



City of Maple Ridge
Audit and Finance Committee
SPECIAL MEETING AGENDA
Monday May 3, 2021 from 1:00 – 2:00 pm
Held virtually via Zoom

Due to COVID-19 the meeting will be held via Zoom teleconference.
All participants are asked to join the meeting using the following access information:
<https://mapleridge-ca.zoom.us/j/92125425639?pwd=emUrc25MdGhoU3dQT3ljajQ1UnE0UT09>
Meeting ID: 921 2542 5639 Passcode: 025591 Phone: 778-907-2071

1. **CALL TO ORDER**
2. **APPROVAL OF THE AGENDA**
3. **ADOPTION OF MINUTES** – March 8, 2021
4. **DELEGATIONS** – N/A
5. **NEW AND UNFINISHED BUSINESS**
 - 5.1. **2020 Consolidated Financial Statements**
 - Catherine Nolan, Corporate Controller; Brian Szabo, Partner, BDO Canada LLP
Overview of the 2020 Consolidated Financial Statements.
6. **QUESTION PERIOD**
7. **NOTICE OF CLOSED MEETING**

The meeting will be closed to the public pursuant to Sections 90 (1) and 90 (2) of the *Community Charter* as the subject matter being considered relates to the following:

Section 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].

Any other matter that may be brought before the Committee of Council that meets the requirements for a meeting closed to the public pursuant to Sections 90 (1) and 90 (2) of the *Community Charter* or *Freedom of Information and Protection of Privacy Act*.

8. **ADJOURNMENT**

Next Audit and Finance Committee Meeting – May 10, 2021 at 1:00 pm

QUESTION PERIOD

Question Period provides the public with the opportunity to ask questions or make comments on agenda items. Each person will be given 2 minutes to speak. Up to ten minutes in total is allotted for Question Period.



City of Maple Ridge
Audit & Finance Committee
MEETING MINUTES

The Minutes of the Regular Meeting of the Audit & Finance Committee held virtually and in the Blaney Room, City Hall on March 8, 2021 at 1:04 pm

COMMITTEE MEMBERS PRESENT

Councillor Robson*
Councillor Dueck
Mayor Morden

STAFF MEMBERS PRESENT

| | |
|---------------------|------------------------------------|
| Al Horsman | Chief Administrative Officer |
| Christina Crabtree* | General Manager Corporate Services |
| Catherine Nolan | Corporate Controller |
| Trevor Thompson | Director of Finance |
| CK Lee | Manager of Revenue and Collections |
| Erin Mark | Clerk 3 |

*Participated remotely due to the COVID-19 pandemic.

1. CALL TO ORDER

2. APPROVAL OF THE AGENDA

R/2021-AFC-004

It was moved and seconded

That the agenda for the March 8, 2021 Audit & Finance Committee meeting be approved as circulated.

CARRIED

3. ADOPTION OF MINUTES

R/2021-AFC-005

It was moved and seconded

That the minutes of the January 20, 2021 Audit & Finance Committee meeting be amended to refer to the Audit and Finance Committee in R/2021-AFC-002 and that the minutes be adopted as amended.

CARRIED

4. DELEGATIONS – Nil

5. NEW AND UNFINISHED BUSINESS

5.1. 2021 Property Assessment Review

The Manager of Revenue and Collections provided a presentation on BC Assessment's preliminary assessment report and spoke about the City's tax base and growth in the community by neighbourhood and housing types noting that market values bounced back slightly from the previous year and that there was an average increase in property values. Staff shared how property tax rates are calculated and explained that the class of property and change of a properties value relative to other properties in the community may result in a tax increase that is different than the average tax increase.

Committee members asked staff about how the property tax rates (mill rate) is set, inquired about changes in property class of specific properties within the municipality, and the impacts of new construction. Members requested additional information be provided to Council to show property tax rate comparisons to other Metro Vancouver communities including a break down of services provided and suggested that staff explore new communication tools to explain why property tax bills may reflect a change different than the approved property tax increase.

5.2. 2020 Investment Report

The Director of Finance provided a brief overview on the 2020 Investment Report which showed an annual return (ROI) for Maple Ridge's investment portfolio of 2.02%, beating the benchmark of 1.85% and stated that the investments were short term and all within the parameters of the Investment Policy. The Director of Finance spoke about new funds created by the Municipal Financial Authority and other new funds under development.

Committee members asked staff about the Investment Policy and the use of specified vs. unspecified reserve funds.

5.3. 2020 Amenity Contributions

The Director of Finance provided an overview of Amenity Contributions and stated that \$7.5 million has been collected through Community Amenity Contributions (CAC's) to date and that \$7.1 million of those funds have been committed to projects. He clarified that annual contributions vary year to year based on the rate of development.

Committee members enquired about how and where Amenity Contributions are collected and used and the process of authorizing the spending of the funds. Members requested that the review of the Amenity Contribution program consider expansion of the programs into different neighbourhoods, usage of the funds, and rate comparison to other municipalities.

5.4. 2021 Meeting Schedule

R/2021-AFC-006

It was moved and seconded

That the amended 2021 Meeting Schedule for the Audit and Finance Committee be approved as circulated.

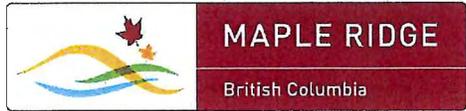
CARRIED

6. QUESTION PERIOD – Nil

7. NOTICE OF CLOSED MEETING – Nil

8. ADJOURNMENT at 2:28 pm

Mayor Mike Morden, Chair
/em



CITY OF MAPLE RIDGE

mapleridge.ca

TO: His Worship Mayor Morden
and Members of Council
FROM: Chief Administrative Officer
SUBJECT: 2020 Consolidated Financial Statements

MEETING DATE: May 4, 2021
FILE NO: 05-1830-20
MEETING: CoW

EXECUTIVE SUMMARY:

The purpose of this report is to communicate the financial results for the City of Maple Ridge's 2020 fiscal year. Each year, staff undertake a number of processes to review and refine the data that feeds into the City's Financial Statements; and, from time to time corrections are needed to previously reported results. In 2020, these processes identified that some data corrections were required which has resulted in a restatement of 2019 results.

Financial reporting in local government serves to communicate the fiscal health and well-being of a community. In 2020, the City's operations were impacted by the ongoing pandemic but overall results for the year remain positive. Our Net Financial Position increased by \$11.1 million to \$124.2 million and our Accumulated Surplus increased by \$54.2 million to \$1.263 billion.

The 2020 Financial Statements have been prepared using the accounting standards and reporting model mandated by the Public Sector Accounting Board (PSAB). BDO Canada LLP has conducted an audit of the Financial Statements and they will form an integral part of the 2020 Annual Report. In order to satisfy current audit rules, Council must approve the Financial 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.

RECOMMENDATION:

That the 2020 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 looks at the year that has just ended, comparing our actual financial performance in the year to the activities identified in the Financial Plan. The *Community Charter* requires municipalities to prepare the Financial Statements in accordance with generally accepted accounting principles for local governments. In Canada, those principles are set by the Public Sector Accounting Board (PSAB). The objective of a municipality's Financial Statements is to report on its financial condition at a point in time and its financial performance for the year.

The differing objectives of the Financial Plan and the Financial Statements, combined with the different rules guiding their preparation, can easily result in confusion when trying to compare the two documents. For example, the Financial Plan treats transfers to and from Reserves as transactions, while the Financial Statements, at the consolidated level, ignore transfers as they take place within the corporate entity. It is important to keep the different rules and objectives in mind as we look at financial results for 2020.

The 2020 Consolidated Financial Statements present the City's results of operations during the year and the financial position as at December 31, 2020. Financial performance is compared to the Financial Plan adopted in May of 2020 as this was the plan used to set property taxation rates, and to prior year results, as restated. The transactions included in the Financial Statements are those that took place between the City and outside parties. Internal transactions, such as transfers between Reserves, which are important for financial planning purposes, have been eliminated.

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

There are a number of key terms in the Financial Statements that are important to be familiar with before drawing any conclusions about the 2020 results:

- **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, 2020. 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 that revenues that will be collected in the future are needed to pay for liabilities that already exist. If it is positive, it is referred to as Net Financial Assets and 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 1-7

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 7 is a new addition 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. Once that funding is fully utilized, it will no longer form a part of the City's Financial Statements.

A discussion of the Financial Statements follows:

Statement of Financial Position

The Statement of Financial Position provides information about the City's assets, both financial and non-financial, and its liabilities. 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 2020, the City had Net Financial Assets of \$124.2 million, an increase of \$11.1 million from 2019.

The other key indicator that appears on this Statement is 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 2020, the City's Accumulated Surplus was \$1.263 billion compared to \$1.209 billion, as restated, for 2019. Of this amount, \$1.122 billion is the book value of the City's tangible capital assets, compared to \$1.079 billion in 2019.

Key items to note on the Statement of Financial Position:

- 2019 results were restated for two separate items. 1). To recognize certain benefit payments held by the service provider and available to use against future claims. This resulted in an increase to accounts receivable of approximately \$775 thousand and an equivalent increase in net financial assets. 2). To reflect new information about the City's inventory of tangible capital assets, resulting in a reduction of \$14.6 million dollars, an amount equal to approximately 1% of the total value. These two items resulted in a reduction of previously reported Accumulated Surplus of \$13.8 million.
- Combined cash and cash equivalents, and portfolio investments decreased by \$7 million. This is linked to a reduction in liabilities such as accounts payable and accrued liabilities, refundable deposits and debt.
- Accounts receivable and recoverable local improvements decreased by \$3.1 million.
- Debt decreased by \$2.6 million due to the scheduled repayment of debt, most of which relates to our Town Centre facilities.
- Accounts payable and accrued liabilities decreased by \$7.5 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 revenues items, such items 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. As such, this results in a reported Annual Surplus that does not represent a cash surplus. In 2020, the City recorded contributed infrastructure with a value of \$21 million. This amount was recognized as revenue. On the expense side, the amortization recorded for these assets was approximately \$170 thousand. The City's Annual Surplus was \$54.2 million and approximately 40% 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. A reconciliation between the Financial Plan and the Financial Statements is shown in Note 19 to the Financial Statements.

