

# ***Committee of Council Regular Agenda***

Council Chambers, 3<sup>rd</sup> Floor City Hall, 2580 Shaughnessy Street, Port Coquitlam, BC

Tuesday, May 14, 2019

Time: 2:00 p.m.

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**1. CALL TO ORDER**

**2. ADOPTION OF THE AGENDA**

**2.1 Adoption of the Agenda**

Recommendation:

*That the May 14, 2019, Regular Committee of Council Meeting Agenda be adopted with the following changes:*

- *Addition of the 2018 Audited Financial Statements for item 3.2.*

**3. REPORTS**

**3.1 2018 Investment Report**

Recommendation:

*None.*

**3.2 2018 Audited Financial Statements**

Report to be distributed separately.

Recommendation:

*That Committee of Council recommend that Council accept the 2018 Audited Financial Statements.*

**3.3 Regulating Accessible Parking Stalls**

Recommendation:

*That Committee of Council recommend to Council that the Parking and Development Management Bylaw be amended to include requirements for accessible parking spaces.*

**4. COUNCILLORS' UPDATE**

**5. MAYOR'S UPDATE**

**6. CAO UPDATE**

**7. RESOLUTION TO CLOSE**

**7.1 Resolution to Close the May 14, 2019, Regular Committee of Council Meeting to the Public**

Recommendation:

*That the Regular Committee of Council Meeting of May 14, 2019, be closed to the public pursuant to the following subsection(s) of Section 90(1) of the Community Charter:*

Item 5.1

- 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].*

Item 5.2

- e) the acquisition, disposition or expropriation of land or improvements, if the council considers that disclosure could reasonably be expected to harm the interests of the municipality.*

Item 5.3

- e) *the acquisition, disposition or expropriation of land or improvements, if the council considers that disclosure could reasonably be expected to harm the interests of the municipality.*

Item 5.4

- e) *the acquisition, disposition or expropriation of land or improvements, if the council considers that disclosure could reasonably be expected to harm the interests of the municipality;*
- k) *negotiations and related discussions respecting the proposed provision of a municipal service that are at their preliminary stages and that, in the view of the council, could reasonably be expected to harm the interests of the municipality if they were held in public.*

Item 5.5

- e) *the acquisition, disposition or expropriation of land or improvements, if the council considers that disclosure could reasonably be expected to harm the interests of the municipality.*

Item 5.6

- e) *the acquisition, disposition or expropriation of land or improvements, if the council considers that disclosure could reasonably be expected to harm the interests of the municipality;*
- k) *negotiations and related discussions respecting the proposed provision of a municipal service that are at their preliminary stages and that, in the view of the council, could reasonably be expected to harm the interests of the municipality if they were held in public.*

## RECOMMENDATION:

None

## REPORT SUMMARY

This report provides an overview of the city's investment position as of December 31, 2018 and an outlook for 2019. Since the city is limited to investing in securities identified in the *Community Charter*, the city continues to hold the majority of its funds in term deposits with credit unions, Canadian chartered banks and with the Municipal Finance Authority. The city's 2018 investment income was \$3.6 million, which is higher than anticipated due to a higher rate of return that offset a slightly reduced reserve balance. With higher interest rates, the 2019 income is expected to be higher than the 2018 income despite the decreased reserve levels as a result of increased capital spending and funding the construction of the Community Centre. Staff is monitoring forthcoming legislation and banking industry changes for any potential impact they may have on the city's investment activities.

## BACKGROUND

As per the Financial Management Policy, the city invests in short, medium and long term financial investment products in accordance with Section 183 of the *Community Charter*. Products are restricted to non-equity based securities, investments with the Municipal Finance Authority (MFA) and deposits in savings institutions. The investment mix and levels are illustrated in Attachment 1, Cash and Investment Distribution 2014 - 2018.

Since interest rates tend to move with economic conditions as economic growth increases, the demand for money increases and interest rates rise as a result. The continued slow economic recovery over the last several years, with the accompanying low interest rates and bond yields, has meant continuing low returns on the city's investments. Because city investments are restricted by legislation to fixed income securities, investment income is directly influenced by prevailing interest rates.

## **Coast Capital transition to Federal Credit Union**

On November 1, 2018 Coast Capital became a federal credit union, allowing it to operate outside of British Columbia. This status limits the guaranteed principal protection to \$100,000 per deposit, the same as Canadian banks. The deposit protection on all pre-existing investments has been grandfathered, and therefore the city's current holdings in Coast Capital of \$30 million will continue to be covered under the unlimited guarantee by the Canadian Deposit Insurance Corporation (CDIC) until maturity.

## **Looking Back at 2018 and Outlook for 2019**

## 2018 Investment Report

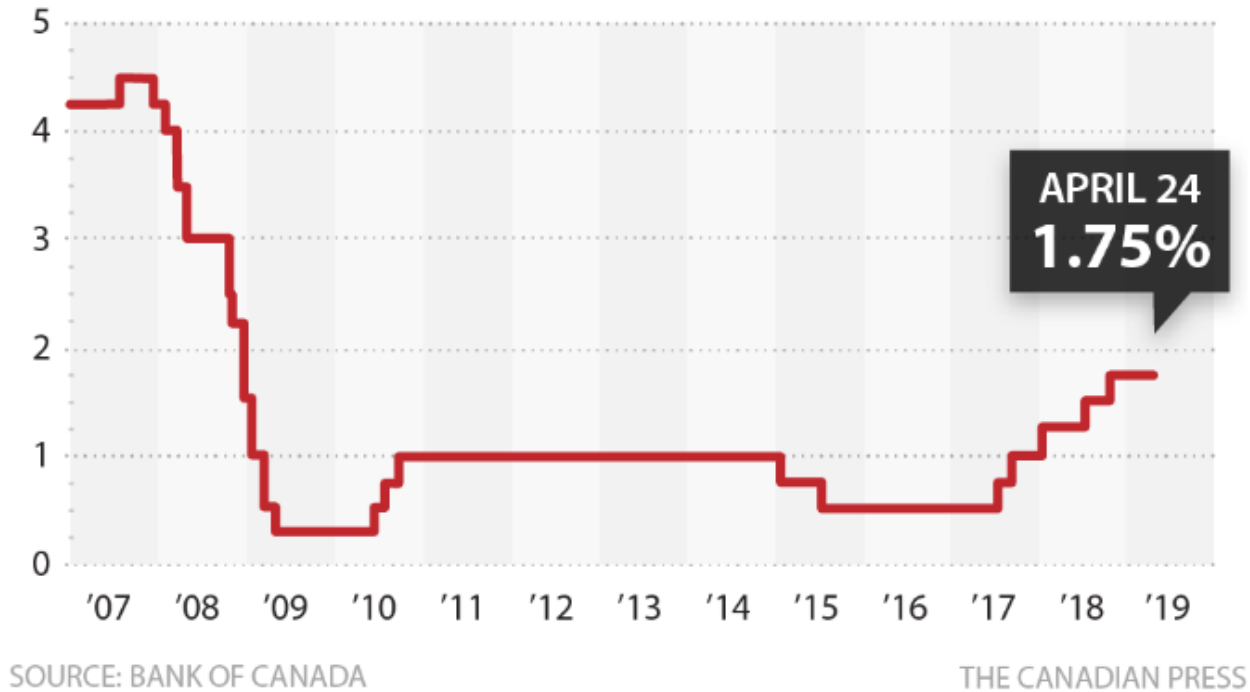
The city's 2018 average rate of return was 2.10% compared to 1.94% in 2017. The 10 year historical average rates of return are illustrated in Attachment 2. Attachment 3 lists the investments held at December 31, 2018 and Attachment 1 illustrates the distribution of cash and investments for the last five years. 2018 income was \$618k above 2017 at \$3.62 million. This can be attributed to an increase in the average rate of return which more than offset the small reduction of \$5 million (2018-\$169M, 2017-\$174M) in our short and long term investments. The amount of investment income allocated to general revenues in 2018 (after the distribution of interest to reserves) was \$1.4 million which was \$500K over the amount budgeted.

To maximize interest the city has balanced the amount of funds invested in terms of more than one year but less than two years with maintaining liquidity to fund the Community Centre. Limited longer term investments will be considered while meeting future cash flow requirements for upcoming capital projects. The 2019 income is expected to be higher than the 2018 income due to higher returns compensating for lower investment volume due to the decreased reserve levels used for funding increased capital works and the Community Centre.

As shown in the graph below, on April 24, 2019 the Bank of Canada maintained its target for the overnight rate at 1  $\frac{3}{4}$  per cent and any future increases for 2019 are on hold. In Canada, growth during the first half of 2019 is now expected to be slower than was anticipated in January. Bank of Canada stated in their April 24, 2019 report that last year's oil price decline and ongoing transportation constraints have curbed investment and exports in the energy sector. Investment and exports outside the energy sector, meanwhile, have been negatively affected by trade policy uncertainty and the global slowdown. Weaker-than-anticipated housing and consumption also contributed to slower growth. The central bank, however, expects growth to pick up in the second half (expected to average around 2% growth). While last March the central bank referred to uncertainty about the timing of future rate increases, it opted to drop that reference this time. In other words, the Bank of Canada opened the door to the possibility of rate cuts should the second half of the year also disappoint which will limit the interest the city earns.

## KEY OVERNIGHT INTEREST RATE

*A look at the Bank of Canada's trend-setting overnight rate:*



The increase in the Bank of Canada prime rate in 2018 has impacted the rate the city receives on its term deposits such that the rates have increased from 2.50% in April 2018 to 2.80 in April 2019. With the continued funding of large capital projects such as the construction of the Community Centre, the city must invest the majority of its investments over the next year in term deposits of less than a year.

### **ATTACHMENTS**

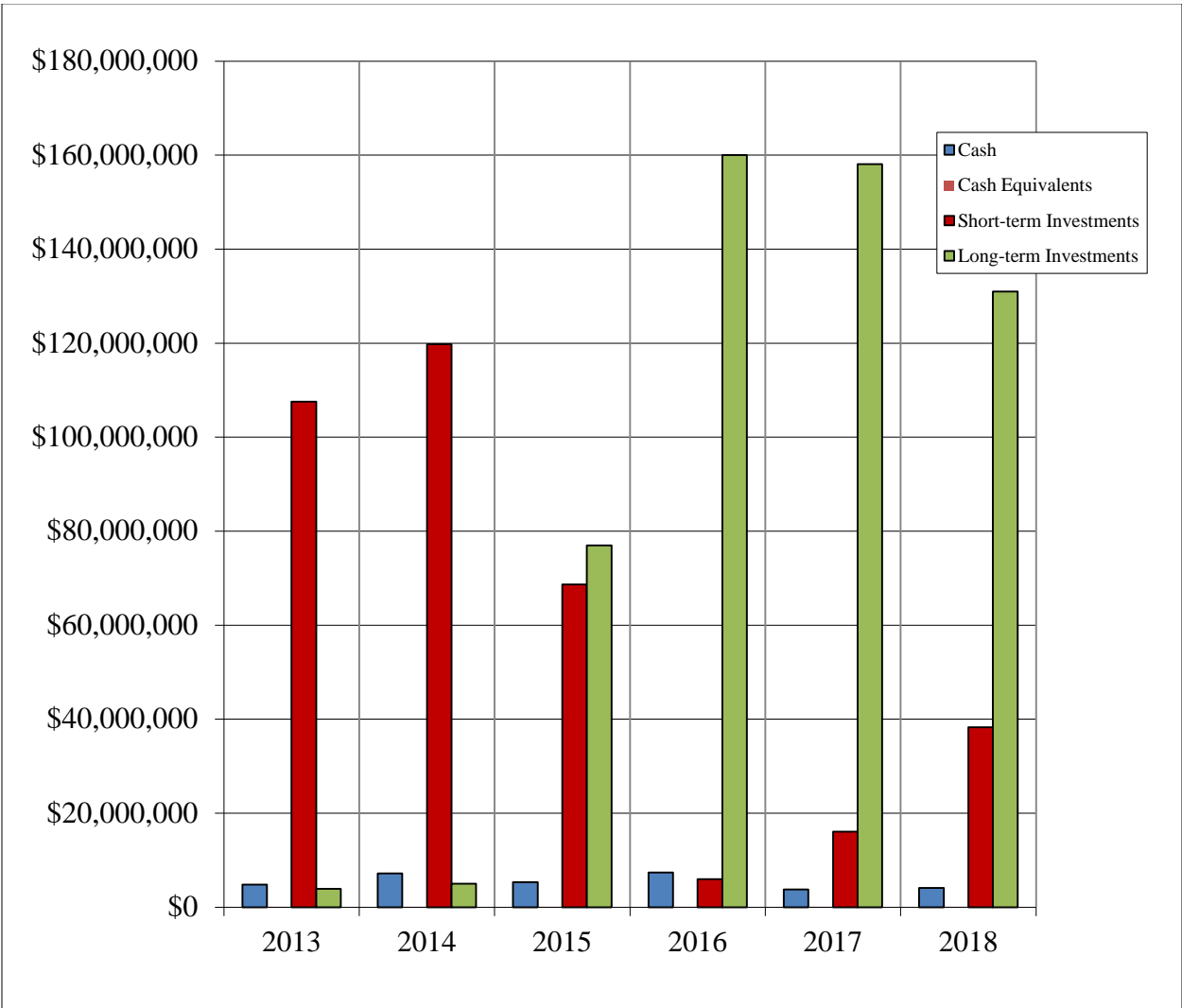
Attachment #1: Cash and Investment Distribution 2013 -2018

Attachment #2: Average Rate of Return on Investments 2009 - 2018

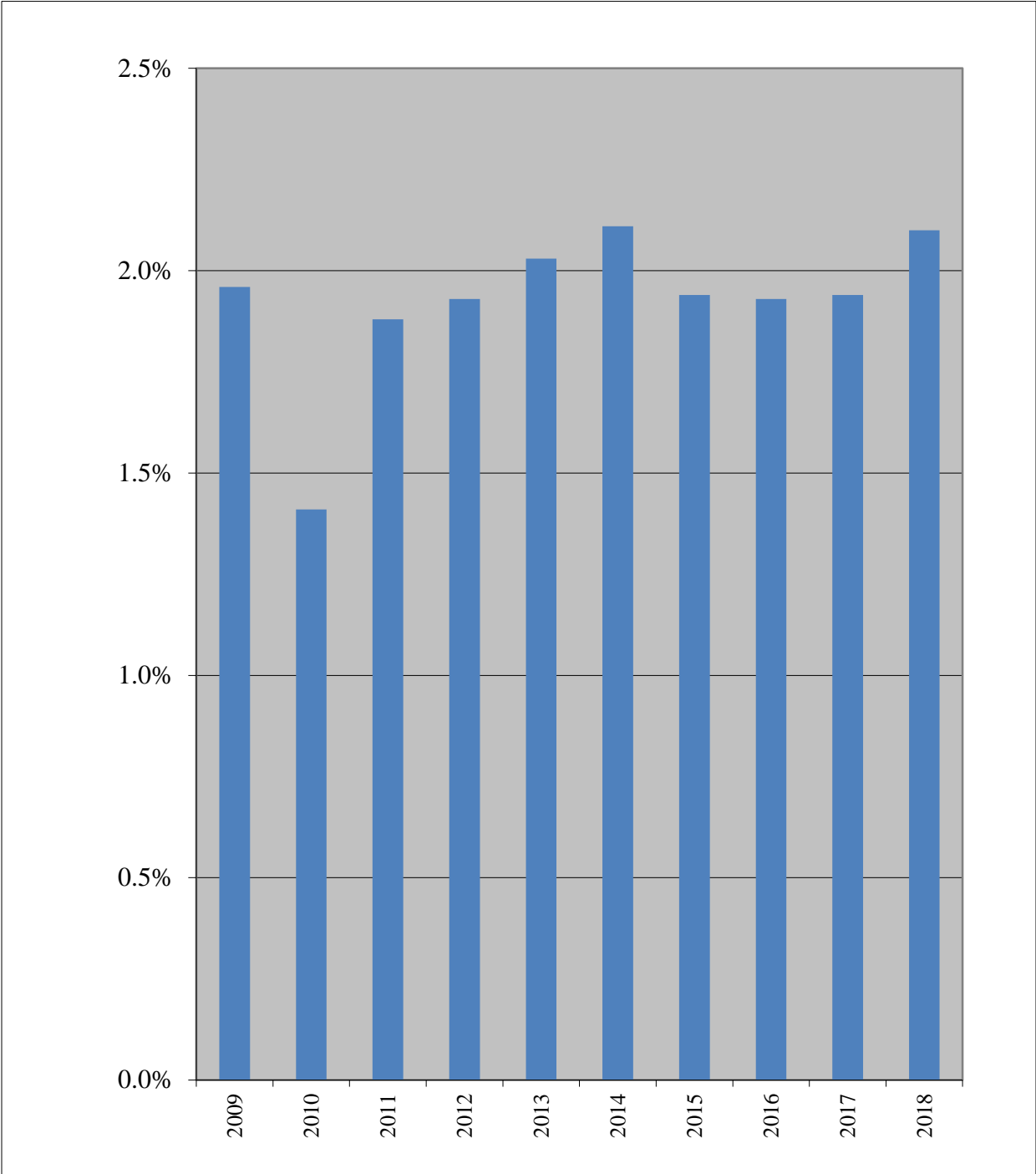
Attachment #3: Investment Details as at December 31, 2018

**Lead author:** Brian North

### Cash and Investment Distribution 2013 - 2018



Average Rate of Return on Investments 2009 - 2018



**31-Dec-18 2018 Investment Details**

**CASH EQUIVALENTS**

<b>AMOUNT</b>	<b>DEALER</b>	<b>INVESTMENT DESCRIPTION</b>	<b>RATE %</b>	<b>GUARANTOR</b>
\$127,189.70	MFA	MONEY MARKET FUND		Municipal Finance Authority
<b>\$127,189.70</b>				

**INVESTMENTS**

**TERM DEPOSITS - greater than 90 days and less than 365 days**

<b>AMOUNT</b>	<b>DEALER</b>	<b>INVESTMENT DESCRIPTION</b>	<b>RATE %</b>	
\$3,000,000	COAST CAPITAL	TERM DEPOSIT	2.25%	Province of BC
3,000,000	COAST CAPITAL	TERM DEPOSIT	2.25%	Province of BC
2,000,000	ENVISION	TERM DEPOSIT	2.35%	Province of BC
2,000,000	G&F FINANCIAL	TERM DEPOSIT	2.50%	Province of BC
5,000,000	G&F FINANCIAL	TERM DEPOSIT	2.50%	Province of BC
2,000,000	G&F FINANCIAL	TERM DEPOSIT	2.50%	Province of BC
2,000,000	G&F FINANCIAL	TERM DEPOSIT	2.50%	Province of BC
5,000,000	G&F FINANCIAL	TERM DEPOSIT	2.15%	Province of BC
4,000,000	G&F FINANCIAL	TERM DEPOSIT	2.10%	Province of BC
4,000,000	G&F FINANCIAL	TERM DEPOSIT	2.15%	Province of BC
6,256,299	MFA	INTERMEDIATE FUND		Municipal Finance Authority
<b>\$38,256,299</b>				

**LONG TERM - greater than 365 days**

<b>AMOUNT</b>	<b>DEALER</b>	<b>INVESTMENT DESCRIPTION</b>	<b>RATE %</b>	
\$2,000,000	BLUESHORE FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
3,000,000	BLUESHORE FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
2,000,000	BLUESHORE FINANCIAL	TERM DEPOSIT	2.82%	Province of BC
5,000,000	BLUESHORE FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
3,000,000	BLUESHORE FINANCIAL	TERM DEPOSIT	2.82%	Province of BC
2,000,000	BLUESHORE FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
5,000,000	BLUESHORE FINANCIAL	TERM DEPOSIT	2.82%	Province of BC
5,000,000	BLUESHORE FINANCIAL	TERM DEPOSIT	2.82%	Province of BC
4,000,000	BLUESHORE FINANCIAL	TERM DEPOSIT	2.82%	Province of BC
4,000,000	BLUESHORE FINANCIAL	TERM DEPOSIT	2.82%	Province of BC
5,000,000	BLUESHORE FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
4,000,000	COAST CAPITAL	TERM DEPOSIT	2.80%	Province of BC
4,000,000	COAST CAPITAL	TERM DEPOSIT	2.80%	Province of BC
4,000,000	COAST CAPITAL	TERM DEPOSIT	2.80%	Province of BC
4,000,000	COAST CAPITAL	TERM DEPOSIT	2.85%	Province of BC
4,000,000	COAST CAPITAL	TERM DEPOSIT	2.85%	Province of BC
10,000,000	COAST CAPITAL	TERM DEPOSIT	4.00%	Province of BC
5,000,000	ENVISION	TERM DEPOSIT	2.35%	Province of BC
4,000,000	ENVISION	TERM DEPOSIT	2.50%	Province of BC
4,000,000	ENVISION	TERM DEPOSIT	2.50%	Province of BC
5,000,000	G&F FINANCIAL	TERM DEPOSIT	2.50%	Province of BC
3,000,000	G&F FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
2,000,000	G&F FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
3,000,000	G&F FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
3,000,000	G&F FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
3,000,000	G&F FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
3,000,000	G&F FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
4,000,000	G&F FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
3,000,000	G&F FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
3,000,000	G&F FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
5,000,000	G&F FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
5,000,000	G&F FINANCIAL	TERM DEPOSIT	2.80%	Province of BC
3,000,000	G&F FINANCIAL	TERM DEPOSIT	2.85%	Province of BC
3,000,000	G&F FINANCIAL	TERM DEPOSIT	2.85%	Province of BC
<b>\$131,000,000</b>				

**Total Short and Long Term Investments**

**\$169,256,299**

**Total Investments**

**\$169,383,488**



# Regulating Accessible Parking Stalls

## **RECOMMENDATION:**

That Committee of Council recommend to Council that the Parking and Development Management Bylaw be amended to include requirements for accessible parking spaces.

