

# Message from the Corporate Controller



## Financial Review – Overview

The City is committed to providing financial reports that enhance stakeholder trust. The following discussion and analysis provides information in support of the audited 2021 Consolidated Financial Statements and is intended to enhance understanding

of the economic resources and obligations of the City. It is supplemental information and should be read in conjunction with the Consolidated Financial Statements, accompanying notes and supporting schedules. For information on the terminology used in the discussion, please refer to the Glossary on **pages 73 and 74**.

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

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

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

## The External Audit

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

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

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

## The Financial Statements:

Following completion of the annual audit, the Consolidated Financial Statements are presented to Council for approval. The 2021 Consolidated Financial Statements were presented to Council at a Committee of the Whole meeting on May 3, 2022 and approved at the Council meeting of May 10, 2022. During the year, Council is provided with quarterly operating financial updates.

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

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

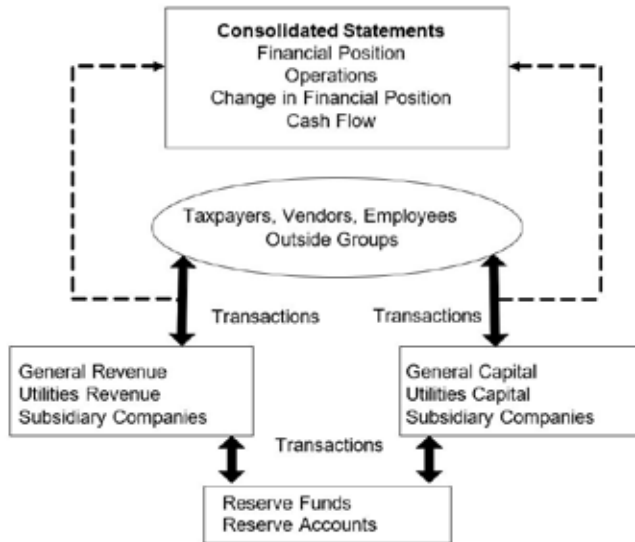
**The Consolidated Statement of Financial Position:** Provides information on the financial position of the City including Financial Assets, Liabilities, Net Financial Assets, Non-Financial Assets and Accumulated Surplus.

**The Consolidated Statement of Operations:** Reports the extent to which expenses are offset by revenues, the annual surplus and the change in accumulated surplus.

**The Consolidated Statement of Change in Net Financial Assets:** Reports the change in Net Financial Assets.

**The Consolidated Statement of Cash Flow:** Reports the net change in cash resources and how the City financed its activities throughout the year.

# Message from the Corporate Controller



## 2021 Consolidated Financial Statements

Throughout 2021, City operations continued to be impacted by the COVID-19 pandemic. Changing public health orders resulted in operational pivots with related impacts to revenues and expenses, although to a lesser degree than experienced in 2020.

Generally Accepted Accounting Principles require that the actual financial results be compared to the budget that is adopted annually before setting the tax rates. Council adopted that budget in May of 2021.

During the 2021 fiscal year, work was undertaken to review and refine the data that drives financial statement numbers. Data corrections were identified related to retroactive wage increases for RCMP as a result of a collective agreement ratified in August of 2021. The restatement of 2020 results are described in Note 24 to the financial statements and resulted in a decrease to previously reported net financial assets of \$4.4 million, an increase to expenses for Protective Services of \$1.9 million and a decrease to accumulated surplus of \$4.4 million.

The following sections provide an analysis of the 2021 Financial Statements and selected supplemental financial information. The dollars quoted are approximate and are intended to account only for the major part of variances being discussed. Some key highlights are:

- Net Financial Assets increased by \$1.56 million to \$121.35 million.
- Municipal debt increased by \$26.9 million to \$46.9 million.
- Unused annual debt servicing capacity, based on our current financial position, is \$30.6 million.

