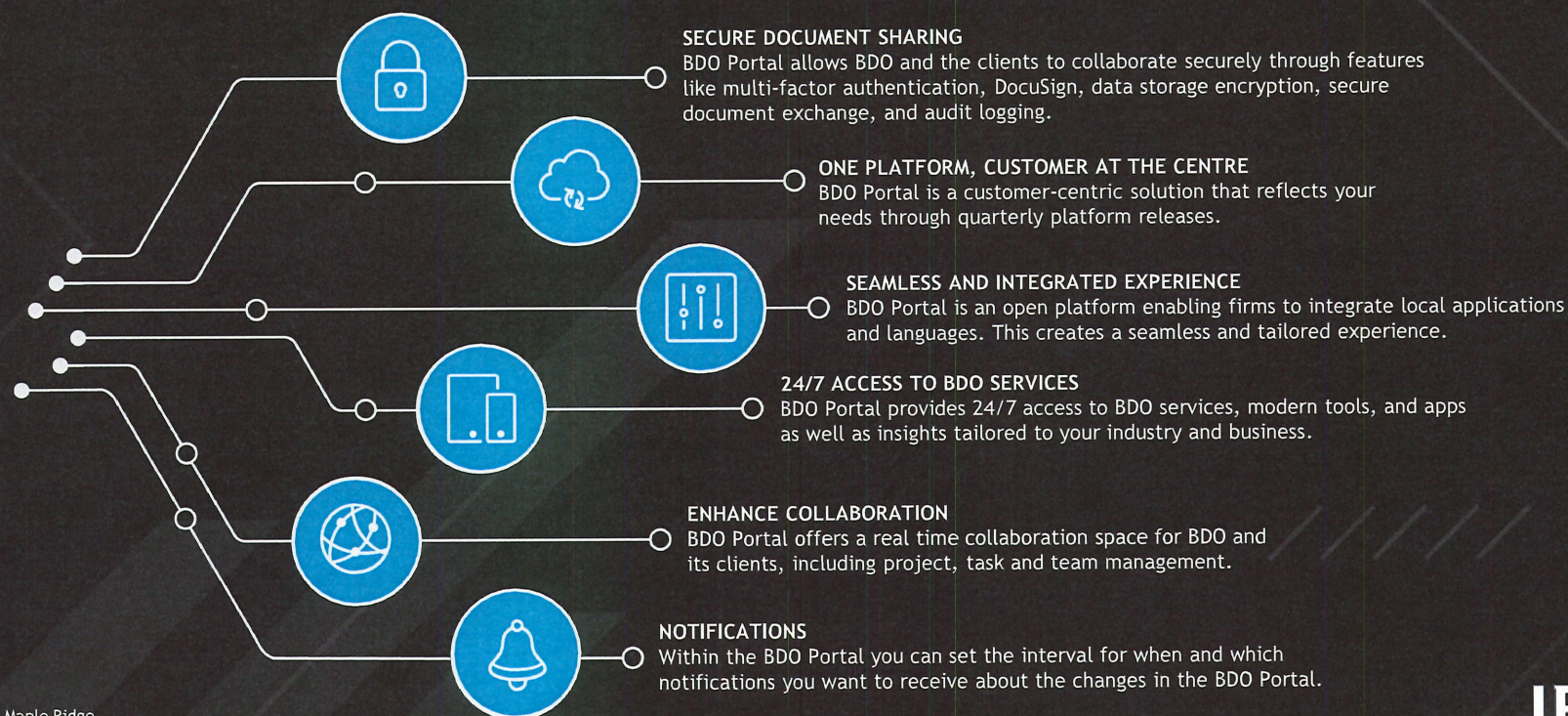
Through a strategic alliance with Microsoft and the introduction of new technology, this global, cloud-based application can now streamline and focus the audit process in even more ways for BDO professionals and their clients.





BDO Portal

BDO Portal transforms and enhances your digital experience with your BDO advisors. Available at any time, Portal enables you to access all services, tools, apps, and information and to collaborate with your advisors in a seamless way through a flexible, appealing, and secure environment.