## **PREVIOUS COUNCIL/COMMITTEE ACTION**

None

## **REPORT SUMMARY**

This report proposes that the City's parking regulations be amended to require the provision of accessible parking spaces for persons with disabilities in new developments. The BC Building Code formerly set regulations for these spaces, but the Province recently amended the Code to delete its requirement and is encouraging local governments to set regulations deemed appropriate for their communities. To ensure persons eligible to park in an accessible parking stall will continue to have this opportunity in Port Coquitlam, the report recommends the former provincial requirements be required by the City as a baseline. It further recommends that any building with 10 or more apartment units be required to include at least one accessible parking stall and that this stall must be part of the common property.

## **BACKGROUND**

The Province amended the BC Building Code in December 2018 to remove its regulations pertaining to parking stall requirements for persons with a disability. As explained in the attached bulletin, the rationale for this amendment was based on the Province's opinion that local governments are better positioned to establish appropriate regulations for their communities and a recognition that many communities had introduced regulations to augment the Code's requirements. To comply with Council's policies with respect to accessibility, the provincial action creates an obligation for the City to ensure parking for persons with disabilities continues to be provided and creates an opportunity to enhance how accessibility needs are met.

Prior to introducing the amendment, the provincial Building and Safety Standards Branch consulted with a number of stakeholders. The feedback it obtained generally indicated that the parking requirements for persons with a disability in the BC Building Code were insufficient. Consequently, the Province set accessible parking spaces as an unrestricted matter under the *Building Act*, allowing for local governments to retain or establish their own requirements in their bylaws. To address the regulatory overlap between the Code and municipal bylaws and in support of harmonizing the BC Building Code with the National Building Code, accessible parking provisions were not included in the BC Building Code 2018, which became effective December 10, 2018.

## Regulating Accessible Parking Stalls

For Committee's further information, as a separate matter local governments may regulate parking for persons with disabilities in public areas (such as on-street parking) under the *Motor Vehicle Act*. This authority can be relevant if, for example, the City wishes to address a specific situation by allocating accessible parking spaces that could be additional to those required on private property.

### **DISCUSSION**

Accessible parking spaces are an important component of an accessible transportation system. Now that the Province has determined regulations should be set by local governments, rather than relying on provincial regulations, it is proposed that the City's parking regulations be amended to continue requiring accessible parking spaces for persons with disabilities. In addition, it is proposed that the City require that any building with more than 10 apartment units must have at least one accessible parking stall as part of its visitor parking allocation.

In summary, the following changes are proposed:

- Implementing the former provisions in BC Building Code, i.e.:
  - where a development requires more than 50 parking stalls, parking stalls for persons with disabilities meet a ratio of 1 for every 100 stalls (or part thereof); and,
  - the minimum dimension required for an accessible parking space be at least 3.7 m in width.
- Augmenting the former Code by requiring at least two visitor parking spaces in any apartment or mixed-use building with more than 10 residential units, and providing that one of these must be designated for persons with disabilities. This provision would ensure that at least one designated space would be included as common property in a building with strata ownership. As the City requires one visitor parking space per 5 units, this requirement does not increase the number of required visitor parking spaces to minimize the potential impact of the regulation on a site's development potential.
- Setting regulations with respect to identification of accessible parking spaces and signage.


### **FINANCIAL IMPLICATIONS**

None.

# Regulating Accessible Parking Stalls

## **OPTIONS**

(Check = Staff Recommendation)

#	Description
1 	Recommend to Council that the Parking and Development Management Bylaw be amended to include accessible parking spaces.
2	Request additional information prior to forwarding a recommendation to Council.
3	Take no action and leave the bylaw in its current form. Accessible parking spaces may be voluntarily provided by a developer or negotiated through a development approval process, if applicable.

## **ATTACHMENTS**

- Attachment #1: Proposed amendments to the Parking and Development Management Bylaw  
Attachment #2: Building and Safety Standards Branch Information Bulletin No. B18-09  
Attachment #3: Excerpt from the 2018 BC Building Code (guidelines for accessible parking)  
Attachment #4: Regulations of the *Motor Vehicle Act*

**Lead author(s):** Shawn Hagan

Excerpt showing Proposed Changes to Parking Regulations  
Parking and Development Management Bylaw, 2018 Bylaw No. 4078

4. PARKING SPACE STANDARDS

4.2 Off-street parking spaces provided for each use or building as required by this Bylaw shall conform to the following regulations:

~~d) accessible parking spaces suitable for individuals with disabilities shall be provided, of the number and dimensions required by the British Columbia Building Code and the Bylaws of the City.~~

5. ACCESSIBLE PARKING SPACE STANDARDS FOR PERSONS WITH DISABILITIES

5. 1. Where off-street parking is provided for the building or use classes listed under section 8, accessible parking spaces must be provided for persons with disabilities as follows:
- (a) where more than 50 off-street parking stalls are required to be provided, parking spaces shall be provided in the ratio of 1 for every 100 or part thereof;
  - (b) a minimum of one accessible parking space shall be provided for each designated wheelchair space or accessible sleeping room required by the BC Building Code.
5. 2. Parking spaces for use by persons with disabilities shall:
- (a) be not less than 2.5 meters wide and provided on one side with an access aisle not less than 1.5 meters wide,
  - (b) the width of the access aisle in (a) may be shared between the adjacent parking spaces for persons with disabilities.
  - (c) have a firm, slip-resistant and level surface,
  - (d) be located close to an accessible entrance required to the building,
  - (e) be clearly marked on the parking surface with the International Symbol of Access shown below as being for the use of persons with disabilities, and
  - (f) be identified by a sign located not less than 1.5 meters above ground level as being for the use of persons with disabilities, with the International Symbol of Access.
5. 3. A minimum of one accessible parking space shall be provided as part of the visitor parking space requirements and, if the building is stratified, shall be common property.



No. B18-09  
 December 17, 2018

## **Regulatory Changes to Accessible Parking Requirements**

The purpose of this bulletin is to provide information about the removal of historical accessible parking requirements from the BC Building Code and resources to support local governments in regulating accessible parking in their bylaws.

### **Legislation**

Part 14 of the *Local Government Act* [RSBC 2015] enables local governments and the Islands Trust to make decisions on planning and land use within their jurisdiction. Section 525 of the *Local Government Act* provides local governments with the authority to establish off-street parking requirements, including specific design standards for accessible parking.

The *Building Act* [SBC 2015] establishes the Province as the primary authority to establish building requirements. The *Building Act* was adopted to support consistency in the building regulatory system by eliminating the patchwork of building requirements that varied across the province. At the same time, the Province recognized that the need for consistency must be balanced with flexibility in order for local governments to meet specific community needs. Section 5 of the *Building Act* allows for such flexibility by providing local governments the authority to establish building requirements for matters identified as unrestricted by regulation.

There are two reasons for which a matter may be unrestricted under Section 5 of the *Building Act*:

- The matter is subject to a particular location or unique circumstance; therefore, the local government is best positioned to set the requirements; or
- A local government aims to achieve an objective under an existing statutory authority and the enacted building requirement is necessary to achieve that objective.

### **Background**

In February 2016, the Province approved accessible parking spaces as an unrestricted matter under the *Building Act*, for which local governments could retain or establish their own requirements in bylaws. The Building and Safety Standards Branch distributed an information bulletin titled [Building Act: Update for Local Governments](#) to support local governments.

The Building and Safety Standards Branch consulted with stakeholders about accessibility requirements in the BC Building Code in February 2018. The consultation feedback on parking generally indicated that the BC Building Code's historical parking requirements were insufficient.

To address the regulatory overlap between the BC Building Code and municipal bylaws and in support of harmonizing the BC Building Code with the National Code, accessible parking provisions are not included in the BC Building Code 2018, which became effective December 10, 2018.

## Regulatory Change

The BC Building Code 2018 is harmonized with the National Building Code 2015, which does not include requirements for accessible parking spaces.

While previous editions of the BC Building Code did provide the minimum requirements for accessible parking in instances where off-street parking was either required by local government bylaw or provided voluntarily by the building owner, the regulatory overlap between the *Local Government Act* and the BC Building Code had the potential to cause confusion regarding which requirements should be followed. Removing historical accessible parking requirements from the BC Building Code 2018 clarifies that local governments are best suited to regulate accessible parking spaces according to their communities' needs. Local governments that do not already have their own accessible parking requirements in their bylaws may wish to consider amending their bylaws to incorporate accessible parking requirements.

The BC Building Code 2018 requires a greater level of building accessibility by combining the requirements of the National Building Code 2015 with BC's historical requirements. In aligning more closely with the National Building Code, the BC Building Code achieves greater consistency not only with the National Building Code, but also with codes from other Canadian jurisdictions.

## Resources

Several resources are available to support enhancing accessible parking, as outlined below.

The [Accessible Design for the Built Environment standard](#) (CSA B651-18) provides guidance on accessible parking standards. Local governments who do not already regulate accessible parking may adopt these standards or establish requirements that work best for their communities.

The City of Ottawa developed [Accessibility Design Standards](#) to support the design of accessible on and off-street parking.

The [Accessibility for Ontarians with Disabilities Act](#): Integrated Accessibility Standards includes requirements governing the design of public spaces in the built environment.

The Social Planning and Research Council, with input from various communities, developed an [Accessible Community Bylaw Guide](#). For a sample Model Accessible Parking Bylaw, please review pages 72-25.

## British Columbia Building Code 2018

Although accessible parking is no longer regulated by the BC Building Code, guidance to support local governments to establish accessible parking requirements in their bylaws is available in the Notes of the BC Building Code.

## Implications

Local governments that do not already have accessible parking requirements in their bylaws may wish to develop requirements that meet the specific needs of their communities. Bylaws with existing accessible parking requirements will continue to apply without overlap with the BC Building Code.

Local governments are best positioned to set accessible parking requirements based on the demographics, types of buildings developed, and the specific needs of their communities.

**Communities without specific bylaw provisions will be unable to enforce minimum standards for accessible parking after December 10, 2018.**

Scheme	BC Building Code 2012	BC Building Code 2018
<b>Local Government Bylaw with Accessible Parking Requirement</b>	<p>Local bylaw applies.</p> <p>Building owners must provide the minimum number of accessible parking spaces in the BC Building Code or, if accessible spaces are required in the local bylaw, the minimum number of accessible spaces in the bylaw.</p> <p>Building owners must comply with which ever requirement is greater.</p>	Local bylaw applies.
<b>Local Government Bylaw without Accessible Parking Requirement</b>	Where parking is required by local government, or parking is provided voluntarily by the building owner, building owners are required to comply with the minimum accessibility requirements in the BC Building Code.	The 2012 accessibility requirements are provided in the Notes of the 2018 BC Building Code. Local governments can amend their bylaw to reproduce these requirements or to include their own. In the absence of accessible parking requirements in bylaws, local governments will be unable to enforce minimum standards for accessible parking.
<b>Code Provisions</b>	<p>One of every 100 spaces must be accessible when 50 or more spaces are provided.</p> <p>Minimum width of 3.7m required.</p>	Guidance provided in the Notes of the BC Building Code.

## More Information

Please direct any questions about developing new bylaws to:

Ministry of Municipal Affairs and Housing  
Planning and Land Use Management Branch  
Telephone: 250-387-3394  
Email: [PLUM@gov.bc.ca](mailto:PLUM@gov.bc.ca)

Please direct any questions about technical code requirements to:

Ministry of Municipal Affairs and Housing  
Building and Safety Standards Branch  
Telephone: 250-387-3133  
Email: [Building.Safety@gov.bc.ca](mailto:Building.Safety@gov.bc.ca)

Full text of Part 14 of the *Local Government Act* – Planning and Land Use Management:

[http://www.bclaws.ca/civix/document/id/complete/statreg/r15001\\_14](http://www.bclaws.ca/civix/document/id/complete/statreg/r15001_14)

Full text of the *Building Act*:

<http://www.bclaws.ca/civix/document/id/complete/statreg/15002#part1>

Full text of the *Accessibility for Ontarians with Disabilities Act*:

<https://www.ontario.ca/laws/statute/05a11>

For more information about the changes to accessibility requirements, please see technical bulletin

[18-05: Accessibility in the British Columbia Building Code 2018](#).



### Guidance from the 2018 BC Building Code

**NOTE:** The information below is an excerpt from a portion of the Appendix to the 2018 BC Building Code. The Appendix provides explanatory material and is not an enforceable part of the Code.

In localities where local regulations or bylaws do not govern the provision of or dimensions of accessible parking spaces, the following provides guidance to determine appropriate provisions.

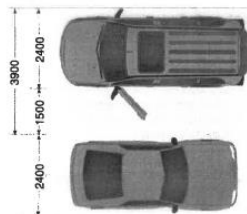
If more than 50 parking spaces are provided, parking spaces for use by persons with physical disabilities should be provided in the ratio of one for every 100 parking spaces or part thereof.

Parking spaces for use by persons with physical disabilities should:

- (1) be not less than 2400mm wide and provided on one side with an access aisle not less than 1500mm wide,
- (2) have a firm, slip-resistant and level surface,
- (3) be located close to an entrance required to conform to Article 3.8.2.2.,
- (4) be clearly marked as being for the use of persons with physical disabilities, and
- (5) be identified by a sign located not less than 1500mm above ground level, with the International Symbol of Access shown below.



Asphalt and concrete are acceptable parking surfaces. Curb ramps should be not less than 1500mm wide. Parallel parking spaces should be not less than 7000mm long. If more than one parking space is provided for persons with physical disabilities, a single access aisle can serve two adjacent parking spaces. The arrangement shown below allows the shared use of an access aisle to serve two adjacent parking spaces provided for use by persons with physical disabilities.



It is not intended that a separate accessible entrance must be provided from the parking area. The designer may choose to designate the entrance leading to the parking area as the required entrance or to provide a properly identified and unobstructed path of travel from the parking area to the entrance which is accessible. The entrance chosen should, in any case, be the closest entrance to the parking area and one normally used by the occupants of the building. Long paths of travel are not recommended.

## Attachment 4 Excerpt Motor Vehicle Act

### Motor Vehicle Act

01 In this Division:

**"applicant"** means a person who applies for a disabled parking permit under this Division;

**"disabled person"** means a person whose mobility is limited as a result of a permanent or temporary disability that makes it impossible or difficult to walk;

**"disabled zone"** means a parking zone identified by the disabled parking sign as set out in Schedule 2 of Division 23 of these regulations;

**"permit"** means a disabled persons' parking permit issued under this Division.  
[en. B.C. Reg. 472/90.]

### Application for permit

38 . 02(1) A permit issued in the form established by the Insurance Corporation of British Columbia is valid throughout the Province.

(2) A permit may be issued on behalf of the Province by a municipality or an organization a municipality designates for the purposes of this section.

(3) Application for a permit must be made by or on behalf of a disabled person to a municipality or organization referred to in subsection (2).

(4) On being satisfied that the person to which the permit would apply is a disabled person, the municipality or organization referred to in subsection (2) may

(a) issue a permit or temporary permit for the disabled person, or

(b) issue a substitute permit for a permit that is lost, stolen or mutilated or that has become illegible.

[en. B.C. Reg. 472/90; am. B.C. Reg. 317/96, s. 1.]

### Display of permit

38 . 03 The person to whom a permit is issued shall, while a vehicle is parked in a disabled zone, display the permit in or on the vehicle the person is operating or in which the person is a passenger

(a) by suspending it from the rearview mirror inside the vehicle so that it is in plain view of any person looking through the windshield of the vehicle from the sidewalk or roadside, or

(b) by placing it on the dashboard in front of the driver's position.

## **LATE ITEMS**

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These items were added to the agenda after it was published.

Please see the additional information attached for the following:

- Item 3.2 - Committee to Council 2018 Audited Financial Statements
- Item 6.2 – Council 2018 Audited Financial Statements

# 2018 Audited Financial Statement Report

## RECOMMENDATION:

That Committee of Council recommend that:

1. Council accept the 2018 Audited Financial Statements; and
2. That the 2019 financial plan be amended to include a transfer of \$322,500 from accumulated surplus to the General Long Term Reserve fund.

## REPORT SUMMARY

This report provides a review and analysis of the 2018 Consolidated Financial Statements audited by the city auditors, KPMG LLP. The Financial Statements have been prepared in accordance with Canadian Public Sector Accounting Standards as prescribed by the Public Sector Accounting Board. In accordance with Section 167 (1) of the Community Charter, the financial statements must be prepared by the financial officer and presented to Council for acceptance.

In 2018, the city recorded an annual surplus of \$28.10 million. Of the \$28.10 million surplus, \$45.51 million is attributable to an increase in capital equity (non-cash), \$11.02 million to a decrease in restricted reserves (cash), and \$6.54 million to a decrease in non-restricted reserves (cash).

Table 1 illustrates how the annual surplus impacts the 2018 opening and ending accumulated surplus balances.

**Table 1 - 2018 Accumulated Surplus Details**

	2018 Opening	Annual Surplus	2018 Ending	
<b>Unrestricted Reserves:</b>				
General	\$ 11,310,469	\$ 645,010	\$ 11,955,479	Unrestricted
Water	\$ 6,819,427	\$ (5,759,928)	\$ 1,059,499	Unrestricted
Sewer	\$ 2,913,505	\$ (1,433,126)	\$ 1,480,379	Unrestricted
Restricted Reserves	\$ 111,733,268	\$ (11,023,177)	\$ 100,710,091	Restricted
Equity in Tangible Capital Assets	\$ 624,023,146	\$ 45,518,040	\$ 669,541,186	Non-cash
Equity in Inventory and Prepaids	\$ 452,027	\$ 154,391	\$ 606,418	Non-cash
<b>Accumulated Surplus, Closing</b>	<b>\$ 757,251,842</b>	<b>\$ 28,101,210</b>	<b>\$ 785,353,052</b>	

Of the \$14.49 million in unrestricted reserves at year end and taking into account the minimum balance requirements, future commitments and transfers there is a remaining balance in the general fund of \$5.56 million highlighted in Table 5. Factors contributing to this balance are higher revenues in investment income, permits and licenses, sales of services and other revenues. In addition the city had lower expenses mainly due to personnel and contracted service costs. Equity in Tangible Capital Assets increased by \$45.51 million largely as a result of the capital work in progress on the Community Centre and Neighborhood Rehabilitation projects. As a result of capital

# 2018 Audited Financial Statement Report

work completed in 2018, Restricted Reserves decreased by \$11.02 million after accounting for annual contributions and transfers of \$29.16 million, project allocations of \$42.39 million and annual interest allocation of \$2.20 million (Note 14).