The restatement of previously reported results for 2019 led to a reduction of \$8.8 million in revenues an increase in expenses of \$4 thousandthousand and a corresponding reduction to previously reported Annual Surplus. As discussed above, the revenue associated with contributed tangible capital assets is a revenue for accounting purposes only and does not represent cash.

The following discusses the Statement of Operations:

Consolidated Revenues: Actual \$188.7 million; Budget \$222.8 million

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

In 2020, consolidated revenues were below budget by \$34.1 million. This is comprised of variances in a number of categories, particularly those related to capital. The following highlights some of the key variances:

- User fees and other revenues missed budget estimates by \$1.7 million. As discussed in the preliminary update provided to Council on March 9, 2021, this comes from a combination of building permit revenues exceeding financial plan targets by approximately \$400K and recreation revenues missing targets by approximately \$2.1 million, due to the operational impacts of the ongoing pandemic.
- Government Transfers (grants) revenues were below budget estimates by \$1.96 million. Reported results include a BC Safe Restart grant of \$6.4 million without which results would have missed financial plan targets by approximately \$8.4 million, mainly due to timing

differences between budget and actual expenditures, as well as, project start times being deferred pending outcomes of grant applications.

- Development revenues below budget estimates by \$30.3 million, due in large part to factors such as DCC liabilities not being drawn down to fund the related work.
- Interest income greater than budget estimates by \$2.9 million.
- Gaming revenues below budget estimates by \$1.4 million due to the extended closure of the local gaming facility.
- Asset disposals before the end of their estimated useful life resulted in a reported loss of \$3 million. This is an accounting entry associated with the disposal or replacement of the City's tangible capital assets before the end of their estimated useful service life and does not represent a cash loss.
- Developer contributed assets greater than budget estimates by \$1 million.

As noted above, revenues below budget estimates for development revenues do not represent a cash shortfall as the related expenditures did not occur. Similarly, the revenue amount recorded for contributed assets does not represent a cash windfall as this number represents the value of assets received, not a payment received by the City.

Consolidated Expenses – Actual \$134.5 million; Budget \$154.7 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 2020, consolidated expenses were below budget by \$20.1 million. Some key items contributing to this result include:

- Approximately \$1 million in interest costs related to authorized borrowing that had not been entered into as at December 31.
- \$2.8 million from the RCMP contract.
- Approximately \$7.4 million in projects scheduled for 2020 that will proceed in 2021
- Savings of approximately \$5.2 million on labour costs, due in part to extended facility closures related to the pandemic, a higher than normal number of vacancies throughout the organization and ongoing recruitment challenges.
- Approximately \$3 million in additional savings from Parks Recreation & Culture.
- Costs for water purchases approximately \$0.5 million less than Financial Plan estimates

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 2020, the City's financial position increased by \$11.1 million to \$124.2 million. It is important to keep in mind that as part of the City's long-term financial planning processes, we may collect revenues over time to build capacity for future expenditures. This practice will increase the City's financial assets, and the net financial position, until the related expenditures occur.

Statement of Cash Flow

The Statement of Cash Flow explains the change in the balance of cash and cash equivalents for the year, showing the impact of various types of transactions on the balance. For example, the statement shows that \$36.28 million was generated from operating activities and that \$48.42 million was used for capital activities.

Segment Report

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

The following table shows the departments included in each segment:

| Reporting Segments | | | | | | |
|------------------------|----------------|-----------------------------------|------------------------------------|----------------|-------|-------|
| General Gov't | Protective Svc | 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 | | | | | | |
| Purchasing | | | | | | |

The above discussion focuses on the Consolidated Financial Statements, and, as noted, consists of transactions only with outside parties; internal transactions, such as transfers, are not included.

The following section of the report looks at some areas of our organization in isolation, particularly the General Revenue Fund and the Sewer and Water Utilities. While the Financial Statements do not show each of these elements in isolation, aggregated information is shown on Schedules 1 to the Consolidated Financial Statements.

In 2020, Council began receiving quarterly reports, providing financial updates on the City's operating funds, with preliminary results for the year presented on March 9, 2021. As indicated at the time of the presentation, final results for the year differed from those presented. The following provides a summary update of the information provided in March, further separated into our General Revenue Fund and the Sewer and Water Utilities.

General Revenue

The majority of the City's diverse day-to-day operations fall within the General Revenue fund and includes activities ranging from the development of plans to guide the community's future, to maintaining infrastructure such as roads to all the activities integral to the delivery of Council's Strategic Plan. The majority of the impact of COVID-19 was experienced within this fund, both on the development of operational adaptations as well as financial impact. In November, the City received \$6.4 million in BC Safe Restart Funding to help address the financial impact of the ongoing pandemic. This funding was applied to help offset revenue losses and to address some of the costs the has City

incurred for operational adaptations, such as remote work. Approximately \$2.3 million has been set aside to address ongoing impacts in 2021.

The Financial Plan projected that the General Revenue Accumulated Surplus balance would be drawn down by \$0.97 million in 2020. Actual results saw the balance increase by approximately \$2.7 million to \$11 million. One of the primary factors in this increase was the receipt of the BC Safe Restart funding.

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 used a Rate Stabilization Policy for a number of years to manage fluctuations in these costs. Under this Policy, we will see cycles where Accumulated Surplus amounts are deliberately built up, in a systematic manner over a period of time, and 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 projected that both the Sewer and Water Utility Accumulated Surplus balances would be drawn down in 2020. As projected, the Accumulated Surplus balance in the Sewer Utility was drawn down, but the balance in the Water Utility increased.

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:

| | 2020 | 2019 |
|-----------------|----------------------|----------------------|
| General Revenue | \$ 11,096,393 | \$ 8,398,038 |
| Sewer Utility | 6,270,330 | 7,216,552 |
| Water Utility | <u>16,656,631</u> | <u>15,518,140</u> |
| | <u>\$ 34,023,354</u> | <u>\$ 31,132,730</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 . 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.

Schedule 6 to the Financial Statements provides a listing of all the City’s Reserves showing an opening balance of \$105.8 million and a closing balance of \$129.4 million. Contributors to the increase of \$23.5 million include the following:

| | |
|--|---------------|
| Residual BC Restart Funding | \$2.3 million |
| Restart funding to RCP Capital (Gaming offset) | \$1.2 million |
| Rate stabilization provision | \$1.0 million |

| | |
|----------------------------------|---------------|
| Capital Projects in progress | \$7.3 million |
| Studies and projects in progress | \$7.4 million |
| RCMP Contract savings to PSR | \$2.8 million |

CONCLUSION:

The 2020 Financial Statements have been prepared using the accounting standards and reporting model mandated by the Public Sector Accounting Board (PSAB). BDO Canada LLP has conducted an audit of the Financial Statements. In order to satisfy current audit rules, Council must formally approve the Financial 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.

Overall results for 2020 are positive. We ended the year with an Annual Surplus amount of \$54.2 million, and an Accumulated Surplus balance of \$1.26 billion. The City’s Reserves and long-term financial plans reflect the ability of the City to meet its future obligations.

Prepared by: Catherine Nolan, CPA, CGA
Corporate Controller

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

Approved by: Christina Crabtree
GM, Corporate Services

Concurrence: Al Horsman
Chief Administrative Officer

Attachments: 2020 Financial Statements
BDO Audit Results Letter

City of Maple Ridge

Financial Statements and Auditor's Report

For the Year Ended December 31, 2020



Management's Responsibility for Financial Reporting

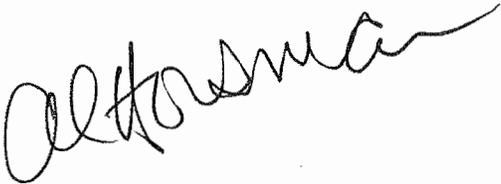
The information in this report is the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian Public Sector accounting guidelines as outlined under "Significant Accounting Policies". These include some amounts based on management's best estimates 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 and Council. Council approves the consolidated financial statements and reviews the recommendations of the independent auditors for improvements to controls as well as the actions of management to implement such recommendations.



Al Horsman
Chief Administrative Officer



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, 2020, the consolidated Statements of Operations, Change 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, 2020 and its results of operations, changes in net financial assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Vancouver, British Columbia
May 2021

Consolidated Statement of Financial Position
as at December 31, 2020

| | 2020 | 2019 Restated - Note 24 |
|---|---|---|
| Financial Assets | | |
| Cash and cash equivalents (Note 1) | \$ 130,961,876 | \$ 63,790,576 |
| Portfolio investments (Note 2) | 90,320,234 | 164,538,143 |
| Accounts receivable (Note 3) | 15,032,584 | 17,657,538 |
| Recoverable local improvements (Note 4) | 1,175,712 | 1,693,971 |
| Other assets (Note 5) | 814,397 | 797,977 |
| Inventory available for resale | <u>56,169</u> | <u>56,169</u> |
| | 238,360,972 | 248,534,374 |
| Liabilities | | |
| Accounts payable and accrued liabilities (Note 6) | 23,613,524 | 31,126,120 |
| Deferred revenue (Note 8) | 15,286,398 | 16,801,812 |
| Restricted revenue (Note 9) | 30,738,864 | 36,581,674 |
| Refundable performance deposits and other | 20,473,999 | 23,625,735 |
| Employee future benefits (Note 10) | 3,348,200 | 3,999,000 |
| Debt (Note 11, Schedule 4) | <u>20,676,495</u> | <u>23,291,350</u> |
| | 114,137,480 | 135,425,691 |
| Net Financial Assets | <u>124,223,492</u> | <u>113,108,683</u> |
| Non Financial Assets | | |
| Tangible capital assets (Note 12, Schedule 5) | 1,122,447,588 | 1,079,740,901 |
| Undeveloped land bank properties (Note 13) | 15,526,529 | 15,526,529 |
| Supplies inventory | 461,953 | 317,502 |
| Prepaid expenses | <u>853,216</u> | <u>665,550</u> |
| | <u>1,139,289,286</u> | <u>1,096,250,482</u> |
| Accumulated Surplus (Note 14) | <u><u>\$ 1,263,512,778</u></u> | <u><u>\$ 1,209,359,166</u></u> |