Recommended resources

Key changes to financial reporting



When the rules of reporting change, you may need to fine-tune how to present financial statements and govern the organization.

**ACCESS OUR
KNOWLEDGE CENTRE**

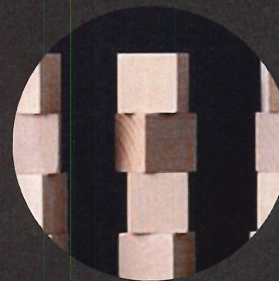
2022 Federal Budget



Understand the key elements of the 2022 Federal Budget and how it will impact you and your business

STAY ON TOP OF TAXES

7 powerful steps to financial audit readiness



Getting and staying prepared for an audit simplifies the process, cuts turnaround time, and improves your chances of overall success. Learn how you can be audit ready.

7 STEPS

Asset Retirement Obligations (ARO): A Practical Approach to Section PS 3280



This publication will walk through a practical approach to applying Section PS 3280 including: identification, recognition and measurement of an obligation, and the different options available to entities on transition.

READ ARTICLE

For the year ended December 31, 2022

Spotlight on sustainability

Fast-moving world events are pushing sustainability up the agenda of Canadian organizations. Now organizational leaders, investors, and customers are responding on three fronts: environmental, social, and governance (ESG).

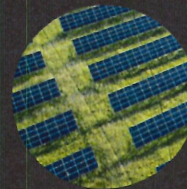
Regulators and issuers of standards are doing their part by supporting sustainability in the reporting ecosystem. Increasingly, organizations will need to go beyond the financials—and demonstrate sustainability with non-financial metrics.

5 reasons why businesses should care about ESG



[SEE 5 REASONS](#)

How climate change became a business issue worth reporting



[READ ARTICLE](#)

10 Questions about sustainability reporting



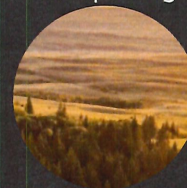
[EXPLORE QUESTIONS](#)

Accounting for going green



[LEARN MORE](#)

Why CFOs should make sustainability a part of their financial reporting today



[BUILD BACK SUSTAINABLY](#)

Rethinking sustainability: the ESG roadmap



[SEE ROADMAP](#)

For the year ended December 31, 2022



Appendices

- ▶ Appendix A: Independence Letter
- ▶ Appendix B: Representation letter
- ▶ Appendix C: Management Letter
- ▶ Appendix D: Changes in Accounting Standards with Impact to the City

For the year ended December 31, 2022



Appendix A: Independence Letter



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BDO Canada LLP
1100 Royal Centre
1055 West Georgia Street
Vancouver, British Columbia
V6E 3P3

Direct Line: 604-646-3389
E-mail: bszabo@bdo.ca

April 20, 2023

To the Mayor and Council
The City of Maple Ridge

Dear Mayor and Council:

We have been engaged to audit the consolidated financial statements of The City of Maple Ridge (the "City") for the year ended December 31, 2022.

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the City and our Firm that, in our professional judgment, may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the appropriate provincial institute/order and applicable legislation, covering such matters as:

- Holding a financial interest, either directly or indirectly in a client;
- Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;
- Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;
- Economic dependence on a client; and
- Provision of services in addition to the audit engagement.

We are not aware of any relationships between the City and our Firm that, in our professional judgment may reasonably be thought to bear on independence that have occurred from the date of our last letter, April 13, 2022, to the date of this letter.

We hereby confirm that we are independent with respect to the City within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia as of the date of this letter.

This letter is intended solely for the use of the Mayor and Council, management and those charged with governance within the City and should not be used for any other purpose.