## FINANCIAL STATEMENTS ANALYSIS

The financial statements (attachment 1) are intended to report on the City's financial condition as of December 31, 2018 and consist of the following four required statements, additional notes and supporting schedules: Consolidated Statement of Financial Position, Consolidated Statement of Operations, Consolidated Statement of Change in Net Financial Assets (Net Debt) and Consolidated Statement of Cash Flows. KPMG LLP have audited the 2018 financial statements and provided an Independent Auditors report and Audit Findings report accompanying this report (attachment 2 and 3).

The Public Sector Accounting board standards require the City's audited consolidated financial statement results report a comparison of the annual financial results for the accounting period to the approved original budget which is presented in the Audited Statement of Operations. The City approved the 2018 Financial Plan Bylaw on April 10, 2018 which established the City's expense authority for the year. Throughout the year, Council approved a number of financial plan amendments. As a result the 2018 Audited Financial Statement budget variances presented in the Consolidated Statement of Operations will differ when compared to the Revenue and Expenses tables included in this report which take into consideration the amendments.

The succeeding sections provide an analysis and supplemental discussion on key financial information and are intended to highlight key variances on the amended budget to actual financial performance.

### Annual Surplus

Annual surplus represents the difference between revenues and expenses and is presented in Table 2. The \$28.10 million annual surplus recorded in 2018 is comprised of capital, reserve, general, water, and sewer funds as noted in the Table 3.

It is important to note that the budget presented in Table 2 is based on public sector accounting standards and does not include transactions such as capital expenditures, long term debt repayment and the use of accumulated surplus. Therefore budgeted totals will differ from those presented in Table 3.

**Table 2 - 2018 Consolidated Financial Statements**

	2018 Budgeted	2018 Actuals	Variance	2017 Actuals
Revenues	\$ 116,453,000	\$ 120,228,896	\$ 4,678,617	\$ 126,463,624
Expenses	\$ 94,665,900	\$ 92,127,686	\$ (2,910,692)	\$ 89,412,289
<b>Annual Surplus</b>	<b>\$ 21,787,100</b>	<b>\$ 28,101,210</b>	<b>\$ 7,589,309</b>	<b>\$ 37,051,335</b>

# 2018 Audited Financial Statement Report

**Table 3 - Components of Annual Surplus**

	2018 Budgeted	2018 Actuals	Difference	Financial Statement Reference
Capital Equity	\$ 78,535,807	\$ 45,518,040	\$ 33,017,767	Note 15
Reserve Funds	\$ (45,503,705)	\$ (11,023,177)	\$ (34,480,528)	Note 14
General Fund	\$ (5,238,291)	\$ 799,401	\$ (6,037,692)	Note 13
Water Fund	\$ (5,424,996)	\$ (5,759,928)	\$ 334,932	Note 13
Sewer Fund	\$ (1,856,915)	\$ (1,433,126)	\$ (423,789)	Note 13
<b>Annual Surplus</b>	<b>\$ 20,511,900</b>	<b>\$ 28,101,210</b>	<b>\$ (7,589,310)</b>	

Of the \$28.10 million in annual surplus the largest component relates to the increase in the value of capital assets (\$45.51 million increase) with a corresponding decrease in the restricted reserve funds of \$11.02 million, water fund (\$5.75 million), sewer fund (\$1.43 million). The general fund reported \$799K increase. Additional commentary is provided under the “revenues by source” and the “expenses by function” sections of this report. Table 5 presented below outlines the balances available in the general fund for future use.

## Accumulated Surplus

Accumulated surplus is the cumulative amount of annual surplus from all prior years up to the current year. The city’s accumulated surplus increased to \$785.35 million of which \$669.54 million are equity in tangible capital assets (Note 13). It is important to note that the 2018 annual surplus figure of \$28.10 million is primarily the result of additional revenues attributable to investment income, sales of service revenues, grant contributions and lower than expected expenses within some departments highlighted in the revenue by source and expenses by function analysis of this report.

The audited financial statements outline in Note 13 supplemental information on the composition of the accumulated surplus balance. The 2018 accumulated surplus consists of unrestricted reserves that include: general, water, and sewer, Restricted Reserves, and Equity in tangible capital assets and inventory and prepaid expenses (Table 4).

# 2018 Audited Financial Statement Report

**Table 4 - 2018 Accumulated Surplus Details**

	2018 Opening	Annual Surplus	2018 Ending	
<b>Unrestricted Reserves:</b>				
General	\$ 11,310,469	\$ 645,010	\$ 11,955,479	Unrestricted
Water	\$ 6,819,427	\$ (5,759,928)	\$ 1,059,499	Unrestricted
Sewer	\$ 2,913,505	\$ (1,433,126)	\$ 1,480,379	Unrestricted
Restricted Reserves	\$ 111,733,268	\$ (11,023,177)	\$ 100,710,091	Restricted
Equity in Tangible Capital Assets	\$ 624,023,146	\$ 45,518,040	\$ 669,541,186	Non-cash
Equity in Inventory and Prepays	\$ 452,027	\$ 154,391	\$ 606,418	Non-cash
<b>Accumulated Surplus, Closing</b>	<b>\$ 757,251,842</b>	<b>\$ 28,101,210</b>	<b>\$ 785,353,052</b>	

The Annual Operating Surplus Allocation Policy sets out the guidelines for the fiduciary management of any year-end operating surplus in the general fund. Based on the policy, accumulated surplus should be maintained at a minimum of 12% of the prior year's general property taxation revenue. Once the minimum balance is achieved, a minimum of 50% of any then remaining current annual general fund surplus will be transferred to the Long Term Replacement Infrastructure Reserve ("LTR"). While not specifically mentioned in the policy, water and sewer funds have historically been treated the same way. For 2018 a transfer of \$322,500 to the General LTR is recommended. Since the water and sewer funds do not have a surplus, no transfer is recommended. Table 5 outlines the minimum balances for general, water and sewer funds, and well as the amounts available to fund future projects.

**Table 5 - 2018 General, Water and Sewer Fund Accumulated Surplus Balances**

	General Fund	Water Fund	Sewer Fund
Balance per 2018 Financial Statements	\$ 11,955,479	\$ 1,059,499	\$ 1,480,379
Add:			
Ventana Prepayment*	\$ 5,000,000	\$ -	\$ -
Less:			
2018 Carry Forwards	\$ (3,009,300)	\$ (69,100)	\$ -
2019 Financial Plan	\$ (380,700)	\$ (75,000)	\$ (75,000)
Recommended transfers to LTR	\$ (322,500)	\$ -	\$ -
<b>Balance after Commitments and Transfers</b>	<b>\$ 13,242,979</b>	<b>\$ 915,399</b>	<b>\$ 1,405,379</b>
Minimum Balance Required	\$ (7,682,220)	\$ (1,390,641)	\$ (1,053,528)
<b>Balance Available For Future Projects</b>	<b>\$ 5,560,759</b>	<b>\$ -</b>	<b>\$ 351,851</b>

\*Ventana prepayment was temporarily withdrawn from accumulated surplus. This amount will be repaid near the end of the community centre project.

## 2018 Audited Financial Statement Report

General Fund: After accounting for the 2018 Carryforwards and 2019 Financial Plan Commitments, and maintaining the minimum balance required the general fund reports \$5.56 million available to fund future projects.

Water Fund: 2018 Carryforwards and 2019 Financial Plan Commitments are reported at \$69K and \$75K respectively. Taking into account the minimum balance required there are no available funds for future projects.

Sewer Fund: There are no 2018 Carryforwards but 2019 Financial Plan Commitments are reported at \$75K. There is \$351K available for future projects after accounting for the minimum balance required.

### Revenues By Source

Consolidated revenues for 2018 were \$120.2 million which exceeded the budget by \$4.68 million and is presented in Table 6. For the 2018 year city revenues were impacted by increased investment income, sales of services, contributions and other revenues. Additional revenue variances are detailed within the Revenue by Source section.

**Table 6 - 2018 Revenue Comparison to Budget**

	2018 Budget	2018 Actuals	Variance (\$) (Fav/(Unfavourable))	Variance (%) (Fav/(Unfavourable))
Taxation and other levies	\$ 66,161,785	\$ 66,347,197	\$ 185,412	0.3%
Utility Charges	\$ 22,791,200	\$ 23,148,835	\$ 357,635	1.6%
Sales of Services	\$ 6,412,100	\$ 6,864,438	\$ 452,338	7.1%
Contributions	\$ 14,981,713	\$ 15,508,028	\$ 526,315	3.5%
Permits and Licenses	\$ 2,687,600	\$ 3,219,649	\$ 532,049	19.8%
Investment Income	\$ 2,039,900	\$ 3,618,483	\$ 1,578,583	77.4%
Penalties and Fines	\$ 406,400	\$ 473,984	\$ 67,584	16.6%
Other Revenue	\$ 69,581	\$ 1,048,282	\$ 978,701	1406.6%
<b>Total Revenue</b>	<b>\$115,550,279</b>	<b>\$ 120,228,896</b>	<b>\$ 4,678,617</b>	<b>4%</b>

### Taxation and other levies

- Taxation and other levies collected in 2018 totaled \$66.34 million and resulted in a positive variance of \$185K higher than budgeted due to growth of the assessment roll and lower than expected supplemental taxation adjustments.
- General taxation collected an additional \$165K.
- Grants in Lieu and 1% tax on utilities were higher than budgeted (\$20K).



## Utility Charges

- Utility charges which consist of water and sewer operations and solid waste fees produced combined total revenues of \$23.14 million resulting in a \$357K variance.
- Water Utilities collected (\$11.7 million); over budget (\$136K) due to higher consumption levels triggered by an extended dry season and additional units added to the assessment roll after the budget was completed.
- Sewer Utilities collected (\$8.80 million); over budget (\$ 219K) due to higher consumption levels triggered by an extended dry season and additional units added to the assessment roll after completion of the budget.
- Solid Waste collected (\$2.73 million); additional revenues over budget by \$16K.
- Senior utility subsidies reported (\$111K); over budget by \$21K and offset total utility revenues collected.

## Sales of Services

- Sales of service revenues exceeded budgeted figures by \$452K.
- Cemetery interments and expansion generated higher revenues than budgeted by \$119K as a result of more plot sales.
- Development Services fees were above budget by \$98K largely due to additional revenue from highway permits.
- Development engineering fees for private jobs and development cost recoveries were over budget by \$30K.
- Recycle BC revenues and bus shelter revenues in combination represented \$38K more than budgeted.
- Other sales of service items contributing to the variance include donations for Port Coquitlam Community Foundation at \$104K which aren't included in the city's financial plan.

## Contributions

- Contribution revenues have a \$526K variance. Revenues reported within this category include external grants, non-cash contributions or developer contributions, as well as development cost charge revenue recognized in the year. Grant revenue was budgeted based on expected completion of works for 2018. Contribution variances are described below:
- Community Recreation Grant reported a variance of \$215K (Budget: \$10.19 million vs Actual: \$9.98 million). Remaining grant revenue will be allocated as further capital work is completed in the next two years.
- Developer contributions for infrastructure are above budget by \$410K.
- Traffic Fine sharing revenue was less than budget by \$23K.
- Development cost charge revenue was below budget by \$141K.

# 2018 Audited Financial Statement Report

## Permits and Licensing

- Permits and Licenses revenue exceed budgeted figures by \$532K. Permit revenues for building and plumbing inspections continue to exceed budgeted levels as do development engineering inspection and Highway Use Permits.

## Investment Income

- The city's investment portfolio reported an additional \$1.57 million of revenue. The city realized an average investment return rate of 2.1%. For the 2018 year, the city investments performed stronger than expected as market rates increased resulting in above budget revenues. However, as the city continues to allocate funds toward projects and cash flow commitments, reserve accounts are declining and corresponding interest income may be impacted in 2019.

## Penalties and Fines

- Penalties and Fines for 2018 exceed budgeted figures by \$67K due to penalties and interest collected on late payments for taxes and utilities.

## Other revenues

- Other revenues for the year recorded a budget to actual variance totaling \$978K. Most of the revenues noted below were not budgeted for when the Financial Plan Bylaw was adopted in April 2018:
  - Parking in lieu (\$210K).
  - Parks and Bonus Density in lieu (\$218K).
  - Public safety clean-up including controlled substances and other property clean-ups (\$179K).
  - Filming and other AR cost recoveries (\$242K).
  - Other revenues (\$108K).

## **Expenses By Function**

Commentary has been provided on variances exceeding \$75K and 5%. Amortization has been excluded from the analysis as it does not have an impact on unrestricted accumulated surplus or reserves. Amortization, a non-cash expense, is the accounting process of allocating the historical cost of an asset to operating periods over the assets useful life. Accounting standards require local governments to record amortization on the annual financial statements and allocate amortization to the applicable asset type, amortization amounts for 2018 are identified in Note 12 of the financial statements.

Loss on disposals are expensed and allocated as a separate line item noted within corresponding department costs (Note 23). A loss on disposal occurs when the proceeds received for the asset are less than the net book value of the asset or the assets carrying value is reduced or written down. For the 2018 year the city reported a loss of \$596K that consists of equipment and infrastructure disposals combined with past capital project costs that are not expected to proceed at this time. As a result an accounting adjustment to expense these capital costs was recorded and reported in their relative department expense section.

# 2018 Audited Financial Statement Report

## General Government

	2018 Budget	2018 Actuals	\$ Variance	% Budget Used
Personnel	6,683,852	6,517,345	166,507	97.51%
Contracted and other services	1,704,542	1,840,793	(136,251)	107.99%
Materials and supplies	321,055	239,771	81,284	74.68%
Telephone, utilities and rent	86,200	82,770	3,430	96.02%
Interest and bank charges	1,054,500	896,568	157,932	85.02%
Insurance and claims	595,600	732,571	(136,971)	123.00%
Grants and financial assistance	47,081	74,334	(27,253)	157.89%
Internal charges	(1,555,081)	(1,531,943)	(23,138)	98.51%
Loss (Gain) on disposals and writedowns	-	(270,917)	270,917	-100.00%
<b>Subtotal</b>	<b>8,937,749</b>	<b>8,581,292</b>	<b>356,457</b>	<b>96.01%</b>
Amortization	494,842	461,611	33,231	-100.00%
<b>TOTAL</b>	<b>9,432,591</b>	<b>9,042,904</b>	<b>389,687</b>	<b>95.87%</b>

General government expenses consist of multiple departments that include the Office of the CAO, Finance, Corporate Support, Human Resources, and Fiscal expenses.

- Personnel: Payroll expenses are under budget (\$166K), variances in Finance (\$92K) offset higher than the budgeted salaries for the Office of the CAO due to the transition to a new CAO and Acting CAO salary during the CAO maternity leave.
- Contracted services are over budget (\$136K) mainly due to legal fees incurred for a number of pending legal issues.
- Materials and supplies are under budget by \$81K. This includes less usage in postage and general office supplies (\$22K) as a result of reduced mail outs and a reduction in I.T. supplies of (\$59K).
- Interest and bank charges are under budget by \$157K driven by lower debt interest repayments.
- Insurance and claims: (\$136K) over budget due to higher than budgeted insurance premiums and expected claims pay out.
- Gain on disposal: a variance of \$270K resulted from the disposal of road allowance on Shaftsbury Avenue.

# 2018 Audited Financial Statement Report

## Engineering & Public Works

	2018 Budget	2018 Actuals	\$ Variance	% Budget Used
Personnel	7,848,340	7,428,969	419,371	94.66%
Contracted and other services	2,145,874	1,767,038	378,836	82.35%
Materials and supplies	1,933,514	1,959,290	(25,776)	101.33%
Telephone, utilities and rent	597,600	689,276	(91,676)	115.34%
Interest and bank charges	4,300	6,014	(1,714)	139.87%
Insurance and claims	188,400	218,658	(30,258)	116.06%
Grants and financial assistance	-	-	-	0.00%
Internal charges	(2,836,100)	(2,700,876)	(135,224)	95.23%
Loss on disposals and writedowns	-	768,666	(768,666)	-100.00%
<b>Subtotal</b>	<b>9,881,928</b>	<b>10,137,035</b>	<b>(255,107)</b>	<b>102.58%</b>
Amortization	7,787,152	7,264,210	522,942	-100.00%
<b>TOTAL</b>	<b>17,669,080</b>	<b>17,401,245</b>	<b>267,835</b>	<b>98.48%</b>

- Personnel expenses (\$419K) are lower than budgeted because of staff vacancies in various service areas.
- Contracted and other services are below budget (\$378K) for street & traffic maintenance projects (\$122K) as streets department staff were assigned to assist in the utilities departments. For 2019 similar variances are not anticipated. Other contributing factors are the deferral of some non-capital projects that include the Parklets (\$24K), Shaughnessy New Pedestrian (\$45K) projects, Engineering Administration Studies (\$63K), and Bridge Maintenance (\$53K). Some parks cost centres (\$71K) were under budget and these included grass cutting, sport field maintenance litter and garbage costs.
- Telephone, utilities and rent: over budget expenses (\$91K) are related to electricity expenses for drainage administration and street lighting (\$55K); lease expenses for fleet vehicles and equipment (\$26K); and telephone and utilities expenses for parks division (\$10K).
- Interest and bank charges over budget (\$1K) due to bank charges from merchant sales.
- Insurance and claims is over budget by \$30K driven by more fleet vehicles & equipment claims.
- Loss on disposal is a non-budgeted item creating a variance of \$768K due to the disposal of city infrastructure such as roads, sidewalks, vehicles and equipment. For the 2018 year additional capital projects that were held in progress were deemed non active and not likely to proceed at this time. These capital projects costs were expensed for 2018.

# 2018 Audited Financial Statement Report

## Recreation

	2018 Budget	2018 Actuals	\$ Variance	% Budget Used
Personnel	7,946,693	7,604,325	342,368	95.69%
Contracted and other services	3,470,462	3,202,642	267,820	92.28%
Materials and supplies	696,933	728,726	(31,793)	104.56%
Telephone, utilities and rent	799,800	725,242	74,558	90.68%
Interest and bank charges	146,700	146,077	623	99.58%
Insurance and claims	-	2,551	(2,551)	-100.00%
Grants and financial assistance	264,998	222,273	42,725	83.88%
Internal charges	(41,800)	(69,051)	27,251	165.19%
<b>Subtotal</b>	<b>13,283,786</b>	<b>12,562,784</b>	<b>721,002</b>	<b>94.57%</b>
Amortization	580,231	541,266	38,965	-100.00%
<b>TOTAL</b>	<b>13,864,017</b>	<b>13,104,050</b>	<b>759,967</b>	<b>93.28%</b>

- Personnel: Under budget by \$342K due to staff vacancies in the Facilities and Recreation Administration sections, as well as a reduction in frontline staffing costs due to reduced programming and lower patron attendance at the Recreation Complex during the construction of the new Community Centre.
- Contracted and other services under budget (\$267K) driven by lower costs in the following areas: Recreation Projects (\$158K) and facility projects (\$103K) such as the washroom renovation, re-roofing and furniture replacement which have been deferred to next year.
- Telephone, utilities and rent is under budget by \$74K. Facility service expenses are lower than budgeted due to lower electricity costs.
- Grants and financial assistance is under budget by \$42K due to grants issued to community groups being lower than budgeted.

## Police Services

	2018 Budget	2018 Actuals	\$ Variance	% Budget Used
Contracted and other services	15,259,635	14,615,764	643,871	95.78%
Amortization	69,507	64,839	4,668	-100.00%
<b>TOTAL</b>	<b>15,329,142</b>	<b>14,680,603</b>	<b>648,539</b>	<b>95.77%</b>

Contracted and other services for Police Services are below budget by \$643K due to lower than expected RCMP contract costs as well as lower expenses for the public safety building in part due to lower cost share than budgeted (31.1% actual vs budget of 31.3%). The Police Services operating budget is partially funded by the RCMP Reserve (\$600K) to reduce the chance of over taxation as RCMP expenses have historically been under budget. The RCMP Reserve balance is currently at \$2.2 million.