Al Horsman
Chief Administrative Officer

Trevor Thompson, BBA, CPA, CGA
Chief Financial Officer

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

Consolidated Statement of Operations

For the year ended December 31, 2020

| | Actual 2020 | Budget 2020 (Note 19) | Actual 2019 Restated - Note 24 |
|--|--------------------------------|--------------------------------|--------------------------------------|
| Revenue (Segment Report, Note 22) | | | |
| Taxes for municipal purposes (Note 15) | \$ 94,914,905 | \$ 94,680,030 | \$ 90,205,710 |
| User fees and other revenue | 45,433,301 | 47,142,875 | 45,678,005 |
| Government transfers (Note 16) | 11,004,973 | 12,968,552 | 5,427,368 |
| Development revenue | 13,801,911 | 44,089,991 | 15,026,277 |
| Interest and investment income | 5,286,485 | 2,413,004 | 5,636,251 |
| Gaming revenues | 323,738 | 1,500,000 | 1,703,170 |
| Refinancing and asset disposal gains (losses) | (3,099,311) | - | 226,258 |
| Contributed tangible capital assets (Note 12) | <u>21,023,012</u> | <u>20,000,000</u> | <u>24,889,361</u> |
| | 188,689,014 | 222,794,452 | 188,792,400 |
| Expenses (Segment Report, Note 22) | | | |
| Protective services | 40,353,746 | 44,922,846 | 39,271,854 |
| Transportation services | 22,354,372 | 25,615,526 | 20,755,224 |
| Recreation and cultural | 19,197,925 | 24,375,065 | 19,176,835 |
| Water utility | 15,351,570 | 17,450,962 | 13,952,992 |
| Sewer utility | 12,899,985 | 15,050,873 | 12,427,643 |
| General government | 17,633,091 | 19,755,448 | 16,433,566 |
| Planning, public health and other | <u>6,744,713</u> | <u>7,535,741</u> | <u>11,142,947</u> |
| | 134,535,402 | 154,706,461 | 133,161,061 |
| Annual Surplus | <u>54,153,612</u> | <u>68,087,991</u> | <u>55,631,339</u> |
| Accumulated Surplus - beginning of year | <u>1,209,359,166</u> | <u>1,209,359,166</u> | <u>1,153,727,825</u> |
| Accumulated Surplus - end of year (Note 14) | <u>\$ 1,263,512,778</u> | <u>\$ 1,277,447,157</u> | <u>\$ 1,209,359,166</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, 2020

| | Actual 2020 | Budget 2020 (Note 19) | Actual 2019 Restated - Note 24 |
|--|-----------------------|-----------------------------|--------------------------------------|
| Annual Surplus | \$ 54,153,612 | \$ 68,087,991 | \$ 55,631,339 |
| Add (Less): | | | |
| Change in Tangible Capital Assets | | | |
| Acquisition of tangible capital assets | (69,544,005) | (197,634,460) | (82,864,958) |
| Amortization | 23,641,391 | 22,622,738 | 21,268,133 |
| Proceeds from disposal of tangible capital assets | 96,614 | - | 928,432 |
| (Gain) loss on disposal of tangible capital assets | <u>3,099,312</u> | <u>-</u> | <u>2,583,364</u> |
| | (42,706,688) | (175,011,722) | (58,085,029) |
| Change in Other Non Financial Assets | | | |
| Decrease (increase) in supplies inventory | (144,450) | - | 8,861 |
| Decrease (Increase) in prepaid expenses | <u>(187,666)</u> | <u>-</u> | <u>575,353</u> |
| | (332,116) | - | 584,214 |
| Increase (decrease) in Net Financial Assets | 11,114,808 | (106,923,731) | (1,869,476) |
| Net Financial Assets beginning of the year | <u>113,108,683</u> | <u>113,108,683</u> | <u>114,978,159</u> |
| Net Financial Assets end of the year | <u>\$ 124,223,492</u> | <u>\$ 6,184,952</u> | <u>\$ 113,108,683</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, 2020

| | Actual 2020 | Actual 2019 Restated - Note 24 |
|---|----------------|--------------------------------------|
| Operating transactions | | |
| Annual surplus | \$ 54,153,612 | \$ 55,631,339 |
| Items not utilizing cash | | |
| Amortization | 23,641,391 | 21,268,133 |
| Loss on disposal of assets | 3,099,311 | (226,258) |
| Contributed tangible capital assets | (21,023,012) | (24,889,361) |
| Actuarial adjustment on debt | (399,333) | (359,245) |
| Restricted revenues recognized | (13,155,174) | (13,852,584) |
| | (7,836,817) | (18,059,315) |
| Change in non-cash operating items | | |
| Increase in prepaid expenses | (187,666) | 575,353 |
| Decrease (increase) in supplies inventory | (144,451) | 8,861 |
| Decrease (increase) in accounts receivable | 2,624,954 | (2,142,120) |
| Decrease (increase) in recoverable local improvements | 518,259 | (314,899) |
| Decrease (increase) in other assets | (16,420) | (18,164) |
| Increase (decrease) in accounts payable and accrued liabilities | (7,512,596) | 6,267,828 |
| Increase (decrease) in deferred revenue | (1,515,409) | 1,041,308 |
| Increase (decrease) in refundable performance deposits | (3,151,736) | 1,716,869 |
| Increase (decrease) in employee future benefits | (650,799) | (663,100) |
| | (10,035,864) | 6,471,936 |
| Cash provided by operating transactions | 36,280,931 | 44,043,960 |
| Capital transactions | | |
| Proceeds on disposal of tangible capital assets | 96,614 | 928,432 |
| Cash used to acquire tangible capital assets | (48,520,994) | (57,975,597) |
| | (48,424,380) | (57,047,165) |
| Investing transactions | | |
| Proceeds on disposal of land available for sale | - | 5,213,038 |
| Decrease (increase) in portfolio investments | 74,217,909 | 37,127,939 |
| | 74,217,909 | 42,340,977 |
| Financing transactions | | |
| Debt repayment | (2,215,522) | (2,172,036) |
| Collection of restricted revenues | 7,312,362 | 14,438,100 |
| | 5,096,840 | 12,266,064 |
| Increase (decrease) in cash and cash equivalents | 67,171,300 | 41,603,836 |
| Cash and cash equivalents - beginning of year | 63,790,576 | 22,186,741 |
| Cash and cash equivalents - end of year | \$ 130,961,876 | \$ 63,790,577 |

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, 2020

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 unexected 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, 2020 or December 31, 2019.

(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 as taxes for municipal purposes.

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

User fees and other revenue

Charges for sewer and water usage are recorded as user fees and other revenue 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. Tangible capital assets received as contributions are recorded at their estimated fair value at the date of receipt 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 those estimates.

(j) Budget figures

The budget figures reported in the Consolidated Financial Statements represent the 2020 component of the Financial Plan Bylaw adopted by Council on May 12, 2020.

(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 maturity date of three months or less.

(m) Portfolio Investments

Investments with an original maturity date 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, 2020

1. Cash and cash equivalents

Cash and cash equivalents as at December 31, 2020 were comprised as follows:

| | <u>Dec 31, 2020</u> | <u>Dec 31, 2019</u> |
|------------------|-----------------------|----------------------|
| Cash | \$ 40,786,407 | \$ 14,879,814 |
| Cash equivalents | <u>90,175,469</u> | <u>48,910,762</u> |
| | <u>\$ 130,961,876</u> | <u>\$ 63,790,576</u> |

Cash equivalents were comprised of high-interest savings accounts or term deposits held at Canadian banking institutions with effective interest rates of **0.82 - 1.90%** (2.46% - 2.56% for 2019).

2. Portfolio Investments

Portfolio investments include Canadian bank notes and BC Credit Union term deposits with effective interest rates of 0.9% - 4.0%. 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. In 2020 gains were \$319,170 (\$Nil for 2019).

The carrying value of Portfolio Investments at December 31, 2020 was **\$90,320,234** (\$164,538,143 for 2019). The market value at December 31, 2020 was **\$90,540,977** (\$165,918,543 for 2019).

3. Accounts Receivable

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|----------------------|----------------------|
| Property Taxes | \$ 6,824,750 | \$ 5,377,517 |
| Other Governments | 1,394,155 | 2,375,904 |
| General and Accrued Interest | 4,320,952 | 4,591,556 |
| Development Cost Charges | <u>2,660,826</u> | <u>5,564,102</u> |
| | 15,200,683 | 17,909,079 |
| Less: Allowance for Doubtful Accounts | <u>(168,099)</u> | <u>(251,541)</u> |
| | <u>\$ 15,032,584</u> | <u>\$ 17,657,538</u> |

4. Recoverable Local Improvements

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

5. Other Assets

Debt Reserve Fund:

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

Upon the maturity of a debt issue the unused portion of the Debt Reserve Fund established for that issue will be discharged to the City. The City has estimated that there is only a remote possibility that these funds will not be recovered and therefore these funds have been included in Other Assets of **\$814,397** (\$797,977 for 2019).