Yours truly,

BDO Canada LLP

Chartered Professional Accountants

For the year ended December 31, 2022

Appendix B: Representation letter

City of Maple Ridge

AUDIT REPORT DATE

BDO Canada LLP
Chartered Professional Accountants
Unit 1100 - Royal Centre
1055 West Georgia Street
Vancouver, BC V6E 3P3

This representation letter is provided in connection with your audit of the financial statements of City of Maple Ridge for the period ended December 31, 2022, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, 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

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated January 20, 2023, for the preparation of the financial statements in accordance with Canadian Public Sector Accounting Standards; in particular, the financial statements are fairly presented in accordance therewith.

- The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement and/or disclosure that are reasonable in accordance with Canadian Public Sector Accounting Standards.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian Public Sector Accounting Standards.
- All events subsequent to the date of the financial statements and for which Canadian Public Sector Accounting Standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the 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.
- 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.

- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 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 financial statements.
- 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.

General Representations

- Where the value of any asset has been impaired, an appropriate provision has been made in the financial statements or has otherwise been disclosed to you.
- We have provided you with significant assumptions that in our opinion are reasonable and appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity when relevant to the use of fair value measurements or disclosures in the financial statements.
- We confirm that there are no derivatives or off-balance sheet financial instruments held at year end that have not been properly recorded or disclosed in the financial statements.
- Except as disclosed in the financial statements, there have been no changes to title, control over assets, liens or assets pledged as security for liabilities or collateral.
- The entity has complied with all provisions in its agreements related to debt and there were no defaults in principal or interest, or in the covenants and conditions contained in such agreements.
- There have been no plans or intentions that may materially affect the recognition, measurement, presentation or disclosure of assets and liabilities (actual and contingent).
- The nature of all material uncertainties have been appropriately measured and disclosed in the 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 financial statements.
- 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 financial statements or financial position of the entity, except as disclosed in the financial statements.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. When applicable, these litigation and claims have been accounted for and disclosed in the financial statements.
- We consider the assumptions used in the calculations of employee future benefits to be the best estimate of future events, in particular, long-term borrowing rates and compensation escalation over the expected average remaining service life of the employee group.
- The financial statements and any other information in the annual report provided to you prior to the date of this representation letter are consistent with one another, and there is no material misstatement of the other information. We have provided you with the final version of the document(s) comprising the annual report.
- (If some/all of the document(s) comprising the annual report will not be available until after the date of the auditor's report, include:) We will provide to you, when available and prior to issuance by the entity, the final version of the document(s) comprising the annual report.

Yours truly,

Trevor Thompson, Chief Financial Officer

Catherine Nolan, Deputy Director of Finance

For the year ended December 31, 2022



Appendix C: Management Letter



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BDO Canada LLP
1100 Royal Centre
1055 West Georgia Street
Vancouver, BC
V6E 3P3

Direct Line: 604-646-3389
E-mail: bszabo@bdo.ca

April 20, 2023

Mr. Trevor Thompson, Chief Financial Officer
City of Maple Ridge
11995 Haney Place, Maple Ridge
BC V2X 6A9

Dear Mr. Thompson,

The objective of an audit is to obtain reasonable assurance whether the financial statements are free of any material misstatement and it is not designed to identify matters that may be of interest to management in discharging its responsibilities. Accordingly an audit would not usually identify all such matters.

During the course of our audit of the financial statements of City of Maple Ridge for the year ended December 31, 2022, we did not encounter any significant matters which we believe should be brought to your attention.

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

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

Yours truly,

A handwritten signature in black ink, appearing to read "Brian Szabo". The signature is fluid and cursive, with the first name "Brian" and last name "Szabo" clearly distinguishable.

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

BS/cd



Appendix 1

Current Year Recommendations

We have not noted any new matters to bring to your attention in the current year.

Update on Prior Year Recommendations

Records and Financial Management Software

We previously commented on two elements of City's information systems: tangible capital asset record keeping and document management. We had observed that the City's enterprise resource planning system ("ERP") is no longer meeting the organizations needs, and that this is impacting the City's ability to maintain complete and timely tangible capital asset records. We had recommended that the City begin investigating options to replace the current ERP system and consider a dedicated system for the management and planning of the City's infrastructure. We also recommended that the City consider incorporating a digital document storage solution alongside or within any new system implementation in order to reduce reliance on paper- based processes and storage.