# 2018 Audited Financial Statement Report

## Fire & Emergency Services

	2018 Budget	2018 Actuals	\$ Variance	% Budget Used
Personnel	11,170,600	10,952,273	218,327	98.05%
Contracted and other services	420,000	423,197	(3,197)	100.76%
Materials and supplies	196,400	191,949	4,451	97.73%
Telephone, utilities and rent	66,200	55,241	10,959	83.45%
Internal charges	196,200	197,064	(864)	100.44%
<b>Subtotal</b>	<b>12,049,400</b>	<b>11,819,725</b>	<b>229,675</b>	<b>98.09%</b>
Amortization	435,566	406,316	29,250	-100.00%
<b>TOTAL</b>	<b>12,484,966</b>	<b>12,226,041</b>	<b>258,925</b>	<b>97.93%</b>

- Personnel: Fire Operations variance of \$218K attributable to lower payroll costs as a result of an unusually high number of staff on leave.
- Telephone, utilities and rent: Utility expense for Fire Operations is lower than the budget by (\$10K) driven by less electrical and mobile phone costs.

## Development Services

	2018 Budget	2018 Actuals	\$ Variance	% Budget Used
Personnel	3,017,000	2,793,167	223,833	92.58%
Contracted and other services	743,270	341,786	401,484	45.98%
Materials and supplies	8,700	7,816	884	89.84%
Telephone, utilities and rent	1,000	223	777	22.30%
Interest and bank charges	-	14,589	(14,589)	-100.00%
Insurance and claims	-	-	-	0.00%
Internal charges	70,000	43,990	26,010	62.84%
<b>Subtotal</b>	<b>3,839,970</b>	<b>3,201,571</b>	<b>638,399</b>	<b>83.37%</b>
Amortization	-	-	-	0.00%
<b>TOTAL</b>	<b>3,839,970</b>	<b>3,201,571</b>	<b>638,399</b>	<b>83.37%</b>

- Personnel: Payroll expenses are lower than budget by \$223K due to vacancies in the Planning and Development Engineering divisions.
- Contracted services and other services: below budget by \$401K mainly due to Development Services Projects such as the Downtown and North Side work, the Subdivision Servicing Bylaw, and the Underground Utilities projects which have been deferred to 2019.
- Interest and bank charges are unbudgeted (\$14K) and consist of charges for merchant bank fees for credit and debit transactions.

# 2018 Audited Financial Statement Report

## Solid Waste Utility

	2018 Budget	2018 Actuals	\$ Variance	% Budget Used
Personnel	1,009,100	975,097	34,003	96.63%
Contracted and other services	1,266,200	1,190,552	75,648	94.03%
Materials and supplies	22,700	35,299	(12,599)	155.50%
Telephone, utilities and rent	-	1,191	(1,191)	-100.00%
Interest and bank charges	-	-	-	0.00%
Internal charges	1,483,200	1,508,205	(25,005)	101.69%
<b>Subtotal</b>	<b>3,781,200</b>	<b>3,710,344</b>	<b>70,856</b>	<b>98.13%</b>
Amortization	-	-	-	0.00%
<b>TOTAL</b>	<b>3,781,200</b>	<b>3,710,344</b>	<b>70,856</b>	<b>98.13%</b>

- Contracted services and other services below budget by \$75K mainly due to lower Solid Waste Tipping Fees for Garbage & Green Waste (\$58K), glass collection (\$6K) and street sweeping costs (\$11K).
- Materials and Supplies are above budget by \$12K largely due to solid waste cart maintenance.

## Water Utility

	2018 Budget	2018 Actuals	\$ Variance	% Budget Used
Personnel	759,000	633,201	125,799	83.43%
Contracted and other services	6,438,596	7,042,465	(603,869)	109.38%
Materials and supplies	127,900	145,604	(17,704)	113.84%
Telephone, utilities and rent	47,600	38,201	9,399	80.25%
Internal charges	1,380,100	1,321,105	58,995	95.73%
Loss on disposals and writedowns	-	93,929	(93,929)	-100.00%
<b>Subtotal</b>	<b>8,753,196</b>	<b>9,274,505</b>	<b>(521,309)</b>	<b>105.96%</b>
Amortization	1,675,917	1,563,372	112,545	-100.00%
<b>TOTAL</b>	<b>10,429,113</b>	<b>10,837,877</b>	<b>(408,764)</b>	<b>103.92%</b>

- Personnel: under budget by \$125K driven by lower general maintenance labour costs
- Contracted services and other services: over budget by (\$603K) due to higher than expected volume of water purchases from Metro Vancouver as a result of the extended dry season experienced in 2018.
- Telephone, utilities and rent expense is under budget (\$9K) which reflects lower energy usage for pressure reducing valves and water pump stations.
- Loss on disposal: variance of (\$93K) due to the disposal of water mains and service connection infrastructure.

# 2018 Audited Financial Statement Report

## Sewer Utility

	2018 Budget	2018 Actuals	\$ Variance	% Budget Used
Personnel	343,700	268,815	74,885	78.21%
Contracted and other services	5,452,315	5,397,934	54,381	99.00%
Materials and supplies	74,000	44,100	29,900	59.59%
Telephone, utilities and rent	78,000	83,422	(5,422)	106.95%
Internal charges	1,303,500	1,231,506	71,994	94.48%
Loss on disposals and writedowns	-	4,741	(4,741)	-100.00%
<b>Subtotal</b>	<b>7,251,515</b>	<b>7,030,518</b>	<b>220,997</b>	<b>96.95%</b>
Amortization	956,785	892,533	64,252	-100.00%
<b>TOTAL</b>	<b>8,208,300</b>	<b>7,923,051</b>	<b>285,249</b>	<b>96.52%</b>

- Personnel: under budget by \$74K due to less work required on sanitary maintenance and service repairs.
- Contracted services: under budget by \$54K as less work was required on sanitary and lift stations repairs and maintenance.
- Materials and supplies: under budget by \$29K as less work was required on sanitary and pump station repairs.
- Loss on disposal: variance of \$4K due to the disposal of sanitary assemblies and main infrastructure.

## Restricted Reserves

A schedule of reserves has been provided in Note 14 of the financial statements which accounts for reserve transfers and interest allocation. The reserve balances total \$100.69 million at the end of 2018, a decrease of \$11.03 million. Reserve funds are designated for specific use for which they were established.

## CONCLUSION:

In summary the city is reporting for the 2018 year an annual surplus of \$28.10 million increasing the overall accumulated surplus to \$785.35 million. The accumulated surplus figure is an overall primary indicator of the financial resources the city has available to provide future services and consists of both cash and non-cash items including restricted and non-restricted reserves and equity in tangible capital assets and inventories. The Accumulated Surplus figure is largely represented by the city's investment in its tangible capital assets meaning that accumulated surplus does not equate to available cash. Given these points and with the 2019 capital works in progress the long term financial planning process will continue to reflect the city's ability to meet these obligations.

The *Community Charter* requires that Council accepts the Financial Statements (Section 167(1)(b)).



## **ATTACHMENTS**

- Attachment #1: 2018 Audited Consolidated Financial Statements
- Attachment #2: KPMG Independent Auditors Report
- Attachment #3: 18 KPMG Audit Findings Report
- Attachment #4: A Guide to Local Government Financial Statements

**Lead author(s):** Sharleen Karamanian

**THE CORPORATION OF THE CITY OF PORT COQUITLAM**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at December 31

	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 4,439,646	\$ 3,889,049
Investments (Note 3)	169,256,299	174,146,606
Accounts and other receivables (Note 4)	27,147,529	23,551,707
Due from other governments (Note 5)	704,233	626,471
	<b>201,547,707</b>	<b>202,213,833</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	22,261,073	12,303,997
Deferred revenue (Note 7)	12,784,199	11,775,416
Deposits (Note 8)	12,505,059	9,730,147
Development cost charges (Note 9)	35,978,928	32,884,604
Post-employment future benefits and compensated absences (Note 10)	2,813,000	2,743,000
Debt (Note 11)	20,465,325	21,080,650
	<b>106,807,584</b>	<b>90,517,814</b>
<b>NET FINANCIAL ASSETS</b>	<b>94,740,123</b>	111,696,019
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 12)	690,006,511	645,103,796
Inventories	372,431	294,471
Prepaid expenses	233,987	157,556
	<b>690,612,929</b>	<b>645,555,823</b>
<b>ACCUMULATED SURPLUS (Note 13)</b>	<b>\$ 785,353,052</b>	<b>\$ 757,251,842</b>

Commitments and contingencies (Note 17)

See accompanying notes to consolidated financial statements

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KRISTEN DIXON  
Chief Administrative Officer

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KAREN GROMMADA  
Director of Finance

**THE CORPORATION OF THE CITY OF PORT COQUITLAM**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
For the Year Ended December 31

	2018 Budget (Notes 2(c) and 22)	2018	2017
<b>REVENUE</b>			
Taxation (Note 20)	\$ 66,161,800	\$ 66,347,197	\$ 64,792,961
Utility charges	22,791,200	23,148,835	22,591,213
Sale of services	5,275,700	6,864,438	6,696,583
Contributions (Note 21)	16,343,400	15,508,028	7,958,722
Permits and licenses	2,718,900	3,219,649	2,893,560
Investment income	2,039,900	3,618,483	2,991,687
Penalties and fines	406,400	473,984	449,722
Other revenue	715,700	1,048,282	1,166,590
Gain on disposals of tangible capital assets	-	-	16,922,586
	<b>\$ 116,453,000</b>	<b>\$ 120,228,896</b>	<b>\$ 126,463,624</b>
<b>EXPENSES</b>			
General government	\$ 9,416,392	\$ 9,042,904	\$ 9,176,563
Engineering and public works	17,408,747	17,401,245	16,670,762
Recreation	13,828,025	13,104,051	12,807,567
Police services	15,329,142	14,680,603	14,537,292
Fire and emergency services	12,484,966	12,226,040	11,637,604
Development services	3,779,970	3,201,571	3,116,819
Solid waste operations	3,781,200	3,710,344	3,546,218
Water operations	10,429,113	10,837,877	10,255,407
Sanitary sewer operations	8,208,345	7,923,051	7,664,057
	<b>\$ 94,665,900</b>	<b>\$ 92,127,686</b>	<b>\$ 89,412,289</b>
<b>ANNUAL SURPLUS</b>	<b>\$ 21,787,100</b>	<b>\$ 28,101,210</b>	<b>\$ 37,051,335</b>
<b>ACCUMULATED SURPLUS, beginning of year</b>	<b>757,251,842</b>	<b>757,251,842</b>	<b>720,200,507</b>
<b>ACCUMULATED SURPLUS, end of year</b>	<b>\$ 779,038,942</b>	<b>\$ 785,353,052</b>	<b>\$ 757,251,842</b>

See accompanying notes to consolidated financial statements

**THE CORPORATION OF THE CITY OF PORT COQUITLAM**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
**For the Year Ended December 31**

	2018 Budget (Notes 2(c) and 22)	<b>2018</b>	2017
Annual surplus	\$ 21,787,100	\$ <b>28,101,210</b>	\$ 37,051,335
Acquisition of tangible capital assets	(104,047,700)	<b>(55,692,870)</b>	(31,817,718)
Developer contributions of tangible capital assets	(1,000,000)	<b>(1,412,331)</b>	(716,211)
Amortization of tangible capital assets	12,000,000	<b>11,194,146</b>	11,449,554
Loss (gain) on disposal of tangible capital assets	-	<b>596,419</b>	(16,922,586)
Proceeds on disposal of tangible capital assets	-	<b>411,921</b>	17,539,656
Use (increase) of inventories	-	<b>(77,960)</b>	35,527
Increase of prepaid expenses	-	<b>(76,431)</b>	(63,201)
Change in net financial assets	(71,260,600)	<b>(16,955,896)</b>	16,556,356
NET FINANCIAL ASSETS, beginning of year	111,696,019	<b>111,696,019</b>	95,139,663
NET FINANCIAL ASSETS, end of year	<u>\$ 40,435,419</u>	<u>\$ <b>94,740,123</b></u>	<u>\$ 111,696,019</u>

See accompanying notes to consolidated financial statements

**THE CORPORATION OF THE CITY OF PORT COQUITLAM**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Year Ended December 31

	2018	2017
<b>CASH PROVIDED (USED) BY:</b>		
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 28,101,210	\$ 37,051,335
Items not involving cash:		
Developer contributions of tangible capital assets	(1,412,331)	(716,211)
Amortization of tangible capital assets	11,194,146	11,449,554
Loss (gain) on disposal of tangible capital assets	596,419	(772,586)
Change in non-cash operating assets and liabilities:		
Accounts and other receivables	(3,595,822)	(15,563,652)
Due from other governments	(77,762)	(338,646)
Accounts payable and accrued liabilities	9,957,076	(446,324)
Deferred revenue	1,008,783	1,198,833
Deposits	2,774,912	3,173,150
Development cost charges	3,094,324	566,923
Post employment future benefits and compensated absences	70,000	6,000
Inventories	(77,960)	35,527
Prepaid expenses	(76,431)	(63,201)
<b>Cash provided by operating activities</b>	<b>51,556,564</b>	<b>35,580,702</b>
<b>FINANCING ACTIVITIES</b>		
Debt repayment	(615,325)	(591,658)
<b>Cash used in financing activities</b>	<b>(615,325)</b>	<b>(591,658)</b>
<b>CAPITAL ACTIVITIES</b>		
Cash used to acquire tangible capital assets	(55,692,870)	(31,817,718)
Proceeds on disposals of tangible capital assets	411,921	1,389,656
<b>Cash used in capital activities</b>	<b>(55,280,949)</b>	<b>(30,428,062)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(159,000,000)	(125,056,500)
Redemption of investments	163,890,307	116,848,677
<b>Cash provided by (used in) investing activities</b>	<b>4,890,307</b>	<b>(8,207,823)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>550,597</b>	<b>(3,646,841)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>3,889,049</b>	<b>7,535,890</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 4,439,646</b>	<b>\$ 3,889,049</b>
<b>Non-cash transactions</b>		
Non-cash gain on land sale	\$ -	\$ 16,150,000

See accompanying notes to consolidated financial statements

**THE CORPORATION OF THE CITY OF PORT COQUITLAM**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**1 OPERATIONS**

The Corporation of the City of Port Coquitlam (the "City") is incorporated under the Local Government Act of British Columbia. The City's principal activities include the provision of local government services to residents of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water and sanitary sewer services.

**2 SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the City are prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

**(a) Basis of Presentation**

The consolidated financial statements comprise the City's General, Water, Sewer and Reserve funds and the Port Coquitlam Community Foundation. All inter-fund and inter-entity balances and transactions have been eliminated on consolidated.

Under the Community Charter, City Council may, by bylaw, establish reserve funds for specified purposes:

(i) Internally restricted reserves are in accordance with City policy and with bylaws adopted by City Council pursuant to the Community Charter. The policy and bylaws define the funding source for each reserve and their usage.

(ii) Statutorily restricted reserves are reserves restricted by the provincial government in accordance with the Community Charter. The legislation defines the funding source for each reserve and their usage.

Trust funds are those that are administered for certain beneficiaries. In accordance with PSAB recommendations, trust funds are not included in the City's consolidated financial statements. Trust funds administered by the City are presented in Note 19.

**(b) Basis of Accounting**

The City follows the accrual method of accounting for revenue and expenses. Revenue are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services and/or the creation of a legal obligation to pay.

**(c) Budget Information**

The budget information reported in the consolidated statement of operations and the consolidated statement of change in net financial assets reflects the 2018 Financial Plan Bylaw adopted by City Council on April 10, 2018.

**(d) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash, highly liquid money market investments, and investments with maturities of less than 90 days at acquisition.

**(e) Investments**

Investments are recorded at cost, adjusted for amortization of premiums or discounts. Provisions for losses are recorded when they are considered to be other than temporary.

**(f) Revenue Recognition**

Taxes are recorded at estimated amounts when they meet the definition of an asset, they are authorized and the taxable event occurs. Levies imposed by other taxing authorities are not included as taxes for municipal purposes. British Columbia Assessment Authority's appeal process may adjust taxes by way of supplementary roll adjustments. These adjustments are recognized in the year they are adjusted.

## 2 SIGNIFICANT ACCOUNTING POLICIES - Continued

**(g) Deferred Revenue**

The City defers a portion of the revenue collected from permits, licenses and recreation and other fees and recognizes this revenue in the year in which related services are performed or other related expenditures are incurred. The City also defers a portion of property taxes which is recognized in the taxation year to which it relates.

**(h) Deposits**

Deposits represent cash collected by the City as security against work performed by property developers. The security is returned to the developer upon satisfactory completion of the work, or recognized into revenue if the work is not performed in accordance with the applicable bylaws.

**(i) Development Cost Charges**

Development cost charges, collected to pay for capital projects due to be developed, are deferred upon receipt and are recognized as revenue when the capital costs for which they were collected are incurred.

**(j) Post-employment Future Benefits and Compensated Absences**

The City and its employees make contributions to the Municipal Pension Plan. As this plan is a multi-employer plan, contributions are expensed as incurred.

Post-employment future benefits and compensated absences also accrue to City employees. Liabilities related to these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. Liabilities under these benefits plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits.

**(k) Debt**

Debt is recorded in the consolidated financial statements net of sinking fund credits.

**(l) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They are not intended for sale in the ordinary course of operations.

*Tangible Capital Assets*

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, is amortized on a straight line basis over the asset's useful life as follows:

<b>Major Asset Category</b>	<b>Useful Life</b>
Land	Not amortized
Parks infrastructure	3 to 100 years
Vehicles, machinery and equipment	5 to 25 years
Transportation infrastructure	10 to 100 years
Buildings	20 to 70 years
Drainage	25 to 100 years
Land improvements	45 to 100 years
Water	25 to 80 years
Sanitary sewer	25 to 100 years

Amortization begins once the asset is in use and ends when the asset is disposed or decommissioned. Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

Interest is capitalized whenever external debt is issued to finance the construction of tangible capital assets.

## 2 SIGNIFICANT ACCOUNTING POLICIES - Continued

### (l) Non-Financial Assets-Continued

Leases, which transfer substantially all of the benefits and risks incidental to ownership of property, are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

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

#### *Inventories*

Inventories held for consumption are recorded at the lower of cost and replacement cost.

### (m) Government Transfers

Restricted transfers from governments are deferred and recognized as revenue as the related expenditures are incurred and eligibility terms are met or the stipulations in the related agreement are met. Unrestricted transfers are recognized as revenue when received or if the amount to be received can be reasonably estimated and collection is reasonably assured.

### (n) Liabilities for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic, radioactive material or live organism that exceeds an environmental standard. Liabilities are recorded net of any expected recoveries.

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

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standards;
- (iii) The City is directly responsible or accepts responsibility;
- (iv) It is expected that future economic benefits will be given up and
- (v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance, and monitoring that are an integral part of the remediation strategy for a contaminated site.

### (o) Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of post-employment future benefits and compensated absences, allowance for doubtful accounts receivable, provision for contingencies and liability for contaminated sites, valuation of contributed tangible capital assets, and useful lives of tangible capital assets. Actual results may differ from management's estimates as additional information becomes available. Adjustments, if any, will be reflected in the consolidated financial statements in the period that the change in estimate is made, as well as in the period of settlement if the amount is different.

### (p) Segment Disclosure

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. Financial information is presented in segmented format in Note 23.



### 3 INVESTMENTS

Investments have maturity dates of more than 90 days at acquisition and include term deposits in credit unions and deposits with the Municipal Finance Authority. Deposits include term deposits in credit unions guaranteed by the Province of British Columbia with varying maturity dates from January, 2019 to December, 2020 and have rates of return ranging from 2.10% to 4.00% (2017 - 1.60% to 2.31%). The carrying value of the Municipal Finance Authority Intermediate Fund at December 31, 2018 was \$6,256,299 (2017 - \$6,088,106) and the market value at December 31, 2018 was \$6,060,859 (2017 - \$5,947,656).

	<u>2018</u>	<u>2017</u>
Deposits	\$ 163,000,000	\$ 168,058,500
Municipal Finance Authority Intermediate Fund	6,256,299	6,088,106
	<u>\$ 169,256,299</u>	<u>\$ 174,146,606</u>

### 4 ACCOUNTS AND OTHER RECEIVABLES

	<u>2018</u>	<u>2017</u>
Land sale receivable (a)	\$ 8,150,000	\$ 12,245,162
Accounts receivable	12,246,850	4,663,174
Property tax and utility receivable	2,501,061	2,161,474
Development cost charges receivable	1,289,180	2,074,508
Other	2,960,438	2,407,389
	<u>\$ 27,147,529</u>	<u>\$ 23,551,707</u>

#### (a) Land sale receivable

In 2017, the City sold land to a developer for \$17,275,000. The City also entered into an agreement with a contractor to construct the community centre situated on adjacent land. As per the land purchase and sale agreement, the payments remitted by the developer for the land sale are to be offset against progress payments payable by the City to the contractor for the community centre construction. In 2017, the City received a total of \$5,029,838 of the land sale proceeds in the form of cash in the amount of \$1,125,000 and offsets against progress payments in the amount of \$3,904,838. In 2018, the City received offsets from progress payments payable in the amount of \$4,095,162. The remaining land sale receivable will be offset by progress payments in installments as follows:

July 29, 2019	\$ 6,000,000
July 29, 2020	2,150,000
	<u>\$ 8,150,000</u>

The land sale receivable is non-interest bearing.