6. Accounts Payable and Accrued Liabilities

| | <u>2020</u> | <u>2019</u> |
|-----------------------------|----------------------|----------------------|
| Accounts Payable: | | |
| General | \$ 8,237,574 | \$ 11,368,913 |
| Other Governments | 8,516,981 | 12,029,889 |
| Salaries and Wages | <u>960,069</u> | <u>2,071,496</u> |
| | 17,714,624 | 25,470,298 |
| Accrued Liabilities: | | |
| Landfill Liability | 4,078,820 | 4,078,820 |
| Vacation Pay | 686,557 | 547,507 |
| Other Employment Benefits | <u>1,133,523</u> | <u>1,029,495</u> |
| | <u>5,898,900</u> | <u>5,655,822</u> |
| | \$ 23,613,524 | \$ 31,126,120 |

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 2% (2% for 2019) and the discount rate was 2.43%. (2.43% for 2019) As at the Financial Statement date a revised closure plan is being drafted for submission to the Province. It is expected that the updated plan will increase the liability. The unfunded liability for the landfill will be paid for per the annual approved Financial Plan.

7. Contingencies, Commitments and Unrecognized Liabilities:

(a) Third Party Claims

Where losses related to litigation are likely and can be reasonably estimated management accrues its best estimate of loss. These amounts are included in accounts payable and accrued liabilities.

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

(b) Contractual Obligations

In 1998 the City entered into an agreement to purchase ice sheet time for five years commencing in 1999, with five five-year renewal options. In 2018, the agreement was renewed for an additional five-year period. The minimum annual payment due for the provision of ice time is \$706,000. Additional ice time is purchased separately. These payments are recorded as expenses when the ice time is provided.

(c) Contingent Liability

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

8. Deferred Revenues

Deferred revenues held by the City were comprised as follows:

| | December 31, 2019 | Additions | Revenue earned | December 31, 2020 |
|---------------------|----------------------|----------------------|----------------------|----------------------|
| Property taxes | \$ 7,602,103 | \$ 15,332,406 | \$ 15,302,554 | \$ 7,631,955 |
| Connection Revenues | 1,464,311 | 699,401 | 682,422 | 1,481,290 |
| Other | <u>7,735,398</u> | <u>4,016,837</u> | <u>5,579,082</u> | <u>6,173,153</u> |
| | <u>\$ 16,801,812</u> | <u>\$ 20,048,644</u> | <u>\$ 21,564,058</u> | <u>\$ 15,286,398</u> |

9. Restricted Revenues

Restricted revenues held by the City were comprised as follows:

| | December 31, 2019 | Collections/Interest | Disbursements | December 31, 2020 |
|------------------------------|----------------------|----------------------|------------------------|----------------------|
| Development cost charges | \$ 25,663,429 | \$ 4,169,891 | \$ (14,802,468) | \$ 15,030,852 |
| Parkland acquisition charges | 1,742,236 | 325,524 | 4,213 | 2,071,973 |
| Other | <u>9,176,009</u> | <u>2,816,949</u> | <u>1,643,081</u> | <u>13,636,039</u> |
| | <u>\$ 36,581,674</u> | <u>\$ 7,312,364</u> | <u>\$ (13,155,174)</u> | <u>\$ 30,738,864</u> |

10. Employee Future Benefits

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

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

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

An actuarial valuation of these benefits was performed to determine the City's liability and accrued benefit obligation as at December 31, 2018 and updated for December 31, 2020. The valuation resulted in a cumulative unamortized actuarial gain of \$30,300 at December 31, 2020, (cumulative unamortized gain of \$669,600 for 2019). Actuarial gains or losses are amortized over the expected average remaining service life of employees. The benefit liability at December 31, 2020 was \$3,184,300, (\$3,999,000 for 2019) comprised as follows:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|--------------------|
| Accrued benefit obligation, beginning of year | \$ 3,329,400 | \$ 3,800,900 |
| Add: | | |
| Current service costs | 172,200 | 169,000 |
| Interest on accrued benefit obligation | 96,800 | 107,800 |
| Actuarial (gain)/loss | 574,800 | 116,500 |
| Less: | | |
| Benefits paid during the year | <u>(855,300)</u> | <u>(864,800)</u> |
| Accrued benefit obligation, end of year | 3,317,900 | 3,329,400 |
| Add: Unamortized actuarial gain | <u>30,300</u> | <u>669,600</u> |
| Accrued Benefit liability | <u>3,348,200</u> | <u>3,999,000</u> |

10. Employee Future Benefits (cont'd)

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

| | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| Discount rate (long-term borrowing rate) | 1.50 % | 3.00 % |
| Expected future inflation rate | 2.00 % | 2.00 % |
| Merit and inflationary wage and salary increases averaging | 2.59 % | 2.63 % |
| Estimated average remaining service life of employees (years) | 11.0 | 11.0 |

11. Debt (Schedule 4)

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

The City carries no debt for others.

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

| | <u>Debt Payments</u> |
|-----------------------|----------------------|
| 2021 | \$ 2,215,521 |
| 2022 | 2,260,235 |
| 2023 | 2,306,211 |
| 2024 | 2,353,485 |
| 2025 | 2,402,094 |
| Thereafter | 7,497,538 |
| Sinking Fund earnings | <u>4,256,266</u> |
| | <u>\$ 23,291,350</u> |

The City has the following authorized but un-issued financing available as at December 31, 2020:

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

12. Tangible Capital Assets

| | <u>Net book value</u> | |
|------------------------|-------------------------|-------------------------|
| | <u>2020</u> | <u>2019</u> |
| Land | \$ 271,742,707 | \$ 247,666,235 |
| Buildings | 77,357,035 | 68,972,369 |
| Transportation network | 216,737,333 | 220,113,788 |
| Storm sewer system | 222,065,866 | 219,574,010 |
| Fleet and equipment | 17,771,496 | 16,931,359 |
| Technology | 6,516,919 | 5,418,866 |
| Water system | 134,784,335 | 131,621,386 |
| Sanitary sewer system | 138,719,265 | 136,838,710 |
| Other | <u>36,752,632</u> | <u>32,604,180</u> |
| | <u>\$ 1,122,447,588</u> | <u>\$ 1,079,740,901</u> |

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

12. Tangible Capital Assets (cont'd)

During the year there were no write-downs of assets (2019 - \$Nil). In addition, the fair value of roads and related infrastructure, underground networks and land contributed to the City totaled **\$21,023,012** (\$24,889,361 for 2019) 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 2020 is **\$1,265,644,971** (\$1,208,921,629 for 2019) and is distributed as follows:

| | | <u>2020</u> | <u>2019</u> (Restated) |
|--|----------|--------------------------------|--------------------------------|
| Operating surplus (Schedule 1) | General | \$ 11,096,393 | \$ 8,398,038 |
| | Sewer | 6,270,330 | 7,216,552 |
| | Water | <u>16,656,631</u> | <u>15,518,140</u> |
| | | 34,023,354 | 31,132,730 |
| Equity in the capital funds (Schedule 2) | General | 822,245,719 | 799,336,713 |
| | Sewer | 139,718,499 | 137,959,466 |
| | Water | <u>138,119,026</u> | <u>135,053,573</u> |
| | | 1,100,083,244 | 1,072,349,752 |
| Reserves (Schedule 3) | Funds | 37,237,663 | 33,375,907 |
| | Accounts | <u>92,168,517</u> | <u>72,500,777</u> |
| | | 129,406,180 | 105,876,684 |
| Accumulated Surplus | | <u>\$ 1,263,512,778</u> | <u>\$ 1,209,359,166</u> |

15. 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>2020</u> | <u>2020 Budget</u> | <u>2019</u> |
|-------------------------------------|------------------------------|------------------------------|------------------------------|
| Municipal Tax Levies | \$ 94,914,905 | \$ 94,680,030 | \$ 90,205,710 |
| Levies for other authorities | | | |
| School taxes | 35,174,508 | 32,593,472 | 38,718,718 |
| Translink | 7,617,871 | 7,625,131 | 6,929,231 |
| British Columbia Assessment | 1,210,627 | 1,211,600 | 1,142,457 |
| Metro Vancouver Regional District | 1,476,913 | 1,477,952 | 1,232,350 |
| Dyking Districts | 730,556 | 719,400 | 700,801 |
| Municipal Finance Authority | <u>5,644</u> | <u>5,647</u> | <u>5,671</u> |
| Total Collections for Others | <u>46,216,119</u> | <u>43,633,202</u> | <u>48,729,228</u> |
| Total Tax Levies | <u>\$ 141,131,024</u> | <u>\$ 138,313,232</u> | <u>\$ 138,934,938</u> |

16. Government Transfers

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

| | <u>2020</u> | | <u>2019</u> | |
|------------------|-------------------|----------------------|---------------------|---------------------|
| | Capital | Operating | Capital | Operating |
| Federal Gov't | \$ 543,562 | \$ 375,434 | \$ 269,954 | \$ 653,340 |
| Provincial Gov't | 98,226 | 8,105,925 | 1,438,038 | 1,307,077 |
| TransLink | 68,588 | 1,769,914 | 714,413 | 994,798 |
| Other | 42,574 | 750 | 49,747 | - |
| Total | \$ 752,950 | \$ 10,252,023 | \$ 2,472,152 | \$ 2,955,215 |

17. 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, 2019 | Interest Earned | Receipts | Disbursements | Balance Dec 31, 2020 |
|--|-------------------------|--------------------|---------------------|---------------------|-------------------------|
| Latecomer Fees | \$ 417,999 | \$ - | \$ 68,298 | \$ 471,063 | \$ 15,234 |
| Cemetery Perpetual Care | 1,272,913 | 31,189 | 62,908 | 31,189 | 1,335,821 |
| Election Surplus | 8,451 | 191 | - | - | 8,642 |
| Metro Vancouver Sewer & Drainage District | 1,940,609 | - | 1,480,887 | 2,687,764 | 733,732 |
| TransLink | - | - | 285,738 | 65,663 | 220,075 |
| Albion Dyking District | 1,837,259 | 579 | 290,021 | 18,106 | 2,109,753 |
| Total | \$ 5,477,231 | \$ 31,959 | \$ 2,187,852 | \$ 3,273,785 | \$ 4,423,257 |

18. Expenses and Expenditures by Object

| | Capital | | 2020 Total | 2020 Budget | (Restated) |
|--|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| | Operations | Acquisitions | | | 2019 Total |
| Goods and services | \$ 65,170,324 | \$ 47,728,742 | \$ 112,899,066 | \$ 257,669,358 | \$ 124,038,806 |
| Wages and salaries | 44,406,123 | 792,249 | 45,198,372 | 49,657,483 | 44,367,422 |
| Interest | 1,317,565 | - | 1,317,565 | 2,391,342 | 1,462,295 |
| Total | 110,894,012 | 48,520,991 | 159,415,003 | 309,718,183 | 169,868,523 |
| Amortization expenses | 23,672,049 | - | 23,672,049 | 22,622,738 | 21,257,458 |
| Contributed tangible capital assets | - | 23,623,400 | 23,623,400 | 20,000,000 | 24,889,361 |
| Total Expenses and Expenditures | \$ 134,566,061 | \$ 72,144,391 | \$ 206,710,452 | \$ 352,340,921 | \$ 216,015,342 |

19. Budget

Budget amounts represent the Financial Plan Bylaw adopted by Council on May 12, 2020. The Financial Plan anticipated use of surpluses accumulated in previous years to balance against current year expenditures in excess of current year revenues.

