

# Message from the Corporate Controller



## Financial Review – Overview

The City is committed to providing financial reports that enhance stakeholder trust. The following discussion and analysis provides information in support of the audited 2018 Consolidated Financial Statements and is intended to enhance

understanding of the economic resources and obligations of the City. It is supplemental information and should be read in conjunction with the Consolidated Financial Statements, accompanying notes and supporting schedules. For information on the terminology used in the discussion, please refer to the Glossary on page 77.

The City is responsible for the accuracy of the data and the completeness and fairness of presentation, including all disclosures. This message is intended to provide readers with an overview of ongoing financial and operational performance.

The Consolidated Financial Statements are required under the British Columbia Community Charter section 167 and are prepared in accordance with Canadian Public Sector Accounting Standards, using guidelines developed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The Consolidated Financial Statements include the operations of the General, Water, Sewer, Capital and Reserve Funds and the City's wholly-owned subsidiaries, C.D.M.R. Developments Ltd. and Maple Ridge Municipal Holdings Ltd. (MRMH Ltd).

Financial Statements in the public sector serve as a central feature of local government financial reporting. They report a local government's actual financial activities in comparison to planned activities and the resulting financial condition of the local government. They are not intended to replace a variety of other financial reports used in planning, analysis and decision-making, nor are they intended to be the sole measure of government performance in the year, rather, they present financial information that is useful in evaluating the local government's financial condition at the end of the accounting period and its financial performance during the accounting period.

## The External Audit

Included in the Consolidated Financial Statements is a report from the external auditor, BDO Canada LLP. The role of the external auditor is to present an independent opinion as to the fair presentation of the City's financial position and operating results and confirm

that the Financial Statements are free from any material misstatements. The auditor is responsible for advising management and the Audit & Finance Committee of any control or operational items that may have been identified during the audit procedure.

The Audit & Finance Committee is a committee of Council that oversees the financial and business affairs of the City. The Committee operates under adopted Terms of Reference. Meetings are open to the public and live streamed, except for those items deemed to be "in camera". The Committee meets with the City's auditors to satisfy itself, on behalf of Council, that risk management and internal control systems are appropriate and that the information in financial statements is accurate and complete. The Committee reviews the Management Letter and financial reports of the City and its wholly-owned companies, and has the authority to request from management specific reports or analysis and to request the presence of other staff to report or answer questions.

## The Financial Statements:

Following completion of the annual audit, the Consolidated Financial Statements are presented to Council for acceptance. During the year, the Audit & Finance Committee is provided with financial updates and meets periodically with the external auditor.

### Financial Statement Composition

Revenue and Capital Funds have transactions with outside groups, with each other and with Reserve Funds.

Only transactions with outside groups are reported in Consolidated Financial Statements.

### The Consolidated Statement of Financial

**Position:** Provides information on the financial position of the City including Financial Assets, Liabilities, Net Financial Assets, Non-Financial Assets and Accumulated Surplus

### The Consolidated Statement of Operations:

Reports the extent to which expenses are offset by revenues, the annual surplus and the change in accumulated surplus.

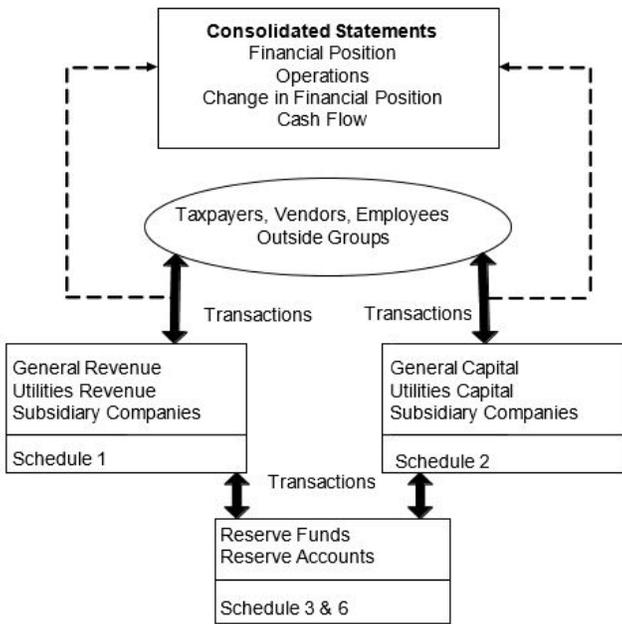
### The Consolidated Statement of Change in Net

**Financial Assets:** Reports the change in Net Financial Assets.

### The Consolidated Statement of Cash Flow:

Reports the net change in cash resources and how the City financed its activities throughout the year.

# Message from the Corporate Controller



## 2018 Consolidated Financial Statements

From a financial perspective, the results for 2018 are positive.

Generally Accepted Accounting Principles require that the actual financial results be compared to the budget that is adopted annually before setting the tax rates. Council adopted that budget in May of 2018.