### 5 DUE FROM OTHER GOVERNMENTS

	<u>2018</u>	<u>2017</u>
Government of Canada	\$ 643,383	\$ 545,596
Province of British Columbia	60,850	80,875
	<u>\$ 704,233</u>	<u>\$ 626,471</u>

### 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2018</u>	<u>2017</u>
Accounts payable and accrued liabilities	\$ 14,152,507	\$ 7,997,496
Wages and benefits payable	2,161,195	2,065,554
Statutory holdbacks	5,935,513	2,046,933
Due to other governments	11,858	194,014
	<u>\$ 22,261,073</u>	<u>\$ 12,303,997</u>

**7 DEFERRED REVENUE**

	<b>December 31, 2017</b>	<b>Additions</b>	<b>Revenue earned</b>	<b>December 31, 2018</b>
Property taxes and utilities	\$ 7,520,953	\$ 14,494,798	\$ (13,560,194)	\$ 8,455,557
Program and services	2,224,398	2,433,806	(2,472,532)	2,185,672
Other	2,030,065	1,907,554	(1,794,649)	2,142,970
	<u>\$ 11,775,416</u>	<u>\$ 18,836,158</u>	<u>\$ (17,827,375)</u>	<u>\$ 12,784,199</u>

**8 DEPOSITS**

Deposits represent cash collected as security under the following bylaws: Port Coquitlam Highway Bylaw, 1984 No. 2011; Subdivision Servicing Bylaw 1987 No. 2241; and City of Port Coquitlam Soil Removal and Deposit Bylaw 2002 No. 3331.

**9 DEVELOPMENT COST CHARGES**

	<b>December 31, 2017</b>	<b>Third Party Contributions</b>	<b>Interest Allocation</b>	<b>Capital Expenditures</b>	<b>December 31, 2018</b>
<u>Area 1</u>					
Drainage	\$ 4,275,560	\$ 183,659	\$ 91,715	\$ -	\$ 4,550,934
Transportation	9,462,409	1,074,968	209,805	(18,372)	10,728,810
Parks	3,992,902	697,664	90,843	(31,759)	4,749,650
Water	4,664,636	84,709	98,387	(43,775)	4,803,957
Sanitary	1,522,440	41,950	32,412	-	1,596,802
<u>Area 2</u>					
Drainage	158,260	166,080	5,067	-	329,407
Transportation	4,367,724	192,104	93,739	-	4,653,567
Parks	1,127,477	16,475	23,850	-	1,167,802
Water	1,433,919	36,059	30,491	-	1,500,469
Sanitary	880,418	9,512	18,589	-	908,519
Parks Interest	998,859	-	20,656	(30,504)	989,011
	<u>\$ 32,884,604</u>	<u>\$ 2,503,180</u>	<u>\$ 715,554</u>	<u>\$ (124,410)</u>	<u>\$ 35,978,928</u>

**10 POST-EMPLOYMENT FUTURE BENEFITS AND COMPENSATED ABSENCES**

The City provides sick leave and retirement benefits to its employees. Eligible employees accumulate sick leave entitlement on a monthly basis and can only use this entitlement for paid time off under certain circumstances. Retirement benefits represent the City's share of the cost to provide eligible employees with severance pay upon retirement.

The amount recorded for these benefits is based on an actuarial valuation done by an independent firm of actuaries using a projected benefit actuarial valuation method pro-rated on services. The most recent actuarial valuation of the City's future benefits was completed as at December 31, 2018.

Information regarding the City's obligations for these benefits is as follows:

	<b>Non-Vested Sick</b>			<b>2017</b>
	<b>Leave</b>	<b>Severance</b>	<b>2018</b>	
Accrued benefit obligation, beginning of year	\$ 687,000	\$ 2,745,000	\$ 3,432,000	\$ 3,422,000
Service cost	49,000	141,000	190,000	203,000
Interest cost	20,000	78,000	98,000	110,000
Benefit payments	(78,000)	(229,000)	(307,000)	(414,000)
Amortization of net actuarial loss	(17,000)	(206,000)	(223,000)	111,000
Accrued benefit obligation, end of year	661,000	2,529,000	3,190,000	3,432,000
Unamortized actuarial loss	(278,000)	(99,000)	(377,000)	(689,000)
Accrued benefit liability	<u>\$ 383,000</u>	<u>\$ 2,430,000</u>	<u>\$ 2,813,000</u>	<u>\$ 2,743,000</u>

The unamortized actuarial loss is amortized over a period equal to the employees' average remaining service lifetime. The significant actuarial assumptions adopted in measuring the City's accrued benefit obligation are as follows:

	<b>2018</b>	<b>2017</b>
Discount rate	3.20%	2.90%
Expected future inflation rate	2.50%	2.50%
Expected compensation increase	2.58% - 4.63%	2.58% - 4.63%
Expected average remaining service lifetime	10 years	10 years

**11 DEBT**

The City incurs debt through the Municipal Finance Authority ("MFA") in accordance with the Community Charter to finance certain capital expenditures. Sinking fund credits managed by the MFA are netted against related debt. The gross amount of debt and the amount of sinking fund credits available to retire the debt are as follows:

	<b>2018</b>			<b>2017</b>
	<b>Gross Debt</b>	<b>Sinking Fund Credits</b>	<b>Net Debt</b>	<b>Net Debt</b>
Coast Meridian Overpass, Bylaw 3611, 4.13% due 2039	\$ 25,000,000	\$ 4,534,675	\$ 20,465,325	\$ 21,080,650

Future payments on net outstanding debt over the next five years and thereafter are paid from the General Fund and are as follows:

2019	\$ 1,478,252
2020	1,478,252
2021	1,478,252
2022	1,478,252
2023	1,478,254
Thereafter	<u>23,652,040</u>
Principal and interest payments	31,043,302
Amount representing interest	<u>(10,577,977)</u>
Debt principal repayments	\$ 20,465,325

The City paid \$862,928, net of earnings on the debt reserve deposit, in interest on debt during the year (2017 - \$886,594).

The City has available a revolving facility up to a maximum of \$5,000,000 which bears interest at an annual rate of bank prime per annum. The City provided security for the facility by way of a general security agreement. No amounts are outstanding under the banking facility.

**12 TANGIBLE CAPITAL ASSETS**

- (a) Assets Under Construction: Assets under construction with a value of \$71,055,436 (2017 - \$28,658,444) have not been amortized. Amortization of these assets will commence when the assets are put into service.
- (b) Contributed Tangible Capital Assets: Contributed tangible capital assets (including transportation infrastructure, drainage, water and sanitary sewer assets) have been recognized at fair value at the date of contribution. The value of contributed assets received during the year is \$1,412,331 (2017 - \$716,211).
- (c) Works of art and historical treasures: The City manages and controls some works of art and non-operational historical assets located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.
- (d) Write-down of tangible capital assets: The write-down of tangible capital assets during the year was nil (2017-nil).

**As at December 31, 2018**

	Land	Parks Infrastructure	Vehicles, Machinery, Equipment	Transportation Infrastructure	Buildings	Drainage	Land Improvements	Water	Sanitary Sewer	Assets Under Construction ("AUC")	2018 Total
<b>COST</b>											
Opening Balance	\$ 224,772,948	\$ 20,322,845	\$ 25,268,899	\$ 264,076,475	\$ 37,821,683	\$ 89,130,189	\$ 20,567,438	\$ 77,511,397	\$ 59,396,054	\$ 28,658,444	\$ 847,526,372
Add: Additions	1,340,635	12,179	2,509,864	1,347,127	87,339	245,503	-	710,139	87,209	50,765,206	57,105,201
Add/(Deduct): Transfers from AUC	60,239	-	-	6,788,737	-	-	25,563	931,281	-	(7,805,820)	-
Less: Disposals	(20,083)	-	(750,974)	(448,444)	-	(170,566)	-	(208,483)	(7,151)	(562,394)	(2,168,095)
Closing Balance	226,153,739	20,335,024	27,027,789	271,763,895	37,909,022	89,205,126	20,593,001	78,944,334	59,476,112	71,055,436	902,463,478
<b>ACCUMULATED AMORTIZATION</b>											
Opening Balance	-	11,244,298	15,460,921	62,239,773	19,358,403	31,896,420	6,268,768	34,041,086	21,912,907	-	202,422,576
Add: Amortization	-	715,198	1,200,994	4,383,151	795,174	1,335,166	290,909	1,580,138	893,416	-	11,194,146
Less: Disposals	-	-	(603,417)	(325,866)	-	(113,509)	-	(114,553)	(2,410)	-	(1,159,755)
Closing Balance	-	11,959,496	16,058,498	66,297,058	20,153,577	33,118,077	6,559,677	35,506,671	22,803,913	-	212,456,967
<b>Net Book Value as at December 31, 2018</b>	<b>\$ 226,153,739</b>	<b>\$ 8,375,528</b>	<b>\$ 10,969,291</b>	<b>\$ 205,466,837</b>	<b>\$ 17,755,445</b>	<b>\$ 56,087,049</b>	<b>\$ 14,033,324</b>	<b>\$ 43,437,663</b>	<b>\$ 36,672,199</b>	<b>\$ 71,055,436</b>	<b>\$ 690,006,511</b>

**As at December 31, 2017**

	Land	Parks Infrastructure	Vehicles, Machinery, Equipment	Transportation Infrastructure	Buildings	Drainage	Land Improvements	Water	Sanitary Sewer	Assets Under Construction ("AUC")	2017 Total
<b>COST</b>											
Opening Balance	\$ 223,312,159	\$ 20,876,065	\$ 24,685,739	\$ 262,268,294	\$ 37,624,341	\$ 88,406,863	\$ 20,524,274	\$ 75,903,737	\$ 58,778,882	\$ 4,646,266	\$ 817,026,620
Add: Additions	1,654,519	93,090	507,297	122,598	197,342	257,540	-	286,006	105,637	29,309,900	32,533,929
Add/(Deduct): Transfers from AUC	26,108	43,957	184,863	2,380,775	-	528,327	43,164	1,568,904	521,624	(5,297,722)	-
Less: Disposals	(219,838)	(690,267)	(109,000)	(695,192)	-	(62,541)	-	(247,250)	(10,089)	-	(2,034,177)
Closing Balance	224,772,948	20,322,845	25,268,899	264,076,475	37,821,683	89,130,189	20,567,438	77,511,397	59,396,054	28,658,444	847,526,372
<b>ACCUMULATED AMORTIZATION</b>											
Opening Balance	-	11,207,620	14,072,621	58,395,136	18,551,047	30,603,456	5,977,859	32,549,953	21,032,437	-	192,390,129
Add: Amortization	-	725,374	1,497,300	4,341,042	807,356	1,317,354	290,909	1,586,528	883,691	-	11,449,554
Less: Disposals	-	(688,696)	(109,000)	(496,405)	-	(24,390)	-	(95,395)	(3,221)	-	(1,417,107)
Closing Balance	-	11,244,298	15,460,921	62,239,773	19,358,403	31,896,420	6,268,768	34,041,086	21,912,907	-	202,422,576
<b>Net Book Value as at December 31, 2017</b>	<b>\$ 224,772,948</b>	<b>\$ 9,078,547</b>	<b>\$ 9,807,978</b>	<b>\$ 201,836,702</b>	<b>\$ 18,463,280</b>	<b>\$ 57,233,769</b>	<b>\$ 14,298,670</b>	<b>\$ 43,470,311</b>	<b>\$ 37,483,147</b>	<b>\$ 28,658,444</b>	<b>\$ 645,103,796</b>

### 13 ACCUMULATED SURPLUS

	<u>2018</u>	<u>2017</u>
Unrestricted Reserves		
General	\$ 11,955,479	\$ 11,310,469
Water	1,059,499	6,819,427
Sewer	1,480,379	2,913,505
	<u>14,495,357</u>	<u>21,043,401</u>
Restricted reserves (Note 14)	100,710,091	111,733,268
Investment in tangible capital assets (Note 15)	669,541,186	624,023,146
Investment in inventories and prepaids	606,418	452,027
	<u>670,147,604</u>	<u>624,475,173</u>
	<u>\$ 785,353,052</u>	<u>\$ 757,251,842</u>

### 14 RESTRICTED RESERVES

	<u>December 31, 2017</u>	<u>Contributions / Transfers</u>	<u>Interest Allocation</u>	<u>Use of Reserves</u>	<u>December 31, 2018</u>
Building maintenance	\$ 650,302	\$ -	\$ 13,641	\$ (1,468)	\$ 662,475
Cemetery expansion	120,418	51,515	3,069	-	175,002
Community amenities	355,186	38,750	7,867	-	401,803
Environmental	490,279	-	10,296	-	500,575
Equipment	12,140,670	1,575,869	249,737	(2,072,869)	11,893,407
Gas tax	907,794	232,048	9,987	(1,096,500)	53,329
Land sale	32,801,046	401,063	582,625	(10,515,106)	23,269,628
Long term infrastructure	18,410,129	-	306,783	(7,602,724)	11,114,188
Operating	2,700,758	487,360	55,475	(114,636)	3,128,957
Parking	3,077,623	220,691	66,947	-	3,365,261
Parks and recreation	792,001	-	16,154	(45,411)	762,744
Parkland acquisition	2,192,532	140,418	47,517	-	2,380,467
Public safety building	192,882	-	3,821	(21,994)	174,709
Public works special capital	2,352,640	(2,352,640)	24,703	-	24,703
Recreation complex	6,012,570	6,578,165	195,335	-	12,786,070
RCMP	1,708,134	472,000	40,827	-	2,220,961
Roads and drainage infrastructure	6,568,973	513,225	95,986	(4,509,510)	2,668,674
Sewer	3,083,682	3,299,900	89,804	(1,405,288)	5,068,098
Social housing	427,551	38,750	9,385	-	475,686
Unallocated capital	12,172,762	9,146,616	233,159	(11,286,711)	10,265,826
Water	4,575,336	8,322,800	144,359	(3,724,967)	9,317,528
	<u>\$ 111,733,268</u>	<u>\$ 29,166,530</u>	<u>\$ 2,207,477</u>	<u>\$ (42,397,184)</u>	<u>\$ 100,710,091</u>

### 15 INVESTMENT IN TANGIBLE CAPITAL ASSETS

	<u>2018</u>	<u>2017</u>
Cost of tangible capital assets (Note 12)	\$ 902,463,478	\$ 847,526,372
Accumulated amortization (Note 12)	(212,456,967)	(202,422,576)
Debt incurred to purchase tangible capital assets (Note 11)	(20,465,325)	(21,080,650)
	<u>\$ 669,541,186</u>	<u>\$ 624,023,146</u>

## 16 PENSION PLAN

The City and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2017, the plan has about 197,000 active members and approximately 95,000 retired members. Active members include approximately 39,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis. As a result of the 2015 basic account actuarial valuation surplus and pursuant to the joint trustee agreement, \$1,927 million was transferred to the rate stabilization account and \$297 million of the surplus ensured the required contribution rates remained unchanged.

The City paid \$2,951,515 (2017 - \$2,916,139) for employer contributions while employees contributed \$2,393,133 (2017 - \$2,351,874) to the plan in 2018.

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

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

## 17 COMMITMENTS AND CONTINGENCIES

- (a) The loan agreements with the Metro Vancouver Regional District and the MFA provide that, if at any time the scheduled payments provided for in the agreements are not sufficient to meet the authorities' obligations in respect of such borrowing, the resulting deficiency becomes a joint and several liability of the City and the other participants.
- (b) A number of legal claims have been initiated against the City in varying or unspecified amounts. The outcome of these claims cannot reasonably be determined at this time. The amount of loss, if any, arising from these claims will be recorded in the period in which the loss is realized. Liability insurance is carried by the City, subject to a deductible of \$250,000. The City self insures claims under \$250,000.
- (c) The City is a shareholder and member of E-Comm Emergency Communications for Southwest British Columbia Incorporated ("E-Comm") whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City has 1 Class A share and 2 Class B share (of a total of 32 Class A and 21 Class B shares issued and outstanding as at December 31, 2018).  
As a Class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.

## 17 COMMITMENTS AND CONTINGENCIES - Continued

- (d) The City provides a share of both the ongoing operations and any additional costs relating to tangible capital assets (in accordance with a negotiated agreement) for the RCMP building located at 2986 Guildford Way, Coquitlam, BC.
- (e) The City has entered into an agreement for construction of a recreation complex for \$122,552,850 with a term of 5 years. The City will offset \$16,150,000 of the progress payments against the proceeds from a related land sale (Note 4(a)).

## 18 CONTRACTUAL RIGHTS

The City's contractual rights arise from rights to receive payments under cost sharing agreements for infrastructure projects, grant, rentals, advertising and sponsorships. The City is scheduled to receive the following amounts in the next five years and thereafter:

2019	\$	2,277,848
2020		639,967
2021		1,884,354
2022		642,120
2023		652,494
Thereafter		1,103,946
Total	\$	<u>7,200,729</u>

## 19 TRUST FUND

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 trust fund is excluded from the City's consolidated financial statements.

<b>Cemetery Perpetual Care Fund</b>	<b>2018</b>	<b>2017</b>
Cash balance, beginning of the year	\$ 1,584,487	\$ 1,486,858
Net contributions received	67,056	68,123
Interest earned	33,978	29,506
Cash balance, end of the year	<u>\$ 1,685,521</u>	<u>\$ 1,584,487</u>

## 20 TAXATION AND OTHER LEVIES

In addition to levying and collecting real property tax for municipal purposes, the City is required to levy and collect taxes on behalf of other jurisdictions as noted below:

	<b>2018</b>	<b>2017</b>
Gross taxes levied on property	\$ 104,052,389	\$ 100,790,770
Taxes levied and collected on behalf of other jurisdictions		
Province of British Columbia - School Taxes	29,672,279	28,482,539
Metro Vancouver Regional District	1,010,407	866,483
BC Assessment Authority	975,298	929,274
South Coast British Columbia Transportation Authority	6,042,632	5,715,499
MFA	4,576	4,014
	<u>37,705,192</u>	<u>35,997,809</u>
Taxation	<u>\$ 66,347,197</u>	<u>\$ 64,792,961</u>

**21 GOVERNMENT TRANSFERS**

Included in contributions are the following government transfers:

	<u>2018</u>	<u>2017</u>
Federal	\$ 10,758,607	\$ 2,794,794
Provincial & Regional	2,956,645	3,269,910
	<u>\$ 13,715,252</u>	<u>\$ 6,064,704</u>

**22 BUDGET INFORMATION**

The budget information presented in these consolidated financial statements is based upon the 2018 Financial Plan Bylaw approved by City Council on April 10, 2018. The chart below reconciles the approved budget to the budget figure reported in these consolidated financial statements.

	<u>Budget Amount</u>
Revenue	116,453,000
Expenses	(94,665,900)
Annual surplus per consolidated statement of operations	21,787,100
Add:	
Amortization	12,000,000
Transfers from reserves	55,706,400
Cash from external borrowing	16,000,000
Less:	
Capital expenditures	(104,047,700)
Capital contributed by developers	(1,000,000)
Debt principal repayments	(445,800)
Approved budget	<u>\$ -</u>



## 23 OPERATIONS BY SEGMENT

The City provides a wide range of municipal services to its residents, businesses, industries, farms and other properties within its boundaries. The City's operations and activities are organized and reported by segments broadly based on departmental business units. The departments disclosed in the segmented information, along with the services they provide, are as follows:

### General government:

**General:** Includes activities that are attributable to multiple segments.

**Corporate support:** These support services include: communications and administrative services, corporate office and lands, bylaw services and information services.

**Finance:** Provides financial services to citizens, City departments and City Council including financial planning and systems, accounting services, revenue and collections, payroll, purchasing and risk management.