The following shows how these amounts were combined:

| | Financial Plan Bylaw | Financial Statement Budget |
|--|---------------------------------|---------------------------------------|
| Revenue | | |
| Taxation | \$ 94,680,030 | \$ 94,680,030 |
| User fees and other revenue | 47,142,875 | 47,142,875 |
| Other | 60,971,547 | 60,971,547 |
| Contributed subdivision infrastructure | <u>20,000,000</u> | <u>20,000,000</u> |
| Total Revenue | <u>222,794,452</u> | <u>222,794,452</u> |
| Expenses | | |
| Protective services | 44,922,846 | 44,922,846 |
| Transportation services | 25,615,526 | 25,615,526 |
| Recreation and cultural | 24,375,065 | 24,375,065 |
| Water utility | 17,450,962 | 17,450,962 |
| Sewer utility | 15,050,873 | 15,050,873 |
| General Government | 19,755,448 | 19,755,448 |
| Planning, public health and other | <u>7,535,741</u> | <u>7,535,741</u> |
| Total expenses | <u>154,706,461</u> | <u>154,706,461</u> |
| Annual Surplus | <u>\$ 68,087,991</u> | <u>\$ 68,087,991</u> |
| Less: | | |
| Capital expenditures | 197,634,460 | |
| Debt repayment | 3,868,773 | |
| Add: | | |
| Interfund transfers | 59,298,959 | |
| Amortization | 22,622,738 | |
| Borrowing proceeds | <u>51,493,545</u> | |
| | <u>\$ -</u> | |

20. Contractual Rights

Contributed Tangible Capital Assets

There are a number of development projects in progress throughout the City where there is a requirement for the developer to provide infrastructure to the City, such as roads, sewers, sidewalks and street lighting. The 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.

21. 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 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The City of Maple Ridge paid **\$3,672,047** (2019 \$3,438,370) for employer contributions while employees contributed **\$3,087,136** (2019 \$2,876,127) to the plan in fiscal 2020.

The next valuation will be as at December 31, 2021, with results available in 2022.

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.

22. Segmented Information

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

Protective Services

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

Transportation Services

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

Recreation and Cultural

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

Water Utility

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

Sewer Utility

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

General Government

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

22. Segmented Information (cont'd)

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.

23. Significant Events

The global pandemic known as COVID-19 continues to bring a level of uncertainty into the global economy and continues to impact City operations. While disruption from the pandemic is expected to be temporary the full potential impact to the City cannot be estimated with certainty due to the dynamic nature of the event. The City continues to focus on service provision within the guidelines issued by public health officials, as amended from time to time, and within the financial resources available to the City.

24. Prior Period Adjustment

In 2020, the City retroactively adjusted its financial statements to reflect new information about the City's inventory of tangible capital assets and to recognize certain employee excess future benefits payments that had accumulated with the service provider and are available to use against future benefits claims.

The impact of these changes was to:

- decrease closing accumulated surplus by \$13,798,685 as follows:

| | 2019 Previously Reported | 2019 Increase (Decrease) | 2019 Restated |
|-----------------------------|-----------------------------|-----------------------------|------------------|
| Opening accumulated surplus | \$1,158,703,214 | \$(4,975,389) | \$1,153,727,825 |
| Accounts receivable | 16,882,073 | 775,465 | 17,657,538 |
| Net financial assets | 112,333,218 | 775,465 | 113,108,683 |
| Tangible capital assets | 1,094,315,052 | (14,574,151) | 1,079,740,901 |
| Revenues | 197,611,071 | (8,818,671) | 188,792,400 |
| Expenses | 133,156,434 | 4,627 | 133,161,061 |
| Accumulated surplus | \$1,223,157,851 | \$(13,798,685) | \$1,209,359,166 |

Consolidated Report of Segmented Revenue and Expenses

For the year ended December 31, 2020

| | Protective Services | Transportation Services | Recreation and Cultural | Water Utility | Sewer Utility |
|---|-------------------------------|------------------------------|----------------------------|----------------------------|----------------------------|
| Revenue | | | | | |
| Tax revenue | \$ - | \$ - | \$ - | \$ 166,483 | \$ 971,285 |
| Other revenues | 5,859,426 | 682,932 | 1,063,458 | 18,705,492 | 12,713,153 |
| Government transfers | 137,521 | 2,289,150 | 614,318 | - | 264,826 |
| Development revenue | 71 | 530,119 | 12,102,816 | 107,998 | 734,489 |
| Interest and investment income | - | - | - | - | - |
| Gaming Revenues | | | | | |
| Asset disposal gain(loss) | 3,273 | (2,561,593) | (6,735) | (245,101) | (288,674) |
| Contributed infrastructure | <u>-</u> | <u>12,691,324</u> | <u>4,526,400</u> | <u>1,415,596</u> | <u>2,389,692</u> |
| Total Revenue | 6,000,291 | 13,631,932 | 18,300,257 | 20,150,468 | 16,784,771 |
| Expenses | | | | | |
| Operating: | | | | | |
| Goods and services | 21,300,036 | 4,862,635 | 9,039,208 | 11,115,734 | 9,694,391 |
| Labour | 17,259,262 | 5,823,466 | 6,824,859 | 1,551,479 | 468,230 |
| Debt Servicing | <u>7,861</u> | <u>-</u> | <u>636,026</u> | <u>-</u> | <u>-</u> |
| Sub total | 38,567,159 | 10,686,101 | 16,500,093 | 12,667,213 | 10,162,621 |
| Amortization | <u>1,786,587</u> | <u>11,668,271</u> | <u>2,697,832</u> | <u>2,684,357</u> | <u>2,737,364</u> |
| Total Expenses | <u>40,353,746</u> | <u>22,354,372</u> | <u>19,197,925</u> | <u>15,351,570</u> | <u>12,899,985</u> |
| Excess (deficiency) of revenue over expenses | <u>\$ (34,353,455)</u> | <u>\$ (8,722,440)</u> | <u>\$ (897,668)</u> | <u>\$ 4,798,898</u> | <u>\$ 3,884,786</u> |

| General Government | Commercial Tower | Planning Public Health & Other | Unallocated | Total 2020 Actual | Total Budget | (Restated) Total 2019 Actual |
|-----------------------|-------------------|--------------------------------|----------------------|----------------------|----------------------|------------------------------|
| \$ - | \$ - | \$ 2,282,223 | \$ 91,494,914 | \$ 94,914,905 | \$ 94,680,030 | \$ 90,205,710 |
| 1,765,812 | 1,815,714 | 2,827,314 | - | 45,433,301 | 47,142,875 | 45,678,005 |
| 7,655,408 | - | 43,750 | - | 11,004,973 | 12,968,552 | 5,427,368 |
| 315,281 | - | 11,137 | - | 13,801,911 | 44,089,991 | 15,026,277 |
| - | - | - | 5,286,485 | 5,286,485 | 2,413,004 | 5,636,251 |
| - | - | - | 323,738 | 323,738 | 1,500,000 | 1,703,170 |
| (481) | - | - | - | (3,099,311) | - | 226,258 |
| - | - | - | - | 21,023,012 | 20,000,000 | 24,889,361 |
| <u>9,736,020</u> | <u>1,815,714</u> | <u>5,164,424</u> | <u>97,105,137</u> | <u>188,689,014</u> | <u>222,794,452</u> | <u>188,792,400</u> |
| 4,652,346 | 667,934 | 3,838,039 | - | 65,170,323 | 80,034,898 | 67,039,401 |
| 9,843,562 | - | 2,635,265 | - | 44,406,123 | 49,657,483 | 43,391,232 |
| <u>184,997</u> | <u>441,830</u> | <u>46,851</u> | <u>-</u> | <u>1,317,565</u> | <u>2,391,342</u> | <u>1,462,295</u> |
| 14,680,905 | 1,109,764 | 6,520,155 | - | 110,894,011 | 132,083,723 | 111,892,928 |
| <u>1,842,422</u> | <u>-</u> | <u>224,558</u> | <u>-</u> | <u>23,641,391</u> | <u>22,622,738</u> | <u>21,268,133</u> |
| <u>16,523,327</u> | <u>1,109,764</u> | <u>6,744,713</u> | <u>-</u> | <u>134,535,402</u> | <u>154,706,461</u> | <u>133,161,061</u> |
| <u>\$ (6,787,307)</u> | <u>\$ 705,950</u> | <u>\$ (1,580,289)</u> | <u>\$ 97,105,137</u> | <u>\$ 54,153,612</u> | <u>\$ 68,087,991</u> | <u>\$ 55,631,339</u> |