In response, management previously noted the City's long-term capital program includes a provision to replace the City's financials systems in the near future, and that these recommendations will be considered within the scope of that plan.

We understand management has begun the needs assessment process for a new Financial ERP to ensure the final scope meets the needs of the organization. Management is targeting late 2023 to proceed to RFP with implementation to proceed in 2024.

We have not identified any further recommendations in relation to this matter.

For the year ended December 31, 2022



Appendix D: Changes in accounting standards with impact to the City

Appendix D: Changes in Accounting standards with impact to the City

The following summarizes the status of new standards and the changes to existing standards, confirmed by the Public Sector Accounting Board (PSAB), as of fall of 2022. Also included is PSAB's current roadmap for future improvements to Public Sector Accounting Standards (PSAS).

PSAS 3280, Asset Retirement Obligations (effective for the City's year ending December 31, 2023)

This new Section establishes standards on how to account for and report a liability for asset retirement obligations. The main features of the new Section are:

- An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset.
- Asset retirement costs associated with a tangible capital asset controlled by the entity increase the carrying amount of the related tangible capital asset (or a component thereof) and are expensed in a rational and systematic manner.
- Asset retirement costs associated with an asset no longer in productive use are expensed.
- Measurement of a liability for an asset retirement obligation should result in the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date.
- Subsequent measurement of the liability can result in either a change in the carrying amount of the related tangible capital asset (or a component thereof), or an expense, depending on the nature of the re-measurement and whether the asset remains in productive use.
- A present value technique is often the best method with which to estimate the liability.
- As a consequence of the issuance of Section PS 3280:
 - editorial changes have been made to other standards; and
 - Section PS 3270, Solid Waste Landfill Closure and Post-Closure Liability has been withdrawn.

This Section applies to fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.

Section PS 3270 will remain in effect until the adoption of Section PS 3280 for fiscal periods beginning on or after April 1, 2022, unless a public sector entity elects earlier adoption.

This is one of the most significant new standards in years and will require considerable staff time in most entities to prepare for compliance.

Appendix D: Changes in Accounting standards with impact to the City

PSAS 3450, Financial Instruments (effective for the City's year ending December 31, 2023)

This new Section establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives.

The main features of the new Section are:

- Items within the scope of the Section are assigned to one of two measurement categories: fair value, or cost or amortized cost.
- Almost all derivatives, including embedded derivatives that are not closely related to the host contract, are measured at fair value.
- Fair value measurement also applies to portfolio investments in equity instruments that are quoted in an active market.
- Other financial assets and financial liabilities are generally measured at cost or amortized cost.
- Until an item is derecognized, gains and losses arising due to fair value re-measurement are reported in the statement of re-measurement gains and losses.
- Budget-to-actual comparisons are not required within the statement of re-measurement gains and losses.
- When the reporting entity defines and implements a risk management or investment strategy to manage and evaluate the performance of a group of financial assets, financial liabilities or both on a fair value basis, the entity may elect to include these items in the fair value category.
- New requirements clarify when financial liabilities are derecognized.
- The offsetting of a financial liability and a financial asset is prohibited in absence of a legally enforceable right to set off the recognized amounts and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.
- New disclosure requirements of items reported on and the nature and extent of risks arising from financial instruments.

The new requirements are to be applied at the same time as PS 2601, Foreign Currency Translation and are effective for fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted. This Standard should be adopted with prospective application except for an accounting policy related to embed derivatives within contracts, which can be applied retroactively or prospectively.

PSAS 3450, Financial Instruments Narrow Scope Amendments (effective for the City's year ending December 31, 2023)

As the name implies, these amendments are quite narrow in scope and will not impact many entities.