**Human resources:** Provides specialized advice and assistance in all facets of people management including recruitment, labour relations, occupational health and safety, staff training and development, benefit administration, wage and salary administration.

**Office of the CAO:** Oversees the implementation of the vision, plans and priorities by ensuring effective policies are in place and adhered to and by providing leadership that enables an engaged and productive municipal workforce.

**Engineering and public works:** Provides and maintains a number of essential municipal services and infrastructure including transportation, parks, trails, athletic fields, roads and drainage, environmental protection, management of the City's fleet and related engineering services.

**Recreation:** Delivery of recreation, sport, community and cultural programs, events and services, and the operation of recreation facilities.

**Police services:** Is a shared service with the City of Coquitlam that protects the community from criminal activity and ensures public safety.

**Fire and emergency services:** Protects life, property and the environment through the provision of emergency response, inspections, code enforcement and public education.

**Development services:** Ensures orderly and safe development within the City, including Planning, Building and Development Engineering services.

**Solid waste operations:** Includes curbside garbage, recycling and organics collection and glass collection from depot locations across the City.

**Water operations:** The water utility is an essential service delivered by the City to its residents and businesses for the supply of high quality, potable water at flows and pressures suitable for fire protection.

**Sanitary sewer operations:** The sanitary sewer utility is an essential service provided by the City to its residents and businesses for the collection and disposal of liquid wastes.

General government													2018	2017
General	Corporate support	Finance	Human resources	Office of the CAO	Engineering and public works	Recreation	Police services	Fire and emergency services	Development services	Solid waste operations	Water operations	Sanitary sewer operations		
<b>REVENUE</b>														
Taxation	\$ 66,182,981	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 164,216	\$ -	\$ -	\$ -	\$ 66,347,197	\$ 64,792,961
Utility charges	(111,017)	-	-	-	-	-	-	-	-	2,739,808	11,711,931	8,808,113	23,148,835	22,591,213
Sale of services	487,673	22,308	180,647	-	1,583,310	3,672,196	42,195	66,333	222,482	587,294	-	-	6,864,438	6,696,583
Contributions	496,727	14,816	683	-	12,846,830	108,618	616,523	11,500	1,412,331	-	-	-	15,508,028	7,958,722
Permits and licenses	23,079	1,121,432	32,754	-	51,510	175	-	1,690	1,946,158	-	23,800	19,051	3,219,649	2,893,560
Investment income	3,618,483	-	-	-	-	-	-	-	-	-	-	-	3,618,483	2,991,687
Penalties and fines	298,824	22,455	-	-	-	-	-	-	-	-	87,317	65,388	473,984	449,722
Other revenue	470,053	177,584	62,466	-	252,343	11,974	20,857	31,852	13,078	7,675	400	-	1,048,282	1,166,590
Gain on disposals of tangible capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	16,922,586
	<b>\$ 71,466,803</b>	<b>\$ 1,358,595</b>	<b>\$ 276,550</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,733,993</b>	<b>\$ 3,792,963</b>	<b>\$ 679,575</b>	<b>\$ 111,375</b>	<b>\$ 3,758,265</b>	<b>\$ 3,334,777</b>	<b>\$ 11,823,448</b>	<b>\$ 8,892,552</b>	<b>\$ 120,228,896</b>
<b>EXPENSES</b>														
Personnel	\$ 3,979	\$ 3,051,069	\$ 2,233,009	\$ 857,556	\$ 371,732	\$ 7,428,969	\$ 7,604,325	\$ -	\$ 10,952,273	\$ 2,793,167	\$ 975,097	\$ 633,201	\$ 268,815	\$ 37,173,192
Contracted and other Services	254,217	1,147,613	174,495	264,468	-	1,767,038	3,202,642	14,615,764	423,197	341,786	1,190,552	7,042,465	5,397,934	35,822,171
Telephone, utilities and rent	60,606	21,815	-	349	-	689,276	725,242	-	55,241	223	1,191	38,201	83,422	1,675,566
Materials and supplies	122,299	92,765	18,727	5,717	263	1,959,290	728,726	-	191,949	7,816	35,299	145,604	44,100	3,352,555
Internal charges (recoveries)	(766,200)	(518,146)	(247,809)	19	193	(2,700,876)	(69,051)	-	197,064	43,990	1,508,205	1,321,105	1,231,506	-
Insurance and claims	732,571	-	-	-	-	218,658	2,551	-	-	-	-	-	-	953,780
Interest and bank charges	881,022	15,356	189	-	-	6,014	146,077	-	-	14,589	-	-	-	1,063,247
Grants and financial assistance	70,237	4,100	-	-	-	-	222,273	-	-	-	-	-	-	296,610
Amortization	96,117	365,493	-	-	-	7,264,210	541,266	64,839	406,316	-	-	1,563,372	892,533	11,194,146
Loss on disposals of tangible capital assets	-	(270,917)	-	-	-	768,666	-	-	-	-	93,929	4,741	596,419	-
	<b>\$ 1,454,848</b>	<b>\$ 3,909,148</b>	<b>\$ 2,178,611</b>	<b>\$ 1,128,109</b>	<b>\$ 372,188</b>	<b>\$ 17,401,245</b>	<b>\$ 13,104,051</b>	<b>\$ 14,680,603</b>	<b>\$ 12,226,040</b>	<b>\$ 3,201,571</b>	<b>\$ 3,710,344</b>	<b>\$ 10,837,877</b>	<b>\$ 7,923,051</b>	<b>\$ 92,127,686</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ 70,011,955</b>	<b>\$ (2,550,553)</b>	<b>\$ (1,902,061)</b>	<b>\$ (1,128,109)</b>	<b>\$ (372,188)</b>	<b>\$ (2,667,252)</b>	<b>\$ (9,311,088)</b>	<b>\$ (14,001,028)</b>	<b>\$ (12,114,665)</b>	<b>\$ 556,694</b>	<b>\$ (375,567)</b>	<b>\$ 985,571</b>	<b>\$ 969,501</b>	<b>\$ 28,101,210</b>
														<b>\$ 37,051,335</b>

## INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the Corporation of the City of Port Coquitlam

### *Opinion*

We have audited the consolidated financial statements of the Corporation of the City of Port Coquitlam (the "City"), which comprise:

- the consolidated statement of financial position as at December 31, 2018
- the consolidated statement of operations for the year then ended
- the consolidated statement of change in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2018, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements***

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

In preparing the 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.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 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 auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants

Vancouver, Canada

May 14, 2019



# Corporation of the City of Port Coquitlam

Audit Findings Report for the year ended  
December 31, 2018

*KPMG LLP*

Report dated May 10, 2019 for presentation  
on May 14, 2019

[kpmg.ca/audit](http://kpmg.ca/audit)



# Table of contents

Summary of audit findings	1
Areas of audit focus and results	4
Audit risks	6
Significant accounting policies and practices	7
Control observations	8
Appendices	9



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This Audit Findings Report should not be used for any other purpose or by anyone other than Council. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

# Summary of audit findings



## Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of Council, in your review of the results of our audit of the consolidated financial statements (“financial statements”) of the Corporation of the City of Port Coquitlam (the “City”) as at and for the year ended December 31, 2018.

This Audit Findings Report builds on the Audit Plan we presented to Council dated January 11, 2019.



## Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.



## Finalizing the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- Completing our review of management’s assessment of TCA disposals
- Completing our discussions with Council;
- Obtaining the signed management representation letter;
- Obtaining evidence of Council’s acceptance of the financial statements; and,
- Completing subsequent event review procedures up to the date of Council’s acceptance of the financial statements.

We will update Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors’ report will be dated upon the completion of any remaining procedures.

# Summary of audit findings



## Areas of audit focus

Our audit is risk-focused. We have not identified any significant risks. However, as part of our audit, we identified areas of audit focus which include:

- Community Center capital project;
- Development cost charges; and,
- Tangible capital assets.

See pages 4 to 5 for the audit findings related to these areas of audit focus.



## Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

There were no uncorrected differences noted in the audit.

We identified two adjustments that were communicated to management and corrected in the financial statements.

See page 4 and Appendix 2 for further details.



# Summary of audit findings



## Significant accounting policies and practices

We have reviewed the financial reporting impact of the new accounting standards effective for the City's 2018 fiscal year end with no issues noted. There have been no other initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

The presentation and disclosure of the financial statements are, in all material respects, in accordance with Canadian public sector accounting standards. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter.

See page 7 for further details.



## Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal controls over financial reporting.



## Independence

We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2018 up to the date of this report.



## Current developments

There have been no significant updates to the current developments included in our Audit Plan previously provided to Council.

Information on the 2019 federal and provincial budget is included in the appendices of this report.

See Appendices 4 and 5.

# Areas of audit focus and results

We highlight our significant findings in respect of areas of audit focus as identified in our Audit Plan, as well as any additional areas of audit focus identified.

Area of audit focus	Our response and significant findings
Community Center capital project	<ul style="list-style-type: none"><li>– We inquired with management about changes to the terms and conditions of the agreements for the Community Center capital project. There were none noted.</li><li>– We updated our understanding of the process activities and controls over management’s monitoring of the Community Center capital project.</li><li>– We selected a sample of contractor invoices and agreed the amount recorded in tangible capital assets and holdbacks payable. We also verified that each invoice had an accompanying report from the third party consultant used by the City to verify the progress payment.</li><li>– We reviewed the land sale receivable from the developer to ensure that it is appropriately recorded.</li><li>– We reviewed the 2017 Building Canada Fund grant agreement and the accounting treatment that was applied. We agreed the funding received in 2018 to cash receipts. We noted that \$1,034,100 of funding, relating to 10% holdback, is due from the Government of Canada and will be released upon completion of construction. Since the City has incurred eligible project expenditures and met the eligibility criteria, the amount should be recorded as a holdback receivable. We proposed an adjustment to record the receivable and related contribution revenue, which was corrected by management.</li><li>– Except for the adjustment noted, there were no issues noted in our testing.</li></ul>
Development cost charges (“DCC”)	<ul style="list-style-type: none"><li>– We updated our understanding of the process activities and controls over DCC.</li><li>– We selected a sample of DCC charges, recalculated the total amount, agreed each factor in the calculation to supporting documentation (e.g. Council-approved rates) and agreed the amount recorded to cash receipts or letters of credit.</li><li>– We selected a sample of permits approved in 2018 and tested that the corresponding DCC was appropriately calculated and recorded.</li><li>– We selected a sample of DCC expenditures and agreed the amount recorded to supporting documentation.</li><li>– There were no issues noted in our testing.</li></ul>

# Areas of audit focus and results (continued)

Area of audit focus	Our response and significant findings
Tangible capital assets ("TCA")	<ul style="list-style-type: none"><li>- We updated our understanding of the process activities and controls over TCA.</li><li>- We selected a sample of TCA additions and agreed the amount recorded to supporting documentation. We ensured each item was recorded in the appropriate TCA category and is appropriate to capitalize.</li><li>- We selected a sample of TCA disposals, recalculated the gain/loss recorded, and agreed proceeds from disposition, if any, to cash receipts. We noted the following matters:<ul style="list-style-type: none"><li>o Expenditures of \$544,650 related to inactive capital projects was recorded as an expense in 2018. These costs were originally capitalized in prior years; however, in 2018, it was determined that the capital projects would not proceed and the costs were removed from TCA and recorded as an expense. We noted that it is appropriate to record the expense in 2018 since the decision not to proceed with the project was made in the year. We recommend that the City refine its TCA processes to perform a more thorough analysis of the status of capital projects at each year-end to ensure that projects unlikely to proceed are identified and the related costs incurred are recorded as an expense.</li><li>o Management identified that certain TCA disposals were being removed from the TCA records based on current replacement cost instead of historical cost. As of the date of this report, management is completing their assessment of this matter and we will review their completed assessment prior to finalizing the audit.</li></ul></li><li>- We performed analytical procedures on amortization expense to assess whether the change in the balance from prior year is reasonable.</li><li>- There were no issues noted in our testing that has been completed.</li></ul>

# Audit risks

## Professional requirements

Fraud risk from management override of controls.

## Why is it significant?

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

## Our response and significant findings

Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- Testing of journal entries and other adjustments;
- Performing a retrospective review of significant estimates; and
- Evaluating the business rationale of significant unusual transactions.

There were no issues noted in our testing.

# Significant accounting policies and practices

The following items relate to the qualitative aspects of accounting practices of the City:



## Significant accounting policies

- There were no changes to the critical accounting policies and practices.
- There were no changes in significant accounting policies.
- The City has appropriately implemented the new accounting standards for Related Party Disclosures, Inter-Entity Transactions, Assets, Contingent Assets and Contractual Rights.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the City's transactions in relation to the period in which they are recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transitions.



## Significant accounting estimates

- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.
- There were no significant factors affecting the City's asset and liability carrying values.



## Significant disclosures

- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.

# Control observations



As your auditors, we are required to obtain an understanding of internal control over financial reporting (“ICFR”) relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described in the preceding paragraph and was not designed to identify all control deficiencies that might be significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing and extent of audit procedures performed, as well as other factors.

In accordance with professional standards, we are required to communicate to Council any control deficiencies that we identified during the audit and have determined to be material weaknesses or significant deficiencies in internal control over financial reporting. No significant deficiencies in ICFR have been identified.

# Appendices



**Appendix 1: Required communications**



**Appendix 2: Management representation letter**



**Appendix 3: Other information**



**Appendix 4: 2019 British Columbia Budget Summary**



**Appendix 5: 2019 Federal Budget Summary**

# Appendix 1: Required communications



In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit.

These include:



## Auditors' Report

The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.



## Management representation letter

In accordance with professional standards, a copy of the management representation letter is provided to Council in Appendix 2.



## Independence

In accordance with professional standards, we have confirmed our independence.



## Appendix 2: Management representation letter

KPMG LLP  
777 Dunsmuir Street  
P.O. Box 10426  
Vancouver, B.C. V7Y 1K3

*Date of Acceptance of the Financial Statements by Council*

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the Corporation of the City of Port Coquitlam ("the Entity"):

- Consolidated financial statements (hereinafter referred to as "financial statements") as at and for the period ended December 31, 2018, and
- Home Owner Grant Treasurer/Auditor Certificate (hereinafter referred to as "financial information") for the period ended December 31, 2018.

We also confirm our understanding that your engagement was for the purpose of forming an independent reasonable assurance conclusion on management's statement of compliance with subsection 2 and 3 of section 124 of Part 8 of the School Act (hereinafter referred to as "subject matter information") of the Entity for the period ended December 31, 2018.

**Audit of the financial statements**

*General:*

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also 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:

*Responsibilities:*

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 5, 2016, including for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
  - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including:
    - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
    - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.

- c) providing you with unrestricted access to such relevant information.
- d) providing you with complete responses to all enquiries made by you during the engagement.
- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

*Internal control over financial reporting:*

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

*Fraud & non-compliance with laws and regulations:*

- 3) We have disclosed to you:
  - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - b) all information in relation to fraud or suspected fraud that we are aware of that involves management, employees who have significant roles in internal control over financial reporting or other where such fraud or suspected fraud could have a material effect on the financial statements.
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

*Subsequent events:*

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

*Related parties:*

- 5) We have disclosed to you the identity of the Entity's related parties.

- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

*Estimates:*

- 8) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

*Going concern:*

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

*Misstatements:*

- 11) We approve the corrected misstatements identified by you during the audit described in **Attachment II**.

*Other information:*

- 12) We confirm that the final version of the 2018 Annual Report will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your audit procedures in accordance with professional standards.

*Non-SEC registrants or non-reporting issuers:*

- 13) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

**Audit of the Home Owners' Grant financial information**

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 5, 2016, including for:
  - a) the preparation of the financial information and believe that the financial information has been prepared in accordance with the relevant financial reporting framework.  
Significant interpretations, if any, related to the financial provisions of the relevant financial reporting framework are appropriately disclosed in the financial information.
  - b) determining that the basis of accounting is an acceptable basis for the preparation of the financial information in the circumstances.

- c) providing you with all information of which we are aware that is relevant to the preparation of the financial information, such as all financial records and documentation and other matters, including:
    - (i) the names of all related parties and information regarding all relationships and transactions with related parties; and
    - (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial information. All significant actions are included in such summaries.
  - d) providing you with unrestricted access to such relevant information.
  - e) providing you with complete responses to all enquiries made by you during the engagement
  - f) providing you with additional information that you may request from us for the purpose of the engagement.
  - g) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
  - h) such internal control as we determined is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
  - i) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial information.
- 2) We acknowledge that this financial information:
- i) is not general-purpose financial information.
  - ii) may not comply with, or may not satisfy, the Entity's incorporating or other governing legislation.
  - iii) is solely for the information and use of the addressee and is not intended to be, and should not be, used by anyone other than the specified users or for any other purpose.
  - iv) is not intended for distribution to anyone other than the specified users.
- 3) We acknowledge that should we extend the distribution beyond the specified users, you accept no responsibility for the distribution or use of the financial information and the report thereon.

*Internal control over financial reporting:*

- 4) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting relevant to the preparation of the financial information of which we are aware.

*Fraud & non-compliance with laws and regulations:*

- 5) We have disclosed to you:

- a) the results of our assessment of the risk that the financial information may be materially misstated as a result of fraud.
- b) all information in relation to fraud or suspected fraud that we are aware of that involves management, employees who have significant roles in internal control over financial reporting or others where such fraud or suspected fraud could have a material effect on the financial information.
- c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial information, communicated by employees, former employees, analysts, regulators, or others.
- d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial information.
- e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial information.

*Subsequent events:*

- 6) All events subsequent to the date of the financial information and for which the relevant financial reporting framework requires adjustment or disclosure in the financial information have been adjusted or disclosed in the financial information.

*Related parties:*

- 7) We have disclosed to you the identity of the Entity's related parties.
- 8) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 9) All related party relationships and transactions/balances have been appropriately accounted for in the financial information and disclosed to you and disclosed in the financial information.

*Estimates:*

- 10) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

**Reasonable assurance over compliance with School Act**

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We also 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:

*Responsibilities:*

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 5, 2016, for:

- a) the preparation of the subject matter information. We believe that the subject matter information is appropriate.
- b) evaluating or measuring the subject matter information against the applicable criteria, including that all relevant matters are reflected in the subject matter information. We believe the applicable criteria is suitable.
- c) providing you with all relevant information of which we are aware that is relevant to the preparation of the subject matter information such as all records, and documentation and other matters, including the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the subject matter information, and access to such relevant information
- d) providing you with additional information that you may request from us for the purpose of the engagement including, when applicable, any changes in the Entity's operations since the date of our last assurance report on the subject matter information
- e) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain evidence
- f) such internal control as we determined is necessary to enable the preparation of the subject matter information that is free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud
- g) ensuring that all transactions have been recorded and are reflected in the subject matter information
- h) providing you with written representations that you are required to obtain under your professional standards and written representations that you determined are necessary
- i) informing you of any documents, prior to their release, that contained the subject matter information and your assurance report thereon as of the date of this letter.

*Internal control over subject matter information*

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over the subject matter information of which management is aware.

*Fraud & non-compliance with laws and regulations:*

- 3) We have disclosed to you:
  - a) all information in relation to fraud or suspected fraud that we are aware of and that affects the subject matter information and involves; management, employees who have significant roles in internal control related to the preparation and presentation of the subject matter information, or others, where the fraud could have a material effect on the subject matter information
  - b) all information in relation to allegations of fraud, or suspected fraud, affecting the subject matter information communicated by employees, former employees, analysts, regulators, or others.

- c) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing the underlying subject matter information.
- d) all known actual or possible litigation and claims whose effects should be considered when preparing the underlying subject matter information

*Subsequent events:*

- 4) All events subsequent to the date of the subject matter information and for which the applicable criteria requires adjustment or disclosure to the subject matter information have been adjusted or disclosed.

*Estimates:*

- 5) Measurement methods and significant assumptions used by us in making estimates included in the subject matter information are reasonable.

Yours very truly,

---

Kristen Dixon, Chief Administrative Officer

---

Karen Grommada, Director of Finance

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Sharleen Karamanian, Manager of Accounting Services

cc: Council



## ***Attachment I – Definitions***

### *Materiality*

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements, financial information or subject matter information. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

### *Fraud & error*

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements or financial information to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements or financial information, including the omission of an amount or a disclosure.