Schedule 1

Schedule of Change in Operating Accumulated Surplus

For the year ended December 31, 2020

| | Actual 2020 | Budget 2020 | (Restated) Actual 2019 |
|--|-----------------------------|-----------------------------|------------------------------|
| Revenue | | | |
| Taxes for municipal purposes | \$ 94,914,905 | \$ 94,680,030 | \$ 90,205,710 |
| User fees and other revenues | 45,433,301 | 47,142,875 | 45,678,005 |
| Government transfers | 10,252,023 | 3,446,265 | 2,955,216 |
| Development Revenue | 814,316 | 1,356,621 | 1,081,524 |
| Interest and investment income | 3,727,268 | 1,867,988 | 4,018,149 |
| Gaming revenues | 323,738 | 1,500,000 | 1,703,170 |
| Refinancing and other gains | 96,614 | - | 6,141,470 |
| | <u>155,562,165</u> | <u>149,993,779</u> | <u>151,783,244</u> |
| Expenses | | | |
| Protective services | 38,567,159 | 43,510,973 | 37,886,970 |
| Transportation services | 10,686,101 | 13,980,777 | 9,988,084 |
| Recreation and cultural | 16,500,093 | 22,071,087 | 16,926,935 |
| Water utilities | 12,667,213 | 14,740,619 | 11,552,263 |
| Sewer utilities | 10,162,621 | 12,329,795 | 9,777,038 |
| General government | 15,790,669 | 18,146,198 | 14,842,068 |
| Public and environmental health | 6,520,155 | 7,304,274 | 10,919,570 |
| | <u>110,894,011</u> | <u>132,083,723</u> | <u>111,892,928</u> |
| Annual Surplus | 44,668,154 | 17,910,056 | 39,890,316 |
| Internal transfers | | | |
| Transfers to capital funds | (5,738,345) | (17,370,800) | (8,727,102) |
| Transfers to reserves | <u>(36,039,185)</u> | <u>(5,313,949)</u> | <u>(34,223,273)</u> |
| Increase (decrease) in operating accumulated surplus | 2,890,624 | (4,774,693) | (3,060,059) |
| Operating accumulated surplus-beginning of year | <u>31,132,730</u> | <u>31,132,730</u> | <u>34,192,789</u> |
| Operating accumulated surplus-end of year (Note 14) | <u>\$ 34,023,354</u> | <u>\$ 26,358,037</u> | <u>\$ 31,132,730</u> |

Schedule 2

Schedule of Change in Capital Funds
For the year ended December 31, 2020

| | Actual 2020 | Budget 2020 | Actual 2019 |
|--|-------------------------|-------------------------|-------------------------|
| Revenue | | | |
| Subdivision infrastructure contributions | \$ 21,023,012 | \$ 20,000,000 | \$ 24,889,361 |
| Government transfers | 752,950 | 9,522,287 | 2,472,152 |
| Development fees | 12,665,853 | 40,997,027 | 13,374,516 |
| Other capital contributions | 321,742 | 1,736,344 | 570,237 |
| Disposal of land available for sale | - | - | (2,403,416) |
| Disposal of tangible capital assets | <u>(3,195,925)</u> | <u>-</u> | <u>(3,511,796)</u> |
| Total Revenue | 31,567,632 | 72,255,658 | 35,391,054 |
| Expenses | | | |
| Amortization | <u>23,641,391</u> | <u>22,622,738</u> | <u>21,268,133</u> |
| Total Expenses | 23,641,391 | 22,622,738 | 21,268,133 |
| Annual Surplus | 7,926,241 | 49,632,920 | 14,122,921 |
| Internal Transfers | | | |
| Transfers from revenue funds | 5,738,345 | 17,370,800 | 8,727,102 |
| Transfers from reserves | <u>14,068,906</u> | <u>59,733,203</u> | <u>34,198,741</u> |
| Increase in capital funds | 27,733,492 | 126,736,923 | 57,048,764 |
| Capital funds - beginning of the year | <u>1,072,349,752</u> | <u>1,072,349,752</u> | <u>1,015,300,988</u> |
| Capital funds - end of the year (Note 14) | \$ <u>1,100,083,244</u> | \$ <u>1,199,086,675</u> | \$ <u>1,072,349,752</u> |

Schedule 3

Schedule of Change in Reserves
For the year ended December 31, 2020

| | Actual 2020 | Budget 2020 | Actual 2019 |
|---|------------------------------|-----------------------------|------------------------------|
| Revenue and Transfers | | | |
| Revenue | | | |
| Interest and investment income | \$ 1,559,217 | \$ 545,016 | \$ 1,618,102 |
| Add (less) | | | |
| Internal transfers | | | |
| Transfers from revenue funds | 36,039,185 | 5,313,949 | 34,223,273 |
| Transfers to capital funds | <u>(14,068,906)</u> | <u>(59,733,203)</u> | <u>(34,198,741)</u> |
| Increase (decrease) in Reserved Accumulated Surplus | 23,529,496 | (53,874,238) | 1,642,634 |
| Reserved Accumulated Surplus - Beginning of the Year | <u>105,876,684</u> | <u>105,876,684</u> | <u>104,234,050</u> |
| Reserved Accumulated Surplus - End of Year (Note 14) | <u>\$ 129,406,180</u> | <u>\$ 52,002,446</u> | <u>\$ 105,876,684</u> |

Continuity Schedule of Debenture Debt

For the year ended December 31, 2020

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

| Dec 31, 2019 Balance Outstanding | New Debt Issued During the year | Principal/ Sinking Fund Payments | Sinking Fund Earnings | 2020 Balance Outstanding | Interest Paid/ Earned For The Year |
|---|--|---|----------------------------------|---|---|
| \$ 12,289,807 | \$ - | \$ 1,390,764 | \$ - | \$ 10,899,043 | \$ 636,026 |
| 1,704,378 | - | 192,855 | - | 1,511,523 | 88,197 |
| 16,300,000 | - | - | - | 16,300,000 | 813,370 |
| 625,000 | - | - | - | 625,000 | 18,125 |
| 1,520,000 | - | - | - | 1,520,000 | 44,080 |
| <u>700,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>700,000</u> | <u>20,300</u> |
| 33,139,185 | - | 1,583,619 | - | 31,555,566 | 1,620,098 |
| 9,173,854 | - | 547,384 | 371,540 | 10,092,778 | 371,540 |
| 248,902 | - | 31,213 | 10,264 | 290,379 | 10,264 |
| 291,045 | - | 36,498 | 12,002 | 339,545 | 12,002 |
| <u>134,034</u> | <u>-</u> | <u>16,808</u> | <u>5,527</u> | <u>156,369</u> | <u>5,527</u> |
| 9,847,835 | - | 631,903 | 399,333 | 10,879,071 | 399,333 |
| <u>\$ 23,291,350</u> | <u>\$ -</u> | <u>\$ 2,215,522</u> | <u>\$ 399,333</u> | <u>\$ 20,676,495</u> | <u>\$ 1,220,765</u> |

Schedule of Tangible Capital Assets
For the year ended December 31, 2020

| | Land² | Building | Transportation Network | Storm System |
|---|------------------------------|-----------------------------|-----------------------------------|------------------------------|
| Historical Cost ¹ | | | | |
| Opening cost | \$ 247,666,235 | \$ 121,734,249 | \$ 350,117,328 | \$ 289,324,461 |
| Additions | 24,076,472 | 11,617,557 | 5,859,284 | 6,842,099 |
| Disposals | <u>-</u> | <u>(126,128)</u> | <u>(4,092,439)</u> | <u>(571,530)</u> |
| | 271,742,707 | 133,225,678 | 351,884,173 | 295,595,030 |
| Accumulated Amortization | | | | |
| Opening balance | - | 52,761,879 | 130,003,544 | 69,750,451 |
| Amortization expense | - | 3,232,700 | 7,018,962 | 3,989,558 |
| Effect of disposals | <u>-</u> | <u>(125,936)</u> | <u>(1,875,666)</u> | <u>(210,845)</u> |
| | <u>-</u> | <u>55,868,643</u> | <u>135,146,840</u> | <u>73,529,164</u> |
| Net Book Value as at December 31, 2020 | <u>\$ 271,742,707</u> | <u>\$ 77,357,035</u> | <u>\$ 216,737,333</u> | <u>\$ 222,065,866</u> |
| Net Book Value as at December 31, 2019 | \$ 247,666,235 | \$ 68,972,369 | \$ 220,113,788 | \$ 219,574,010 |

¹ Historical cost includes work in progress at December 31, 2020 of **\$20,064,975** (\$36,971,312 for 2019) comprised of: Land \$631,732 (\$613,121 for 2019); Buildings \$10,259,878 (\$29,849,671 for 2019); Transportation network \$806,550 (\$777,851 for 2019); Storm system \$180,344 (\$163,785 for 2019); Fleet and equipment \$169,640 (\$527,388 for 2019); Technology \$416,509 (\$116,834 for 2019); Water system \$2,383,718 (\$1,587,256 for 2019); Sanitary system \$5,039,278 (\$3,021,387 for 2019); and Other \$177,325 (\$314,019 for 2019). Work in progress is not amortized.

² Additions to land are net of \$-Nil (\$-Nil for 2019) of land reclassified to inventory available for sale.