The following sections provide an analysis of the 2018 Financial Statements and selected supplemental financial information. The dollars quoted are approximate and are intended to account only for the major part of variances being discussed. Some key highlights are:

- Net Financial Assets increased by \$10.4 million to \$114.9 million.
- Municipal debt decreased by \$2.5 million to \$25.8 million.
- Unused annual debt servicing capacity, based on our current financial position, is \$21.4 million.

### 1. Consolidated Statement of Financial Position –

#### Page 38

This statement reports the City’s assets, both financial and non-financial and its liabilities. The difference between financial assets and total liabilities is Net Financial Assets if positive and Net Debt if negative. This figure provides the City with an indicator of financial flexibility and of future revenue requirements to finance activities and meet existing financial obligations. The difference between total assets, both financial and non-financial and total liabilities is Accumulated Surplus and provides an indication of the net economic resources available for service delivery. The majority of this number is comprised of the physical assets used in service delivery and does not represent a source of funding.

The City has a Net Financial Asset Position of \$114.9 million at the end of 2018, an increase of \$10.4 million over 2017. The change in Net Financial Assets is discussed in more detail in the Consolidated Statement of Change in Net Financial Assets. Accumulated Surplus at the end of 2018 is \$1.16 Billion.

### Financial Assets:

- Financial assets increased by \$8.5 million over 2017.
- Cash and investments increased by \$8.5 million over 2017.
- Accounts receivable increased by \$1 million over 2017.
- Inventory available for resale decreased by \$1 million from 2017.

### Liabilities:

Total liabilities decreased by approximately by \$1.86 million over 2017.

- The actuarially determined liability for future employee benefits is \$4.66 million. This liability will be settled over the longer term and does not impose an immediate claim on cash flow.
- Accounts payable and accrued liabilities increased by \$4 million
- Restricted revenues decreased by \$3.6 million through a combination of lower collections and increased capital investment in 2018 compared to 2017.
- Debt decreased by \$2.5 million as a result of planned pay down.

### Non-Financial Assets:

Non-financial assets are comprised of the tangible capital assets held for use in service provision, undeveloped land bank properties, supplies inventories and prepaid expenses. These represent economic resources available to the City for service provision, rather than a funding source to support the day-to-day operations of the City.

In 2018 non-financial assets increased by \$50.4 million over 2017, due to a net increase in tangible capital assets of \$51.2 million offset by a decrease in prepaid expenses of \$0.8 million

### 2. Consolidated Statement of Operations – Page 39

This statement reports the City’s changes in economic resources and accumulated surplus for 2018, compared with budget and with 2018 results. Since annual revenues exceeded expenses, the City increased its accumulated surplus during the year. Included in this statement is information about the gain or loss on the disposal of capital assets. If tangible capital assets are disposed of before the end of their estimated useful life, any remaining book value associated with them is written off, resulting in an accounting loss, not a cash loss.

# Message from the Corporate Controller

---

## Consolidated Revenue

*Compared to previous year (2017)*

Revenues in 2018 increased by \$26.8 million over 2017 through a combination of the following:

- Revenue from general taxation increased \$3.9 million through a combination of higher tax levies and growth of the assessment roll.
- Development revenues and senior government transfers, often linked to capital projects, increased by \$9 million over 2017. Typically, year-over-year changes in these revenues are related to changes in capital expenditures, reported on the Statement of Change in Net Financial Assets. Changes in grant revenues are affected by changes in funding programs available through senior governments.
- Investment revenue increased by \$1.4 million through a combination of a larger investment portfolio and higher returns than 2017.
- Revenue for contributed subdivision infrastructure and gain or loss on disposal of assets increased by \$12.3 million as a result of more developer constructed infrastructure turned over to the City in 2018 and earlier than anticipated replacement of infrastructure.

## Consolidated Revenue

*Compared to budget (2018)*

As in previous years, there were variances between budgeted and actual revenues (\$25 million) and, as in previous years, a large part of this difference was related to the capital program. Development fees (earned DCCs) and senior government transfers were budgeted based on the expected completion of capital projects. As the capital expenditures did not occur there was no corresponding revenue recognized.

## Consolidated Expenses

*Compared to previous year (2017)*

Consolidated expenses are comprised of operating expenses for goods and services, labour and debt servicing as well as the annual cost of using our tangible capital assets through amortization. Overall expenses for 2018 are relatively unchanged from 2017 with increases in sewer and water largely offset by reductions in expenses in Protective Services and Recreation.

## Consolidated Expenses

*Compared to budget (2018)*

The consolidated expenses for 2018 reflect a positive variance of \$16.5 million compared to budget. Contributors to this positive variance include RCMP contract savings of approximately \$1.9 million, \$1.1 million in interest costs related to authorized borrowing that has not yet been entered into, approximately \$6 million for projects that will proceed in 2019, \$3.3

million in wages due in part to recruitment challenges experienced in 2018, \$2million in savings from Parks, Recreation & Culture and overall cost containment of \$1.1 million.