## 1. Consolidated Statement of Financial Position – Page 40

This statement reports the City's assets, both financial and non-financial and its liabilities. The difference between

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

The City has a Net Financial Asset Position of \$121.3 million at the end of 2021, an increase of \$1.5 million from 2020. The change in Net Financial Assets is discussed in more detail in the Consolidated Statement of Change in Net Financial Assets. Accumulated Surplus at the end of 2021 is \$1.29 Billion.

### Financial Assets:

Financial assets increased by \$47.2 million from 2020.

- Cash and investments increased by \$46 million over 2020.
- Accounts receivable increased by \$1.2 million from 2019.

### Liabilities:

Total liabilities increased by approximately by \$45.7 million over 2020.

- Accounts payable and accrued liabilities increased by \$3.9 million.
- Restricted revenues increased by \$7.3 million through a combination of increased collections and lower capital investment levels compared to 2020.
- Debt increased by \$26.9 due to accessing previously approved borrowing of \$29 million, offset by principal payments.

### Non-Financial Assets:

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

In 2021 non-financial assets increased by \$32 million over 2020, due primarily to a net increase in tangible capital assets of \$31.9 million.

## 2. Consolidated Statement of Operations – Page 41

This statement reports the City's changes in economic resources and accumulated surplus for 2021, compared with budget and with 2020 results. Since annual revenues exceeded expenses, the City increased its accumulated surplus during the year. Included in this statement is information about the gain or loss on the disposal of capital assets. If tangible capital assets are disposed

# Message from the Corporate Controller

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of before the end of their estimated useful life, any remaining book value associated with them is written off, resulting in an accounting loss, not a cash loss.

## Consolidated Revenue

*Compared to previous year (2020)*

Overall revenues in 2021 were down \$8.5 million from 2020, driven primarily by decreases in grant funding, a decline in interest and investment income and a decrease in development related revenues. These decreases were offset by increases in taxation and user fees. The following provides some commentary on specific revenue items:

- Revenue from general taxation increased \$4.4 million through a combination of higher tax levies and growth of the assessment roll.
- User fees and other revenues increased by \$5 million as a result of increases in all reporting areas.
- Government transfers decreased by \$4.2 million, through a combination of a \$1.6 million increase in grants related to the capital program and decrease of \$5.8 million in grants received for operational purposes. The main factor in the decrease was the receipt of a one-time \$6.4 million provincial grant in late 2020 intended to help offset the impacts of the pandemic.
- Development revenues, often linked to capital projects, decreased by \$8.8 million over 2020. Typically, year-over-year changes in these revenues are related to changes in capital expenditures, reported on the Statement of Change in Net Financial Assets.
- Investment revenue decreased by \$2.9 million as a result of a decline in interest rates.
- Gaming revenues increased by \$0.4 million due to the reopening of the facility on July 1, 2021 following a prolonged closure of the local gaming facility as a result of public health orders. Gaming revenues remain below historic levels in 2021.
- Revenue for contributed subdivision infrastructure and gain or loss on disposal of assets decreased by \$2.5 million as a result of less developer constructed infrastructure turned over to the City in 2021 and earlier than anticipated replacement of infrastructure.

## Consolidated Revenue

*Compared to budget (2021)*

As in previous years, there were variances between budgeted and actual revenues (\$38.9 million) and, as in previous years, a large part of this difference was related to the capital program. Development fees (earned DCCs) and senior government transfers were budgeted based on the expected completion of capital projects. As the capital expenditures did not occur there was no corresponding revenue recognized. In 2021, this resulted in an

unfavorable variance to budget of \$41.3 million. On the operating side, revenues exceeded budget estimated by \$2.5 million through a combination of favourable results from user fees and gaming revenues due to the easing of operational restrictions associated with the pandemic, combined with gains from the sale of land.