³ "Other" at net book value includes Furniture and Fixtures at \$1,091,973 (\$745,594 for 2019) and Structures at \$35,660,657 (\$31,858,580 for 2019)

| Fleet and Equipment | Technology | Water System | Sanitary System | Other³ | Total |
|--------------------------------|---------------------|-----------------------|----------------------------|--------------------------|-------------------------|
| \$ 31,423,963 | \$ 13,118,304 | \$ 170,535,047 | \$ 188,019,151 | \$ 49,505,594 | \$ 1,461,444,334 |
| 2,654,911 | 2,240,592 | 5,917,395 | 4,880,430 | 5,455,266 | 69,544,006 |
| <u>(356,764)</u> | <u>(131,871)</u> | <u>(441,933)</u> | <u>(533,389)</u> | <u>(41,307)</u> | <u>(6,295,361)</u> |
| 33,722,110 | 15,227,025 | 176,010,509 | 192,366,192 | 54,919,553 | 1,524,692,979 |
| 14,492,604 | 7,699,438 | 38,913,661 | 51,180,439 | 16,901,416 | 381,703,432 |
| 1,772,695 | 1,141,630 | 2,509,346 | 2,678,568 | 1,297,932 | 23,641,391 |
| <u>(314,685)</u> | <u>(130,962)</u> | <u>(196,833)</u> | <u>(212,080)</u> | <u>(32,427)</u> | <u>(3,099,434)</u> |
| <u>15,950,614</u> | <u>8,710,106</u> | <u>41,226,174</u> | <u>53,646,927</u> | <u>18,166,921</u> | <u>402,245,389</u> |
| <u>\$ 17,771,496</u> | <u>\$ 6,516,919</u> | <u>\$ 134,784,335</u> | <u>\$ 138,719,265</u> | <u>\$ 36,752,632</u> | <u>\$ 1,122,447,588</u> |
| \$ 16,931,359 | \$ 5,418,866 | \$ 131,621,386 | \$ 136,838,710 | \$ 32,604,180 | \$ 1,079,740,901 |

Continuity Schedule of Reserves
For the year ended December 31, 2020

| | <u>Balance</u> <u>Dec. 31, 2019</u> | <u>Interest</u> <u>Allocated</u> |
|---|--|-------------------------------------|
| Reserve Funds | | |
| Local Improvements | \$ 2,634,001 | \$ 27,125 |
| Equipment Replacement | 17,947,672 | 397,644 |
| Capital Works | 7,825,553 | 181,592 |
| Fire Department Capital Acquisition | 2,902,739 | 104,603 |
| Sanitary Sewer | 1,314,082 | 29,036 |
| Land | <u>751,860</u> | <u>17,060</u> |
| Total Reserve Funds | 33,375,907 | 757,060 |
| Reserve Accounts | | |
| Specific Projects - Capital | 13,055,935 | - |
| Specific Projects - Operating | 7,441,715 | - |
| Self Insurance | 797,435 | 18,064 |
| Police Services | 10,118,279 | 226,391 |
| Core Development | 2,284,873 | 59,182 |
| Recycling | 3,505,911 | 87,911 |
| Community Safety Initiatives | 1,457,181 | - |
| Building Inspections | 3,470,853 | 78,754 |
| Gravel Extraction | 839,625 | 19,461 |
| Community Works (Gas Tax) | 918,291 | 15,292 |
| Facility Maintenance | 960,805 | 68,258 |
| Snow Removal | 850,061 | - |
| Park & Recreation Improvements | 158,904 | - |
| Cemetery Maintenance | 118,658 | - |
| Infrastructure Sustainability (Town Centre Buildings) | - | - |
| Infrastructure Sustainability (Road Network) | 4,216,204 | 103,475 |
| Infrastructure Sustainability (Drainage) | 2,281,112 | 55,733 |
| Drainage Improvements | 2,759,211 | 69,636 |
| Gaming Revenues | 2,733,709 | - |
| Self Insurance (sewer utility) | 160,889 | - |
| Self Insurance (water utility) | 139,244 | - |
| Specific Projects (sewer utility) | 7,405,603 | - |
| Specific Projects (water utility) | <u>6,826,279</u> | <u>-</u> |
| Total Reserve Accounts | <u>72,500,777</u> | <u>802,157</u> |
| Total Reserves | <u>\$ 105,876,684</u> | <u>\$ 1,559,217</u> |

| <u>Transfers Revenue Funds</u> | <u>Transfers Capital Funds</u> | <u>Balance Dec 31, 2020</u> |
|------------------------------------|------------------------------------|---------------------------------|
| \$ - | \$ - | \$ 2,661,126 |
| 3,310,070 | (3,158,719) | 18,496,667 |
| 3,385,199 | (826,638) | 10,565,706 |
| 1,574,919 | (1,035,590) | 3,546,671 |
| - | (144,545) | 1,198,573 |
| - | - | <u>768,920</u> |
| <u>8,270,188</u> | <u>(5,165,492)</u> | 37,237,663 |
| 5,732,516 | (2,818,751) | 15,969,700 |
| 3,816,556 | - | 11,258,271 |
| (81,238) | - | 734,261 |
| 2,505,673 | (20,221) | 12,830,122 |
| 468,148 | - | 2,812,203 |
| 375,359 | (42,417) | 3,926,764 |
| (503,563) | (46,761) | 906,857 |
| - | - | 3,549,607 |
| 32,297 | - | 891,383 |
| 301,264 | (517,034) | 717,813 |
| 44,269 | (952,745) | 120,587 |
| - | - | 850,061 |
| 1,835,307 | 2,744,391 | 4,738,602 |
| 45,859 | - | 164,517 |
| 6,280 | - | 6,280 |
| 3,578,834 | (2,464,789) | 5,433,724 |
| 890,344 | (505,611) | 2,721,578 |
| 1,603,164 | (217,422) | 4,214,589 |
| (698,997) | (4,030) | 2,030,682 |
| 4,547 | - | 165,436 |
| 6,504 | - | 145,748 |
| 4,358,219 | (1,647,434) | 10,116,388 |
| <u>3,447,655</u> | <u>(2,410,590)</u> | <u>7,863,344</u> |
| <u>27,768,997</u> | <u>(8,903,414)</u> | <u>92,168,517</u> |
| <u>\$ 36,039,185</u> | <u>\$ (14,068,906)</u> | <u>\$ 129,406,180</u> |

Schedule for BC Safe Restart Grant
For the year ended December 31, 2020
(unaudited)

| | |
|-----------------------------|---------------------|
| Grant Received | |
| BC Safe Restart Grant | \$ 6,417,000 |
| Application of Grant | |
| Lost revenue* | 3,292,600 |
| Operational adaptations** | <u>838,000</u> |
| Total Application | \$ <u>4,130,600</u> |
| Balance Remaining | \$ <u>2,286,400</u> |

* Lost revenues are comprised of revenue shortfalls associated with the closure of City Recreation facilities and the City's share of revenues from the local gaming facility.

**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

FINAL REPORT TO MAYOR AND COUNCIL

For the year ended December 31, 2020

Dated April 27, 2021 for presentation on May 3, 2021



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

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SUMMARY



Status of the Audit

As of the date of this report, we have substantially completed our audit of the 2020 consolidated financial statements, subject to completion of the following items:

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

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.

Except as described in this report, the scope of the work performed was substantially the same as that described in our Planning Report to Council dated January 20, 2021.



Materiality

As communicated to you in our Planning Report to Council, preliminary materiality for the statement of operations related balances on the statement of financial position was \$3,000,000, which was approximately 2% of the City's budgeted expenses. Materiality for tangible capital assets was set at \$20.5 million, which is approximately 2% of the City's tangible capital assets. Based on final results, final materiality for tangible capital assets was increased to \$22.45 million, while materiality for all other items was decreased to \$2,800,000.



Audit Findings

Our audit focused on the risks specific to your operations and key accounts. Our discussion points below focus on key areas of audit focus:

- ▶ Recognition of grant revenue
- ▶ Management override of internal controls
- ▶ Employee future benefits
- ▶ Prior year adjustments
- ▶ COVID-19 disclosures



Internal Control Matters

We are required to report to you in writing any significant deficiencies in internal control that we have identified.

There were no control deficiencies were noted that, in our opinion, are of significant importance to discuss with those charged with governance. However, please refer to Appendix D for the management letter which outlines recommendations over areas of operational improvement.



Independence

Our annual letter confirming our independence is included in Appendix A. We confirm that we are still independent as of the date of this letter.



Adjusted and Unadjusted Differences

For purposes of our discussion, a summary of adjusted and unadjusted differences and disclosure omissions has been presented in Appendix B.



Management Representations

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

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



Fraud Discussion

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

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

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

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 financial statement disclosures. In order to have a frank and open discussion, these matters can also be discussed verbally with you. A summary of the key discussion points are as follows:

KEY AUDIT AREAS

As described in our Planning Report to Council, the following key audit areas were identified based on our knowledge of the City of Maple Ridge’s operations, our past experience, and knowledge gained from management and Council.

| Key Audit Area | Risks Noted | Audit Findings |
|---|---|---|
| Fraudulent Revenue Recognition (rebuttable risk) | Although 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. | Grant funding received was confirmed through a review of agreements. We also ensured the revenue is recorded accurately in accordance with the settlement of any stipulations. |
| Recognition of Grant Revenue | Accounting standards are complex and subject to potential misinterpretation. There is a risk that these charges and grants are not appropriately calculated and recorded in accordance with the relevant accounting standard. | <p>We reviewed the deferred revenue balances by examining supporting documentation and validate the accounting treatment.</p> <p>Other revenues streams also contain revenue recognition issues which we reviewed in with the 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> |

| Key Audit Area | Risks Noted | Audit Findings |
|---|--|---|
| <p>Management Override of Internal Controls (Mandatory audit consideration)</p> | <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>It should be noted that this risk is not specific to the City of Maple Ridge.</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> |
| <p>Employee Future Benefits</p> | <p>A complex area that requires much estimation and reliance on actuarial experts.</p> | <p>We performed a review of the assumptions used and calculations leading to the estimates in the actuarial report on post-employment benefits and compare the inputs to the employment agreements.</p> <p>We tested the data provided to the actuary and used in performing the calculations.</p> <p>We agreed the accounting records to the amounts provided by the independent actuary.</p> <p>All audit testing was performed in this area as planned with no issues to report.</p> |

| Key Audit Area | Risks Noted | Audit Findings |
|--|--|---|
| <p>Prior Year Adjustments - Tangible Capital Assets and Benefits Overpayments</p> | <p>In the current year, management determined that prior years' amounts for developer contributions relating to land under roads and tangible capital assets were overstated. As a result, the comparative figures have been restated to decrease the balance of tangible capital assets by \$14.6M, opening surplus by \$5.8M and revenue by \$8.8M, and to increase expenses by \$10.5K. It should be noted that none of these adjustments impacts the City's tax revenue calculation or cash.</p> <p>In addition, management determined that overpayments made in prior years to the healthcare benefits service provider were not recorded as an asset. As a result, the comparative figures have been restated to increase accounts receivable by \$775K, to decrease expenses by \$6K and to increase the opening accumulated surplus by \$769k.</p> | <p>We examined documentation to support the adjustments to prior years' amounts and we agree with the adjustments made by management.</p> |
| <p>Impacts of COVID 19 on the operations of the City</p> | <p>COVID-19 continues to impact economies and organizations worldwide. Specific risks that may impact the City include: IT security risks to due increased use of technology for work-from-home; risks relating to increased EFT use; electronic approvals through e-mail, and other electronic controls; risk to health of employees working on-site.</p> | <p>We discussed the impact of COVID-19 with management.</p> <p>We reviewed additional funding agreements received and assessed the revenue recognition.</p> <p>We considered financial results in the context of COVID-19, and reviewed its impact on the processes and controls relating to financial reporting.</p> <p>We reviewed the financial statement disclosures to ensure that the impact of COVID-19 was appropriately disclosed.</p> |

INTERNAL CONTROL MATTERS

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

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

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

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

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

OTHER REQUIRED COMMUNICATIONS

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

- BDO Response: Disclosed as required

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

- BDO Response: None noted

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

- BDO Response: None noted

Matters involving non-compliance with laws and regulations.