Fraud refers to an intentional act that cause a material misstatement in the subject matter information, including omissions of amounts or disclosures to deceive intended users.

### *Related parties*

In accordance with Canadian public sector accounting standards, a *related party* exists when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management and immediate family members.

In accordance with Canadian public sector accounting standards, a *related party transaction* is defined as a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

## Attachment II – Summary of Audit Misstatements Schedules

### Summary of Uncorrected Audit Misstatements

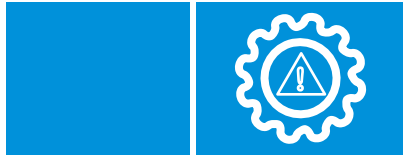
There were no uncorrected audit misstatements noted.

### Summary of Corrected Audit Misstatements

Increase (decrease)

#	Description	Assets	Liabilities	Annual Surplus	Opening Accumulated Surplus
1	Dr. Cash and cash equivalents Cr. Accounts payable and accrued Liabilities <i>To reclassify a payment issued subsequent to year-end between cash and accounts payable and accrued liabilities.</i>	192,162	192,162		
2	Dr. Accounts and other receivable Cr. Contributions revenue <i>To record funding holdback receivable from a federal grant.</i>	1,034,100		1,034,100	
	<b>Total</b>	<b>1,226,262</b>	<b>192,162</b>	<b>1,034,100</b>	-

# Appendix 3: Other information

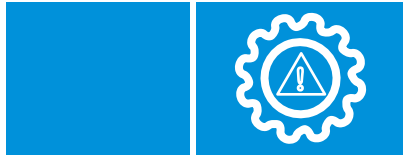


## **Documents containing or referring to the audited financial statements**

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

# Appendix 4: 2019 British Columbia Budget Summary



On February 19, 2019, Finance Minister Carole James presented Budget 2019 – Making Life Better – a budget building on commitments made in 2018 and introducing new investments that may result in additional access to funding, new priorities, and grant and economic development opportunities for local governments. A summary of the potentially most impactful elements of Budget 2019 to local governments in British Columbia follows:

- 1) Commitment to CleanBC – potential operating and capital grants and bylaw activity to implement and monitor new requirements**
  - a) \$902 million investment over three years in numerous areas including cleaner transportation options, charging and hydrogen fueling stations, energy efficiency in homes and buildings, a net-zero building code, reduction in carbon emissions, increasing carbon tax relief, solid waste management programs and providing indigenous and remote locations with access to clean energy sources.
  
- 2) Full elimination of MSP premiums – implications to budgeting, funding and payment of employer health tax (“EHT”) beginning in 2019**
  - a) EHT revenue is projected to rise from \$0.5 billion in 2018/19 to \$1.9 billion in 2019/20 reflecting the full year impact of the January 1, 2019 effective date. Over the next two years, revenue growth is expected to average 4.0% annually consistent with employee compensation income growth.
  
- 3) Housing and homelessness – potential cost implications to local governments, potential funding through or expected by Housing Corporations**
  - a) Building on Budget 2018’s 30 point housing plan, additional measures announced include:
    - \$76 million investment in land acquisition and services to enhance modular homes for people in need.
    - \$38 million investment to accelerate grants to housing providers to reduce borrowing costs.
    - \$10 million investment in supported rent banks to provide housing security for renters who need an immediate, short-term loan to prevent unnecessary eviction during financial crisis.
    - Province-wide homeless count in 2020.

# Appendix 4: 2019 British Columbia Budget Summary (continued)

## **4) Health Care – partnership opportunities and related cost implications; potential funding requests through Hospital Districts**

- a) \$1.3 billion investment to improve health services and patient outcomes by building, renovating and expanding hospitals.
- b) \$74 million investment to improve access to mental health care for children and youth.
- c) \$30 million investment to help tackle BC’s drug overdose crisis.
- d) New integrated mental health and addictions services including programs in schools, family care and day treatment.

## **5) Wildfire management – grant availability, along with potential new requirements to be implemented in order to be eligible**

- a) \$111 million investment over three years to increase wildfire response and control capacity.
- b) \$60 million investment in Community Resiliency Investment Program to reduce wildfire risk.
- c) \$13 million investment in forest reforestation funding in areas damaged by disease and wildfire.

## **6) LNG Communities – capital grant availability**

- a) \$100 million investment for Northern Capital and Planning Grant to help local governments along LNG corridor meet current and future infrastructure needs.

## **7) Reconciliation – ongoing relationship-building opportunities**

- a) Revenue sharing of \$3 billion over 25 years shared with BC First Nations, resulting in \$250,000 to \$2 million available annually from gaming activities. Funding will be developed by the First Nations Gaming Commission distributed based on base funding, population and geography.
- b) Pledge to implement the UN Declaration on the Rights of Indigenous Peoples.

## **8) Transportation – potential implications to cost sharing, route planning, affordability, and related bylaw requirements**

- a) \$21 million investment to expand handyDART services to support commuters in BC.
- b) \$9 million investment over three years to modernize the taxi industry to enable ride-hailing in BC.

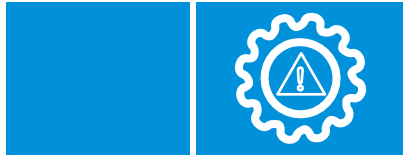
## **9) Resort Municipality Initiative – capital grant availability for certain local governments**

- a) \$39 million investment over three years to fund infrastructure projects.

## **10) Cannabis Excise Tax – no budgeted transfers to local government**

- a) On March 1, 2019, the Province will receive its first transfer of the federal excise tax from the federal government. There is no estimate of federal transfers to the Province for 2019/20, nor any budget of transfers to local governments.

# Appendix 5: 2019 Federal Budget Summary



The 2019 federal budget was delivered by Finance Minister Bill Morneau on March 19, 2019. The budget anticipates a \$14.9 billion deficit for 2019, and forecasts deficits of \$19.8 billion for 2020 and \$19.7 billion for 2021. Budget 2019 – Investing in the Middle Class introduced a number of proposals which may be of interest to local governments in BC.

## **One-time Gas Tax Fund transfer**

The Government of Canada (“Canada”) is continuing to invest in infrastructure and announced a one-time transfer of \$2.2 billion through the federal Gas Tax Fund to provide infrastructure funds to local governments and First Nation communities. This results in gas tax funding in 2019 being doubled, with BC’s allocation being approximately \$278.6 million. In BC, the federal Gas Tax Fund is administered by the Union of British Columbia Municipalities through the Administrative Agreement on the Federal Gas.

The top-up funds are earmarked for three project categories – Productivity and Economic Growth; Clean Environment; and Strong Cities and Communities. In a post-budget interview on March 20th, Minister Morneau explained that this one-time top-up will not become an annual item.

## **Federation of Canadian Municipalities (“FCM”)**

There were a number of proposed investments that will be delivered through FCM:

- \$350 million for Collaboration on Community Climate Action to provide financing to retrofit and improve energy efficiency of large community buildings and to fund pilot and demonstration projects.
- \$300 million for Community EcoEfficiency Acceleration to provide financing for local government initiatives to support home energy efficiency retrofits, such as replacing furnaces or installing renewable energy technologies.
- \$300 million for Sustainable Affordable Housing Innovation to provide financing for energy efficiency in affordable housing developments.
- \$60 million in 2018/19 for Municipal Asset Management Capacity Fund to help support skills training in small communities relating to infrastructure asset management.

# Appendix 5: 2019 Federal Budget Summary (continued)

## **High-Speed Internet Connectivity**

Up to \$1.7 billion over 13 years, starting in 2019/20, will be invested into the Universal Broadband Fund to help support initiatives for high-speed internet in rural, remote and northern communities. Canada has also partnered with Canada Infrastructure Bank (“the Bank”) to finance the high-speed internet infrastructure. The Bank will invest \$1 billion over ten years and seek to find an additional \$2 billion in private sector investments.

## **Housing Affordability**

Housing affordability was a focal point in the 2019 federal budget with a number of measures proposed to increase housing affordability. These include support for first-time home buyers:

- Implementing a First-Time Home Buyer Incentive (“the Incentive”) which is a shared equity mortgage program with Canada Mortgage and Housing Corporation (“CMHC”) funding 5% (for purchase of an existing home) or 10% (for purchase of a newly constructed home) of the home purchase price. CMHC will provide up to \$1.25 billion over three years under the program. The Incentive is only available to first-time home buyers with less than \$120,000 annual household income. With a limit of four times the annual household income, the amount of the CMHC insured mortgage and Incentive is capped at \$480,000.
- Increasing the Home Buyers’ Plan (“HBP”) withdrawal limit to \$35,000. The HBP allows a first-time buyer to withdraw funds from their Registered Retirement Savings Plan to purchase or build a home without taxes payable on the withdrawal.

Canada also launched a new \$300 million Housing Supply Challenge. Local governments and other stakeholders can apply for funding on proposals of new ways to break down barriers that limit the creation of new housing. Applications will be evaluated based on merits.

## **Skills Training**

More than \$1.7 billion over five years, and \$586.5 million per year, is proposed to establish a new Canada Training Benefit to help Canadians get skills and training. The Canada Training Benefit will consist of

- A new non-taxable Canada Training Credit that accumulates a credit balance of \$250 per year, up to a lifetime limit of \$5,000, for eligible workers between the ages of 25 and 64 to help with the cost of training fees. The accumulation of the credit is available for workers with earnings between \$10,000 and \$150,000 per year.
- A new Employment Insurance Training Support Benefit to provide income support when an individual requires time to take off work, expected to be launched in late 2020. The benefit will provide up to four weeks of income support, every four years, paid at 55% of a person’s average weekly earnings.

# Appendix 5: 2019 Federal Budget Summary (continued)

## Reconciliation

Advancing reconciliation and taking the next step in the ongoing path toward a better future for Indigenous Peoples was a major component of the budget. Highlights include:

- \$1.4 billion over seven years to forgive all outstanding comprehensive claim negotiation loans and to reimburse Indigenous governments that have already repaid these loans
- \$78.9 million over seven years, starting in 2019/20, and \$13.7 million per year on-going to fund Indigenous surveys.
- \$48.0 million over two years, starting in 2019/20, to build governance capacity by directly supporting First Nations communities in greatest need obtain the expertise, advice and tools required to govern their communities and deliver critical programs and services.
- \$126.5 million in 2020/21 to establish a National Council for Reconciliation and endow it with initial operating capital

## Other Items

- \$672 million over five years and \$34.7 million per year on-going provided to the RCMP to support policing operations, including amounts for specific measures including law enforcement at the border, enhanced federal policing capacity, money laundering, transportation security, and national economic security.
- \$1.2 billion over five years to support implementation of the Border Enforcement Strategy.
- \$151.2 million over five years and \$9.3 million per year ongoing provided to strengthen Canada's ability to respond to emergencies and natural disasters and improve emergency management in Canada, including in Indigenous communities,

For other 2019 federal budget and tax-related highlights, check out KPMG's TaxNewsFlash at <https://home.kpmg/ca/en/home/insights/2019/03/2019-federal-budget-highlights.html>

Canada's 2019 federal budget website is <https://www.budget.gc.ca/2019/home-accueil-en.html>





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# Financial Statement Guide

## A Guide to Local Government Financial Statements



January, 2012



Ministry of  
Community, Sport and  
Cultural Development



## Table of Contents

### Introduction

### Legislative Requirements and Reporting Standards **3**

### The Quick Guide to Municipal Financial Statements **4**

Sample Financial Statements

Statement of Financial Position

Sample

Statement of Operations

Sample

Statement of Changes in Net Debt

Sample

Statement of Cash Flows

Sample

### Financial Statement Questions and Explanations **13**

### Glossary of Terms **18**

## Introduction

The guide to Local Government Financial Statements has been prepared by the Ministry of Community, Sport and Cultural Development (Ministry) to help the non-financial reader understand the information presented in local government audited financial statements. The guide provides examples and explanations of the information generally contained in a local government's annual audited financial statements.

The guide provides a brief background about the legislative requirements and financial reporting standards local governments in British Columbia are required to follow, an overview and explanation of the consolidated financial statements that comprise the annual audited financial statement package, answers to commonly asked questions about financial statements and a glossary that provides definitions for many of the terms found in this guide.

Consolidated financial statements report a local government's financial position and its financial performance during a given year. They are a key source of information for elected officials who are then able to make informed decisions about how best to use the local government's fiscal resources to serve the interests of the community.

The consolidated financial statements also establish transparency around a local government's financial position for a given year and provide a measure of accountability to taxpayers. Local government financial statements also demonstrate how well the local government managed its budget over the course of the year and specifically how the taxes and fees citizens paid to the local government were used.

Note: The term "consolidated financial statements" used throughout the guide includes financial information for both the local government and all of the organizations it owns or controls, such as a utility company or a municipal police board.

## Legislative Requirements and Reporting Standards

The *Local Government Act* (section 814(3)) and the *Community Charter* (Part 6) require that every local government in British Columbia prepare consolidated financial statements each fiscal year (local governments in B.C. use the calendar year as their fiscal year).

The consolidated financial statements must be prepared by a local government's financial officer in accordance with generally accepted accounting principles for local government. These principles are established by the Public Sector Accounting Board (PSAB), a division of the Canadian Institute of Chartered Accountants (CICA), and are the same for all levels of government everywhere in Canada. The statements must be audited by a qualified auditor – an independent accountant authorized to be an auditor under section 205 of the *Business Corporations Act*. The audited statements must be presented to council and be available for public viewing before June 30. A copy of the audited financial statements must also be submitted to the Ministry by May 15 each year.

The independent auditor reviews the accuracy and completeness of the consolidated financial statements prepared by the local government financial officer; the auditor then provides an audit opinion on the statements. The opinion may be:

- **unqualified** – the auditor has determined the statements are presented in conformity with established standards;
- **qualified** – the auditor has identified one or more specific issues regarding the financial statement preparation;
- **adverse** – the auditor has identified significant issues in the preparation or accuracy of the consolidated financial statement;

If an auditor is unable to examine enough of the financial information to form an opinion about the consolidated financial statements, a denial of opinion may be issued.

The auditor’s opinion is included in a report that can be found at the front of every audited financial statement package.

### What’s included in a Consolidated Financial Statement?

Local government consolidated financial statements must include the following four statements:

- Consolidated Statement of Financial Position;
- Consolidated Statement of Operations;
- Consolidated Statement of Changes in Net Debt; and,
- Consolidated Statement of Cash Flow.

Additional information about specific financial statement items is provided in schedules and notes to the financial statements. The notes and schedules provide additional information related to specific line items and figures contained in one or more of the statements and form an integral part of the financial statement package.

## The Quick Guide to Municipal Financial Statements

A sample page showing each of the four main elements of the financial statements follows this section, with a set of explanatory notes and hints on the facing page for each one. Each term on the sample page has been **bolded and highlighted** with the corresponding term of the sample financial statement.

There is also a series of questions and answers that may assist in the understanding of these documents. A glossary of terms is included at the end of the document.

### Sample Financial Statements

The Ministry has prepared a set of model financial statements. The set includes the four main statements, a comprehensive presentation of typical notes to a set of financial statements and supplementary schedules. This complete package is available online from the Ministry website at:

[http://www.cscd.gov.bc.ca/lgd/infra/library/Model\\_Financial\\_Statements.pdf](http://www.cscd.gov.bc.ca/lgd/infra/library/Model_Financial_Statements.pdf)

## Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position provides key details about a local government's assets, liabilities and any accumulated surplus for a given fiscal year. It can be a general indicator of a local government's long-term financial health; however, it is much more than an accounting of the amount of the money a local government has in the bank. The statement of financial position gives the best indication whether or not a local government has the necessary assets to provide services to its residents in the future and meet its current financial commitments.

There are four key elements of a financial position statement.

**Financial Assets** – are those current cash resources plus any items that are expected to be converted into cash in the future. Land for resale and long-term investments are examples of items that a local government could eventually turn into cash if the need arose. Cash on hand and accounts receivable are also included in this section of the consolidated statement of financial position.

**Liabilities** – are those items that a local government must expend cash resources to cover at some time in the future. Long-term debt is an element in the liabilities section of the consolidated statement of financial position that denotes borrowing for capital purposes (e.g. roads or sewer systems). Local governments frequently report long-term debt (liabilities) separately from short-term debt, such as a line of credit or bank overdraft (used for immediate cash needs). Long-term debt is normally a separate line item in the liabilities section of the consolidated statement of financial position. The notes section that accompanies a local government's annual financial statement may also provide detailed information on future long-term debt/liability repayment schedules.

**Non-Financial Assets** – include tangible capital assets (e.g. a fire truck) as well as inventory of supply and prepaid expenses. Tangible capital assets are included on the statement of financial position at their net book value – their actual cost less any accumulated amortization. Information about the original cost of the asset, and the amortization or use of the asset over time, is contained in the notes to the statement of financial position.

**Accumulated Surplus** – is the total amount of assets, both financial and non-financial, less any liabilities of the local government. The accumulated surplus is a key indicator of the financial resources a local government has available to provide future services to its citizens and meet its ongoing financial commitments. It consists of both cash and non-cash components.

The notes that accompany a local government's financial statements identify what portions of the accumulated surplus are:

- unrestricted (including cash, accounts receivable);
- restricted (cash that can only be used for a pre-determined purpose); and,
- equity in tangible capital assets.

*Note: A net-debt position does not necessarily mean the local government is in financial difficulty. It simply means the local government has more liabilities than financial assets. However, a viable debt management plan needs to be in place to ensure that debt is sufficiently funded and that municipal services are not jeopardized.*

**City of Anywhere**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2010**

	<b>2010</b>	<b>2009</b>
<b>Financial Assets</b>		
Cash and investments (Note 2)	\$ 7,369,624	\$ 6,658,836
Accounts receivable (Note 3)	4,473,644	1,943,094
MFA deposits (Note 4)	398,875	692,178
Business enterprise equity (Note 1)	3,200,000	3,000,000
Other financial assets	1,312,513	1,029,443
	<b>16,754,656</b>	<b>13,323,551</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 5)	1,542,473	1,433,667
Deferred revenue (Notes 6 & 7)	733,174	312,761
Development cost charges (Note 8)	1,776,478	68,380
Other restricted revenue	380,694	397,761
Capital leases (Note 9)	229,234	296,125
Long-term debt (Note 10)	13,488,377	11,868,790
Future Obligations (Note 11)	3,923,651	3,608,123
Other liabilities	159,628	125,195
	<b>22,233,709</b>	<b>18,110,802</b>
Net debt	(5,479,053)	(4,787,251)
<b>Non-financial assets</b>		
Tangible capital assets (Notes 1 & 12, Schedule 1)	50,770,697	48,818,283
Supply Inventory	112	222
Prepaid expenses	30	20
	<b>50,770,839</b>	<b>48,818,525</b>
<b>Accumulated surplus</b> (Note 13)	<b>\$ 45,291,786</b>	<b>\$ 44,031,274</b>

*The accompanying notes and schedules are an integral part of these financial statements.*



## Consolidated Statement of Operations

The Consolidated Statement of Operations provides information about a local government's revenues, expenses and the year-end results (e.g. a surplus or deficit) for the reporting period. The statement of operations also provides detailed information regarding the specific transactions that have impacted the accumulated surplus over the course of the local government fiscal year. Non-cash items such as amortization expense and contributed assets are also commonly included in the consolidated statement of operations

There are three key elements of a consolidated statement of operations:

**Revenue** – is an accounting of all local government earnings in a given year. The main sources of local government revenue are property taxation and user fees collected for services such as garbage collection or recreation facilities. Government transfers are another revenue source – in the revenue section they include line items for federal, provincial or other regional government grants provided to a local government for operating and /or capital purposes.

Most revenue listings include a line item specifically for other revenues. This generally includes such revenues as contributed assets, which are normally tangible capital assets that have been donated or transferred to a local government from a developer or outside organization. Contributed assets are reported as revenue on the Statement of Operations because they create an expected future economic benefit, and result in an increase in a local government's year-end accumulated surplus. Although contributed assets are reported as revenue, they do not represent cash received by a local government.

**Expenses** – are monies spent during the year for any items that reduce the value of a local government's assets. Payment of salaries to staff, hydro, and mapping constitute expense, as does amortization.