The amendments are intended to:

- clarify how to deal with financial instruments intended to maintain orderly conditions for the circulation of the Canadian dollar (will impact Federal Government only)
- change treatment of bond repurchases such that will not always be an immediate extinguishment of debt
- clarifies and simplifies certain transitional provisions

An Exposure Draft was issued in January 2019 and a Final Standard was issued in March 2020.

Appendix D: Changes in Accounting standards with impact to the City

PSAS 3041, Portfolio Investments (effective for the City's year ending December 31, 2023)

This Section revises and replaces Section PS 3040, Portfolio Investments. The following changes have been made:

- The scope is expanded to include interests in pooled investment funds;
- Definitions are conformed to those in PS 3450, Financial Instruments;
- The requirement to apply the cost method is removed, as the recognition and measurement requirements within Section PS 3450 apply, other than to the initial recognition of an investment with significant concessionary terms; and
- Other terms and requirements are conformed to Section PS 3450, including use of the effective interest method.

The new requirements are effective for fiscal years beginning on or after April 1, 2022. Earlier adoption is permitted.

PSAS 3400, Revenue (effective for the City's year ending December 31, 2024)

This section is related to revenue recognition principles that apply to revenues of governments and government organizations other than government transfers and tax revenue.

The Public Sector Accounting Handbook has two Sections that address two major sources of government revenues, government transfers and tax revenue. Revenues are defined in Section PS 1000, Financial Statement Concepts. Recognition and disclosure of revenues are described in general terms in Section PS 1201, Financial Statement Presentation.

This section addresses recognition, measurement and presentation of revenues that are common in the public sector. It is less complex than the comparable new IFRS standard, although generally consistent in philosophy.

This new Section will be effective for fiscal years beginning on or after April 1, 2023. Earlier adoption is permitted.

[Back to appendices index](#)

For the year ended December 31, 2022

Appendix D: Changes in Accounting standards with impact to the City

PSAB's Draft 2022-2027 Strategic Plan

The Strategic Plan sets out the following broad strategic objectives that help guide PSAB in achieving its public interest mandate over a multi-year period:

- Develop relevant and high-quality accounting standards
- Enhance and strengthen relationships with stakeholders
- Enhance and strengthen relationships with other standard setters
- Support forward-looking accounting and reporting initiatives

The strategic plan is effective April 1, 2022 and can be found [here](#).

Appendix D: Changes in Accounting standards with impact to the City

Employee Benefits Project

The existing Employee Benefits standards in PS 3250, Retirement Benefits and PS 3255, Post-employment Benefits are among some of the original standards currently existing in the PSA Handbook. While other accounting frameworks have adopted modernized standards that have kept up to date with changes in benefits plans, the PSAS standards have not kept pace. New concepts such as "Target-Benefit Plans" and "Shared-Risk Plans" do not fit in neatly to existing standards.

In recognition of the wide scope of review required to modernize these standards, PSAB has broken initial review into three different sections:

Deferral Provisions (Invitation to Comment issued in November 2016)
Discount Rate Guidance (Invitation to Comment issued in November 2017)
Non-Traditional Pension Plans (Invitation to Comment issued in October 2018)

The PSAB "Task Force" working on this project includes both accountants and actuaries experienced in the industry. The Task Force and the PSAB Board will be reviewing responses and developing ideas as a revised project plan was approved in June 2020.

Under the revised approach, the new employment benefits standard will become available through multiple releases. The following three releases have been issued:

Invitation to Comment - Employment Benefits: Deferral Provisions in Sections PS 3250 and PS 3255 issued in November 2016
Invitation to Comment - Employment Benefits: Discount Rate Guidance in Section PS 3250 issued in November 2017
Invitation to Comment - Employment Benefits: Non-traditional Pension Plans issued in October 2018

PSAB approved the exposure draft "Employee Benefits, Proposed Section PS 3251" and the accompanying Basis for Conclusions at its March 25, 2021 meeting. It was issued on July 28, 2021 with a comment deadline of November 25, 2021. PSAB is currently deliberating feedback received on the Employee Benefits Exposure Draft.