## 3. Consolidated Statement of Change in Net Financial Assets – Page 40

This statement begins with the annual surplus, shown on the Statement of Operations and adjusts for items, such as amortization and expenditures on tangible capital assets to derive the excess or deficiency of revenues over expenditures, which equals the change in financial position.

The City's net financial assets increased by \$10.4 million to \$114.9 million as at the end of 2018; had the activities in the Financial Plan been completed as planned, financial assets would have decreased by \$103.7 million, resulting in Net Financial Assets of \$0.8 million. Timing differences between planned and actual capital expenditures are the main reason for this variance.

## 4. Consolidated Statement of Cash Flow – Page 41

This statement represents financial resources (cash and investments of less than three months) that are available in the short-term to satisfy debt obligations and expenditures. The change in cash and cash equivalents is linked to, but is not identical to, the change in financial position, which is explained by the excess of revenues over expenditures. For example, when cash is received for a refundable deposit, cash is increased, but revenue is not. Overall, the City's cash position at the end of 2018 decreased to \$22.2 million from \$27.6 million in 2017.

## 5. Schedule 1 – Page 58

Schedule of Change in Operating Accumulated Surplus  
This schedule provides supplementary information about operating activities of the City in isolation and explains the change in both the Consolidated and Accumulated Surplus amounts attributable to operating activities. The variances discussed in Section 2 apply to this schedule as well.

### Operating Expenses

*Compared to previous year (2017)*

Overall operating expenses decreased slightly, approximately \$0.5 million, over 2017, with increases in the Sewer & Water Utilities, General Government, and Planning & Other offset by savings in Protective Services, Transportation and Recreation.

### Operating Expenses

*Compared to budget (2018)*

Overall operating expenses came in under budget by \$17.8 million. Factors contributing to this variance were explained in Section 2.

# Message from the Corporate Controller

---

## 6. Schedule 2 – Page 59

### *Schedule of Change in Capital Funds*

This statement provides supplementary information about the revenues and expenses associated with the City's capital activities and the impact of those activities on both the City's Consolidated Annual and Accumulated Surplus amounts.

Capital activities and the related revenues can vary significantly from year to year. Planned capital revenues indicate the level of expected external investment in the City's capital program through sources such as senior government transfers or development revenues. Revenue is recognized as it is earned, so delays in the related capital projects results in delays in revenue recognition and a variance to budget, as is the case in most years.

## 7. Other

### *2018 Accumulated Surplus Distribution*

#### **i) Operating Accumulated Surplus (Schedule 1) – Page 58**

The Operating Accumulated Surplus of \$33.4 million (as shown on Schedule 1) is itemized between General Revenue and the Utilities in Note 14 to the Financial Statements. These funds represent financial assets available to the City that Council has not earmarked for specific future use.

#### **ii) Capital Funds (Schedule 2) – Page 59**

The City has equity in the capital funds of \$1.02 billion. This amount does not represent a source of funding, but rather equity in the physical assets used to provide services to the citizens of Maple Ridge.

#### **iii) Reserve Accounts and Funds (Schedule 3 & 6) – Page 60 & 66**

Reserve Accounts are appropriations of surplus, established informally and associated with both the Operating and Capital programs. These totaled \$64.6 million at December 31, 2018.

Reserve Funds are established by Council bylaw and are usually restricted for capital purposes. Financial assets within a reserve fund can only be used for the purpose for which it was established. These totaled \$39.6 million as at December 31, 2018.

Interest is allocated to the Reserves based on their balance after considering amounts due from them for capital expenditures incurred to date on their behalf.

The use of Reserve Funds and Reserve Accounts has allowed the City to effectively manage the needs of a growing community over time.

There is \$104.2 million in various reserves at year-end. However some of that amount relates to capital projects that were not completed before December 31, 2018. If these projects had been completed as planned, the Reserve balances would have been reduced by approximately \$60.7 million and Net Financial Assets would have decreased similarly.

### **Assessment of Trends**

The City has Net Financial Assets of \$114.9 million at the end of 2018. This position has improved from Net Debt of \$4.25 million in 2004, which was the result of a planned reduction to acquire physical assets including The ACT Arts Centre, an expanded Leisure and Youth Centre, the Library and the office tower.

Based on current projections, we expect our financial position to be drawn down in 2019 to a net debt position, but to return to net financial assets by 2020.

### **Conclusion**

The City of Maple Ridge is committed to the production of comprehensive financial information that meets the objective of providing open and transparent information to the reader and has been recognized by the Government Finance Officers Association for its efforts through receipt of the Canadian Award for Financial Reporting for 28 consecutive years.



**Catherine Nolan, CPA, CGA**  
**Corporate Controller**