## Consolidated Expenses

*Compared to previous year (2020)*

Consolidated expenses are comprised of operating expenses for goods and services, labour and debt servicing as well as the annual cost of using our tangible capital assets through amortization. Overall expenses for 2021 increased by \$10 million over 2020. This was comprised of increases in all areas for goods and services and labour. Notably, costs in Parks, Recreation and Culture began to return to normal levels in response to easing health restrictions, and in Protective Services costs increases were related to the recently ratified contract.

## Consolidated Expenses

*Compared to budget (2021)*

Consolidated expenses for 2021 reflect a positive variance of \$17.47 million compared to budget. Contributors to this positive variance include RCMP contract savings of approximately \$1.4 million, \$0.7 million in interest costs related to authorized borrowing that has not yet been entered into, approximately \$8 million for projects that will proceed in 2022, \$4.2 million in wages due in part to ongoing recruitment challenges, \$3 million in savings from Parks, Recreation & Culture and cost containment in all areas.

## 3. Consolidated Statement of Change in Net Financial Assets – Page 42

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

The City's net financial assets increased by \$1.56 million to \$121.35 million at the end of 2021. Had the activities in the Financial Plan been completed as planned, financial assets would have decreased by \$125.67 million, resulting in a reduction in net financial assets to a net debt position of \$5.88 million. Timing differences between planned and actual capital expenditures are the main reason for this variance.

# Message from the Corporate Controller

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## 4. Consolidated Statement of Cash Flow – Page 43

This statement represents financial resources (cash and investments of less than three months) that are available in the short-term to satisfy debt obligations and expenditures. The change in cash and cash equivalents is linked to, but is not identical to, the change in financial position, which is explained by the excess of revenues over expenditures. For example, when cash is received for a refundable deposit, cash is increased, but revenue is not.

Overall, the City's cash position at the end of 2021 decreased to \$116.5 million from \$130.9 million in 2020.

## 5. Other

### 2021 Accumulated Surplus Distribution (Note 14)

The City's Accumulated Surplus balance of \$1.29 billion is comprised of balances in the Operating Funds, the Capital Funds and the City's Reserves. The distribution of the Accumulated Surplus balance between these organizational elements is detailed in Note 14.

#### i) Operating Accumulated Surplus

The Operating Accumulated Surplus of \$28.2 million is itemized between General Revenue and the Sewer and Water Utilities. These funds represent financial assets available to the City that Council has not earmarked for specific future use.

#### ii) Capital Funds

The City has equity in the capital funds of \$1.1 billion. This amount does not represent a source of funding, but rather equity in the physical assets used to provide services to the citizens of Maple Ridge.

#### iii) Reserve Accounts and Funds

A complete listing of the City's Reserve Funds and Reserve Accounts is provided in Note 15.

Reserve Funds are established by Council bylaw and are usually restricted for capital purposes. Financial assets within a reserve fund can only be used for the purpose for which it was established. These totalled \$44.5 million as at December 31, 2021.

Reserve Accounts are appropriations of surplus, established informally and associated with both the Operating and Capital programs. These totalled \$95.2 million at December 31, 2021.

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

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

There is \$139.7 million in various reserves at year-end, however some of that amount relates to capital projects that were not completed before December 31, 2021. If these projects had been completed as planned, the Reserve balances would have been reduced to approximately \$57 million and Net Financial Assets would have decreased similarly.

### Assessment of Trends

The City has Net Financial Assets of \$121.3 million at the end of 2021. This position has improved from Net Debt of \$4.25 million in 2004, which was the result of a planned reduction to acquire physical assets including The ACT Arts Centre, an expanded Leisure and Youth Centre, the Library and the office tower.

Based on current projections, we expect our financial position to be drawn down in 2022.

### Conclusion

The City of Maple Ridge is committed to the production of comprehensive financial information that meets the objective of providing open and transparent information to the reader and has been recognized by the Government Finance Officers Association for its efforts through receipt of the Canadian Award for Financial Reporting for 31 consecutive years.



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May 11, 2022