- BDO Response: None noted

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

- BDO Response: None noted

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

- BDO Response: None noted

Other Matters

- BDO Response: No other matters to discuss

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

APPENDICES

Appendix A: Confirmation of Independence

Appendix B: Adjusted and Unadjusted Differences

Appendix C: Representation Letter

Appendix D: Management Letter

Appendix E: BDO Resources

APPENDIX A: INDEPENDENCE CONFIRMATION

April 27, 2021

To the Mayor and Council
City of Maple Ridge

Dear Mayor and Council:

We have been engaged to audit the consolidated financial statements of City of Maple Ridge (the “City”) for the year ended December 31, 2020.

Canadian generally accepted auditing standards (GAAS) 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 have prepared the following comments to facilitate our discussion with you regarding independence matters arising since June 1, 2020 the date of our last letter.

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 June 1, 2020 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 Council, management and others within the City and should not be used for any other purposes.

Yours truly,

BDO Canada LLP

Chartered Professional Accountants

APPENDIX B: ADJUSTED AND UNADJUSTED DIFFERENCES

SUMMARY OF UNADJUSTED DIFFERENCES

There are no misstatements noted during our audit that have not been corrected.

SUMMARY OF ADJUSTED DIFFERENCES

The following is a summary of differences that were corrected by management during the course of our audit engagement:

| | Dr. (Cr.) | | | |
|---|------------------|-------------|---------------------|--------------------|
| | Assets | Liabilities | Accumulated Surplus | Annual Surplus |
| Current year correction for sidewalks removed from the records in error in 2019 and subsequently re-instated in 2020 due to documentation error | | | | \$21,350 |
| DR Amortization Exp - Transportation | | | | |
| DR Trans-Cont to S/D Infrastructure | \$2,600,387 | | | |
| DR Accum. Amortization - Road Network | 52,007 | | | |
| CR Accum. Amortization - Road Network | (21,350) | | | |
| CR Sidewalks | (2,600,387) | | | |
| CR Amortization expense - Road Network | | | | (52,007) |
| Total Adjusted Differences | \$ 30,657 | \$ - | \$ - | \$ (30,657) |

SUMMARY OF DISCLOSURE ITEMS

The following is a summary of disclosure adjustments that have been made within the consolidated financial statements:

| Disclosure Adjustments | Management's Response |
|------------------------|-----------------------|
| None noted | |

APPENDIX C: REPRESENTATION LETTER

BDO Canada LLP
Chartered Professional Accountants
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 the City of Maple Ridge for the year ended December 31, 2020, 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 November 14, 2019, 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.
- There are no misstatements noted as a result of your audit that have not been corrected.
- We have reviewed and approved all journal entries recommended by you during the audit. A list of the misstatement corrected 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.

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. Since there are no actual, outstanding or possible litigation and claims, no disclosure is required in the financial statements.
- We have provided you all the relevant information in order to appropriately record and disclose the restatement made to correct a material misstatement in the prior period financial statements that affect the comparative information. This restatement was to:
 - reflect new information about the inventory of tangible capital assets and recognize excess future benefit payments that had accumulated with the service provided and are available to use against future benefit payments
- To the extent that our normal procedures and controls related to our financial statement close process were adversely impacted by the COVID-19 outbreak, we took appropriate actions and safeguards to reasonably ensure the fair presentation of the financial statements
- Disclosure included in the financial statements regarding the relevant significant business, financial, and reporting impacts of the COVID-19 outbreak accurately reflects management's full consideration of such impact

Yours truly,

Al Horsman, Chief Administrative Officer

Trevor Thompson, Chief Financial Officer

Catherine Nolan, Corporate Controller

APPENDIX D: MANAGEMENT LETTER

Mr. Al Horsman
Chief Administrative Officer
City of Maple Ridge
11995 Haney Place
Maple Ridge, BC V2X 6A9

Dear Mr. Horsman:

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

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

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

We have outlined our observations and recommendations resulting from this year's audit, along with management's comments thereon, in the Appendix to this letter.

Our recommendations and discussions with Management have been outlined in the attached Appendix.

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

We would like to express our appreciation for the co-operation and assistance received staff and management of the City during the course of the audit. Our experience is that the Finance Department is well-prepared for the annual audit, which is a significant contributor to keeping audit costs down.

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

Yours truly,



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

BJS/

cc: Audit and Finance Committee and Council

Appendix 1

Current Year Observations

Tangible Capital Asset Accounting and Management

During our work over tangible capital asset additions, we noted the following items:

- An addition for sidewalks recorded in the current year that was selected for testing was in fact an asset that was inadvertently removed from the records in fiscal 2019 due to miscommunication and/or misinterpretation of information transferring between the Engineering Department and the Finance Department. The current year addition was to reinstate the asset. This resulted in an understatement of assets and surplus in 2019 and an over statement of additions in 2020. Although the item tested was not material on its own, and our additional testing did not result in any material errors being detected, the circumstance may be indicative of a systemic issue that could result in material errors not being prevented or detected.
- We noted that the City's practice in recording revenue from assets received from developers as Contributed tangible capital assets is to use a rolling twelve month period ending October 31 to determine the assets received and recorded as revenue in the fiscal year. This practice is the result of system limitations that do not allow for real time information to be recorded. While on a year-to-year basis there is low risk of material error in contributed tangible capital asset revenue, there is a risk that assets received in the last two months of the year but not recorded in the financial statements until the subsequent fiscal year could be material, and therefore result in a material understatement of tangible capital assets and accumulated surplus. The average annual receipts of such assets for the past three years is approximately \$25M. Therefore, a material understatement is not likely; however, the limitations of the systems in place result in there being no certainty or even estimate possible of the amounts received in the last two months of the year.

In discussion with management, and review of process documentation, both of the above issues are the result of a lack of a dedicated system for the City's tangible capital assets. Much of the work that is done relating to tangible capital assets is based on spreadsheets, which have substantial limitations and are prone to error if not carefully controlled.

We recommend the City investigate software products specifically designed to manage the accounting requirements for local governments' tangible capital assets. Several such products exist and implementing such a system would enhance the quality and accuracy of the City's information regarding its tangible capital assets.

Management Response

The Finance Department's workplan has identified the need for a system to replace the current reliance on spreadsheets for tangible capital assets and will be doing preliminary work towards this in 2021 and working with IT to implement a system in the near future.

Records Management and Retention / Virtual Private Network

Our fiscal 2020 audit was the second audit cycle conducted in a remote manner. Our staff were not on site and a number of the City's staff were generally working from home. We have evolved our audit to accommodate secure file transfer through our cloud-based client-dedicated portal. While this portal is easy to use for information already in an electronic format any paper records must first be scanned before they can be transferred to the portal. We note that the City's financial system is reliant on paper-based processes which meant that City staff needed to dedicate significant time to accommodate the transfer of records required for a remote audit.

We recommend that evaluation of any future financial systems include consideration of electronic processes.

Management Response

The City's long-term capital program includes a provision to replace the City's financial system in the future. Any needs assessment conducted as part of that project will include the ability of a new system to streamline processes by moving away from paper-based processes.

APPENDIX E: BDO RESOURCES

Fraud Risk Awareness:

There has been a noticeable increase over the past few years in fraudulent activities in all organizations, including public sector. In particular, factors arising from COVID-19, including increased remote work and electronic workflow have provided increased opportunities for fraudulent activities. BDO Canada has recently unveiled the Fraud and Cybersecurity Resource Hub. This site is an invaluable resource to management in identifying and managing fraud risk within your organization. Our Fraud Risk specialists have assembled a number of articles and videos in one place for ease of reference.

FRAUD AND CYBERSECURITY RESOURCE HUB

Resources and strategies to help you protect your organization from fraud and cyber attacks.

ARTICLE
TOP 5 FRAUD RISKS YOUR BUSINESS SHOULD WATCH FOR IN 2021
 BDO highlights the five fraud risks that businesses should watch for in 2021 and beyond
 Read Article

INFOGRAPHIC
GIL T. PARTY
 UPPER MIDDLE-LEVEL MANAGER
RESUME OF A FRAUDSTER: HOW TO DETECT FRAUD IN THE WORKPLACE
 Read Article

Know your fraud risks. Download our self-assessment worksheets.
 Download

Do you suspect fraud in your organization? Our team can help.
 Contact Us

VIDEO
#FRAUDECONSTRUCTED: NATIONAL LEADER VIVEK GUPTA AND PARTNER CHETAN SEHGAL ON
 Watch Video

Visit the BDO Fraud and Cybersecurity Resource Hub at: <https://insights.bdo.ca/fraud-cybersecurity-awareness-hub>