**Amortization** – is a non-cash expense that represents the portion of the historical cost of a local government's tangible capital assets that is used up during the reporting period. Local governments may report the amortization expense as a separate line on their statement of operations or include the amortization expense in the costs of the specific service (e.g. drinking water or sewage disposal) provided by the local government.

**Accumulated Surplus** – is equal to the revenue less expenses for the year and is added to the amount from the previous year to equal the total included on the Statement of Financial Position. The accumulated surplus may increase significantly without a corresponding increase in a local government's financial assets. For example, a subdivision turned over to the local government by a developer would be recorded in the statement of operations as contributed asset revenue, which would in turn increase the accumulated surplus amount at year-end; however, there would be no change in the total financial assets held by the local government because it would instead be included in the value of the non-financial assets.

**City of Anywhere**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**for the year ended December 31, 2010**

	2010 Budget	2010	2009
<b>Revenue</b> (Schedule 3)			
Property Taxes and grants in lieu (Note 15)	\$ 6,342,798	\$ 6,634,941	\$ 5,856,999
Sale of services (Note 16)	3,105,762	3,317,470	2,928,500
Government transfers (Note 17)	695,254	860,089	650,567
Investment income	385,645	447,996	424,596
Income from enterprises	190,000	200,000	(62,000)
Development cost charges (Note 8)	140,965	201,759	208,347
Other	23,129	255,373	261,954
	10,883,553	11,917,628	10,268,963
<b>Expenses</b> (Note 18, Schedule 3)			
General government	945,981	908,744	875,154
Protective services	3,962,546	3,812,040	3,512,961
Solid waste management and recycling	135,693	105,793	98,184
Public health	105,624	93,760	85,458
Planning and development	245,862	213,167	186,594
Transportation	602,845	509,990	450,685
Parks, recreation and culture	1,256,965	1,120,421	994,265
Water services	699,843	674,335	634,584
Sewer services	813,569	765,255	746,953
Debt financing	350,068	353,617	327,252
<b>Amortization</b> (Note 1, Schedule 1)	1,497,930	1,618,977	1,582,273
Loss from sale/write down of tangible capital assets (Schedule 1)	-	103,249	115,269
Other	266,627	377,768	185,295
	10,883,553	10,657,116	9,794,927
<b>Annual surplus</b>	-	1,260,512	474,036
Accumulated surplus at beginning of year	44,031,274	44,031,274	43,557,238
Accumulated surplus at end of year	\$ 44,031,274	\$ 45,291,786	\$ 44,031,274

*The accompanying notes and schedules are an integral part of these financial statements.*

## Consolidated Statement of Changes in Net Debt

The Consolidated Statement of Changes in Net Debt illustrates the difference between a local government's annual surplus or deficit and the change in its net debt during the reporting period. The statement tracks local government expenditures used to acquire tangible capital assets (e.g. new vehicles) and pay for its inventories of supplies during the reporting period. The disposal of tangible capital assets, and the use of inventory and prepaid expenses (such as insurance paid at the beginning of the year and used during the year) are also captured in the statement of changes in net debt.

Some of the key elements of a consolidated statement of changes in net debt are:

**Acquisition of tangible capital assets** – the total funds spent by a local government acquiring tangible capital assets in the reporting year. Local governments generally use cash reserves, property taxes, long-term debt or government transfers to fund the purchase of tangible capital assets. The acquisition of tangible capital assets in the consolidated statement of changes in net debt also includes contributed asset values.

**(Gain)/loss on sale of tangible capital assets** – is the difference between the net book value of a tangible capital asset and the amount received from its disposal. The consolidated statement of changes in net debt shows a gain when a tangible capital asset is sold or is taken out of use and the proceeds are greater than the net book value of the asset. The consolidated statement of changes in net debt shows a loss when a tangible capital asset is liquidated and the proceeds are less than the net book value of the asset. Gains and losses associated with the sale of capital assets are also reported on the Statement of Operations – where a gain is reported as revenue and a loss is reported as an expense.

**(Increase)/decrease in net debt** – is the result of all the purchases and use of assets by a local government throughout the year, combined with the accumulated surplus from the consolidated statement of operations. An increase in a local government's net debt position is most likely the result of funding capital acquisitions with debt or with financial assets accumulated in prior years.

**City of Anywhere**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT**  
**for the year ended December 31, 2010**

	2010 Budget	2010	2009
Annual surplus	-	\$ 1,260,512	\$ 474,036
<b>Acquisition of tangible capital assets</b>	(1,946,587)	(3,684,640)	(2,359,621)
Amortization of tangible capital assets	1,452,961	1,618,977	1,582,273
<b>(Gain) / loss on sale of tangible capital assets</b>	-	102,549	115,269
Proceeds on sale of tangible capital assets	-	10,000	35,000
Write downs of tangible capital assets	-	700	-
	(493,626)	(691,902)	(153,043)
Acquisition of supply inventory	(200) -		(329)
Acquisition of prepaid expense	(50)	(30)	(100)
Consumption of supply inventory	100	110	107
Use of prepaid expense	20	20	20
	(130)	100	(302)
<b>(Increase)/decrease in net financial assets/net debt</b>	(493,756)	(691,802)	(153,345)
Net financial assets/(net debt) at beginning of year	(4,787,251)	(4,787,251)	(4,633,906)
Net financial assets/(net debt) at end of year	\$ (5,281,007)	\$ (5,479,053)	\$ (4,787,251)

***The accompanying notes and schedules are an integral part of these financial statements.***

## Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows details the sources of cash and how the local government used that cash. The statement also provides details about any changes to a local government's cash and cash equivalents since the last reporting period, as well as detailed information about any significant cash transactions made by a local government not included in the Statement of Operations.

The Statement of Cash Flows tracks the change in the cash balance during a reporting period. It begins with the net results of local government operations – the annual surplus or deficit – and adds or subtracts transactions recorded in the other financial statements depending on whether or not they influence the cash balance. Items for which cash was paid reduce the cash balance; items that did not involve cash are added back to the surplus in order to accurately demonstrate the cash transactions.

There are four key elements of a consolidated statement of cash flows:

**Operating Transactions** – include revenues and expenses incurred during the day-to-day activities of a local government. Non-cash expenses are added back into the operations result. Amortization, a non-cash expense showing the use of a capital asset over time, is one example of a non-cash operating transaction. The amortization amount is added back into the operations result in order to determine the change in the local government's cash position.

**Capital Transactions** – are monies a local government expended on tangible capital assets as well as the amount a local government received from selling tangible capital assets during the reporting period.

**Investing Transactions** – include any increases or decreases in temporary or long-term investments such as interest earned on bonds owned by a local government. Legislation (both the *Local Government Act* and the *Community Charter*) restricts the types of investments (e.g. GICs, Bonds) local governments are permitted to make in order to limit the financial risk.

**Financing Transactions** – include funds received from long-term debt financing, as well as the amount of long-term debt principal repaid during the reporting period.

**City of Anywhere**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the year ended December 31, 2010**

(Indirect method)	2010	2009
<b>Operating transactions:</b>		
Annual surplus/(deficit)	\$ 1,260,512	\$ 474,036
Non-cash items:		
Amortization	1,618,977	1,582,273
Decrease in supply inventory	110	(222)
Increase in pre-paid expenses	(10)	(80)
(Gain)/Loss on the sale of tangible capital assets	102,549	115,269
Write down of tangible capital assets	700	-
Changes to financial assets/liabilities:		
Increase in accounts receivable	(2,530,550)	(1,596,324)
Decrease in MFA cash deposits	293,303	356,025
Increase in GBE investment	(200,000)	(100,000)
Increase in other financial assets	(283,070)	(255,568)
Increase in accounts payable	108,806	156,965
Increase in deferred revenue	420,413	126,953
Increase in development cost charges	1,708,098	29,563
Decrease in other restricted revenue	(17,067)	147,635
Increase in future obligations	315,528	329,654
Increase in other liabilities	34,433	25,914
Cash provided by operating transactions	2,832,732	1,392,093
<b>Capital transactions:</b>		
Acquisition of tangible capital assets	(3,684,640)	(2,359,621)
Proceeds from the sale of tangible capital assets	10,000	35,000
Cash applied to capital transactions	(3,674,640)	(2,324,621)
<b>Investing transactions:</b>		
Proceeds from sale of portfolio investments	-	-
Portfolio investments purchases	-	-
Other	-	-
Cash provided by (applied to) investing transactions	-	-
<b>Financing transactions:</b>		
Proceeds from debt issues	2,000,000	3,000,000
Debt repayment	(366,890)	(269,000)
Actuarial Adjustments	(80,414)	(68,596)
Cash applied to financing transactions	1,552,696	2,662,404
Increase in cash and cash equivalents	710,788	1,729,876
Cash and cash equivalents at beginning of year	6,658,836	4,928,960
Cash and cash equivalents at end of year	\$ 7,369,624	\$ 6,658,836

***The accompanying notes and schedules are an integral part of these financial statements.***

## Frequently Asked Questions and Explanations

### What statements comprise a local government's financial statements?

**a) Consolidated Statement of Financial Position**

The Consolidated Statement of Financial Position provides key details about a local government's assets, liabilities and any accumulated surplus for a given fiscal year. The statement provides the best indication whether or not a local government has the necessary assets to provide services to its residents in the future and meet its current financial commitments.

**b) Consolidated Statement of Operations**

The Consolidated Statement of Operations provides information about a local government's revenues, expenses and the year-end results (e.g. a surplus or deficit) for the reporting period. The consolidated statement of operations also provides detailed information regarding the specific transactions that have impacted the accumulated surplus over the course of the local government's fiscal year.

**c) Consolidated Statement of Changes in Net Debt**

The Consolidated Statement of Changes in Net Debt illustrates the difference between a local government's annual surplus or deficit and the change in its net debt during the reporting period. The statement tracks local government expenditures used to acquire tangible capital assets (e.g. new vehicles) and pay for its inventories of supplies during the reporting period.

**d) Consolidated Statement of Cash Flows**

The Consolidated Statement of Cash Flows details the sources of cash and how the local government used that cash. The statement also provides details about any changes to a local government's cash and cash equivalents since the last reporting period, as well as detailed information about any significant cash transactions made by a local government that are not included in the Statement of Operations.

### How do the year-end results compare with the budget for the year (Did the local government budget well)?

The Statement of Operations and the Statement of Changes in Net Debt include the approved budget to compare with the actual results. The Annual surplus and the Accumulated surplus at year end on the Statement of Operations provide the end results.

The revenue and expense information in the Statement of Operations and the Statement of Changes in Net Debt provide additional information about how the actual year-end results compared to the budget. The Statement of Changes in Net Debt provides information regarding tangible capital assets, inventories and prepaid assets.

### **What is the local government's long-term debt position?**

Long-term debt is generally incurred for capital purposes and is recorded separately on the Statement of Financial Position. The statement contains several notes to the financial statements that provide additional information regarding the long-term debt position. One of the notes identifies the type of debt (e.g. loan, debenture) and provides a schedule of principal and interest payments for each of the next five years. This schedule identifies the amount of principal and interest to be paid in the upcoming year. The principal paid in the next year is the current portion of the long-term debt.

The amount of money local governments in British Columbia may expend annually to service long-term debt is limited by legislation. This limit is updated annually and whenever a local government requests a new long-term debt servicing limit. The annual calculation is made with the information entered into the Local Government Data Entry (LGDE) system maintained by the Ministry, and shows how much capacity for future debt is available for each local government in the province.

### **What causes a change in net financial assets or net debt?**

The Consolidated Statement of Changes in Net Debt reports how capital spending was funded – by increased revenues or increased debt. If no debt was incurred for capital spending, there would be no change in the net financial assets or net debt. If debt was incurred for capital spending, then the net financial assets would decrease or the net debt position would increase.

### **What is the Accumulated Surplus or Deficit?**

The accumulated surplus position is the total amount by which local government assets exceed their liabilities. It is the indicator of a local government's economic resources available to provide future services. The accumulated surplus or deficit amount consists of cash and non-cash amounts and is separated into the following categories:

- **Unrestricted surplus/deficit** – this amount may include cash and other financial assets such as accounts receivable.
- **Restricted surplus (Reserve funds)** – the amount should be supported by cash. Reserve funds are established in legislation or by bylaw and segregate cash to be used for defined purposes.
- **Equity in tangible capital assets** – the value of tangible capital assets a local government owns. An example of this amount would be a fire truck purchased for \$500,000 (financed with a \$200,000 loan to be paid) that has been depreciated by \$50,000. The equity in the fire truck would be \$250,000 – which is the cost of the fire truck less the outstanding debt and accumulated amortization.



### What created the change in the accumulated surplus/deficit?

The accumulated surplus may have increased significantly without any increase in financial assets. For example, an asset may have been contributed by a developer to the local government, increasing the accumulated surplus amount. The accumulated surplus or deficit amount can be separated into the following categories: unrestricted, restricted and equity in tangible capital assets. An accumulated surplus note to the financial statements can show the increase/decrease in each of these categories. Another note, 'Equity in Tangible Capital Assets', could provide summary information for the current and previous fiscal years.

### What is restricted surplus?

Restricted surplus is one of the categories of the accumulated surplus/deficit amount. These restrictions identify funds for a specified future purpose and may, for example, result from agreements with third parties, or bylaws that designate these funds for a specific purpose. Sources of such funds include unused grants and funds set aside for specified future projects. The restricted surplus will normally consist of multiple funds and the 'accumulated surplus/deficit' note in the financial statements could provide the amount in each of these restricted surplus funds.

### How much did the tangible capital assets depreciate this year?

This amount can be found under the heading of amortization. Tangible capital assets depreciate each year and the amount of this depreciation (referred to as 'amortization') is reported as an expense. Some local governments record this amortization expense as a separate line on the Statement of Operations or allocate the amortization expense to the appropriate service. The following statements will also report the total amortization expense for the year:

- Statement of Changes in Net Debt
- Statement of Cash Flow
- Schedule of Tangible Capital Assets

### What is the condition of the tangible capital assets?

The Schedule of Tangible Capital Assets reports each major asset class, the total cost, accumulated amortization and net book value of tangible capital assets. The net book value of the total cost provides a broad indication of the remaining useful life of the tangible capital assets in each major asset class.

E.g.:	Vehicles	Cost	\$100,000
		Accumulated Amortization	\$90,000
		Net Book Value	\$10,000

In this example, the vehicles are nearing the end of their useful life and will likely need to be replaced in the near future.

### **Are there future planning or budgetary issues that should be addressed?**

A review of the financial statements may identify some issues that need to be addressed to ensure the ongoing financial sustainability of the local government, including:

- net debt continues to increase;
- restricted surplus is not fully funded; e.g.: financial assets do not exist to support the restricted surplus;
- the short-term debt and the working capital position has been determined to be insufficient; or,
- net book value of the tangible capital assets is too low (e.g. the useful life is almost at the end).

Long-range planning for future budgets can positively address some or all of the above issues.

### **What are some potential 'red flags' in financial statements?**

Potential "red flag" items might include:

- cash position has decreased significantly from the previous year;
- amount of cash and cash equivalents, including temporary investments, is less than the amount of restricted surplus identified in the Accumulated Surplus note to the financial statements;
- net financial assets reported on the Statement of Financial Position has significantly decreased or the net debt has significantly increased;
- net book value of the tangible capital assets is a low percentage of the total cost of the tangible capital assets; or,
- unrestricted portion of the accumulated surplus is in a deficit position.

### **What are the revenues from and costs of providing specific services?**

For each specific service (such as water or sewer) provided by a local government to its citizens, the local government must generally ensure sufficient revenues are generated to cover all of the costs associated with providing the service. This includes a portion of the administrative costs of the local government in general, as well as the costs of operations, debt servicing and capital purchases.

A given service may be funded by parcel or assessment-based taxes, user fees, a combination of both, as well as other revenues. The revenues may be fixed or based on usage (such as for metered water).

### **Have there been any extraordinary or unusual financial transactions?**

There may be significant financial transactions reported in the financial statements that have positively or negatively impacted the local government's financial position and 'bottom line'. The financial statements provide information for the previous fiscal year; comparing the current and prior year amounts is one way to determine if there were any extraordinary or unusual transactions.

**Are there any contingencies that will have a future financial impact?**

Contingencies are possibilities that may have future financial implications that are not recorded in the financial statements. These are shown in the notes to the financial statements, and those notes provide a brief explanation of the nature and potential future impact of each contingency.

**What are the auditor's recommendations in the Management Letter?**

The auditor is required to provide Council or the Board with a Management Letter at the conclusion of the annual audit. The Management letter is used to convey any matters the auditor identified during the financial statement audit to the local government. This letter normally identifies major concerns with recommendations to address those concerns.

**How does a local government communicate the financial statement information to residents and businesses?**

A summary of the audited financial results must be provided in a local government's annual report and be available for public viewing by June 30 each year. The complete set of the financial statements must also be made available upon request.

**How do the funds in 'statutory reserves' fit into long range plans?**

Funds may be set aside each year to pay for items Council or the Board is planning for the future. Statutory reserves are established to accumulate funds for these future projects and may include such items as development cost charges and capital renewal reserves. These funds are restricted and may only be used for specific future capital projects.

*To assess the impact of a net debt position on the financial health of a local government, consider the following:*

- *Is there a debt management plan in place?*
- *What is the term of the debt?*
- *What portion of the local government's liability servicing limit does the net debt represent?*
- *Are the local government's financial assets liquid and current?*
- *What portion, if any, of the local government's financial assets are restricted?*
- *What portion of the net debt is funded by the annual tax levy? By user fees?*
- *Will projected future revenues be sufficient to pay the net debt?*

If the answers to these questions are favourable, a local government is not likely to face financial difficulty in the near future.

## Glossary of Terms

### **Amortization and Accumulated Amortization**

Amortization is the annual allocation of a portion of the historical cost of a tangible capital asset held/owned by a local government as an expense over its useful life. Accumulated amortization is the total amortization of a tangible capital asset from the time the asset was placed into service until the date of the financial statement. The purpose of amortization is to show the decline in the asset's value as it ages or is used.

### **Construction in Progress**

Items created in the fiscal year that have not been put into service; examples are engineered structures, buildings, and machinery and equipment that are not yet completely built.

### **Contributed Assets**

Contributed assets are those assets transferred or donated to the local government by another entity. Contributed assets provide a future economic benefit to the receiving local government.

### **Deferred Revenue**

Deferred revenue is income received by the local government that is not recorded as revenue until future conditions are met or events have taken place. Deferred revenue is held as a liability and may include items such as development cost charges and transfers for gas tax revenue.

### **Equity in Tangible Capital Assets**

Equity in tangible capital assets is the net book value of recorded tangible capital assets less capital debt and related debt charges recoverable. Equity in tangible capital assets is that portion of the asset the local government actually owns - the remaining amount would be considered as debt.

### **Expenses**

Expenses are the wide variety of costs incurred to run the local government, such as wages, materials, contracted services and interest on debt. Expenses do not include the purchase of tangible capital assets or payments of debt principal.

### **Financial Assets**

Financial assets are the total cash and other resources (e.g. accounts receivable or investments) that could be converted into cash in the future.

### **Financial Plan**

The financial plan – commonly referred to as a budget – must be adopted by the local government council or board annually. The budget must be adopted by bylaw and it must cover a minimum five-year period. Year one relates to the year in which it comes into force, years two through five are the following four years. Each year, the financial plan bylaw from the prior year remains in place until the financial plan bylaw for the current year is adopted.

### **Gain/Loss on the Sale of Tangible Capital Assets**

Gain/Loss on the Sale of Tangible Capital Assets are the net proceeds resulting from the sale of a tangible capital asset where the proceeds are greater or less than the net book value of the asset.

**Government Transfers**

Government transfers are entitlements transferred to a local government under shared cost agreements, and grants from other levels of governments.

**Liability Servicing Limit**

A local government liability servicing limit is the total actual principal and interest charges on defined liabilities, plus the total of the average "implied" costs for all defined liabilities that are not yet recognized in the financial statements.

Local governments in British Columbia are generally restricted to a 25 percent liability servicing limit based on 25 percent of certain revenues.

**Net Book Value of Tangible Capital Assets**

The net book value of a local government's tangible capital assets is the total historical cost of the assets less the accumulated amortization and any write-downs of the tangible capital assets by the local government.

**Net Financial Assets (Net Debt)**

Net financial assets (net debt) is equal to the total financial assets held by a local government less the total liabilities owed by the local government.

**Restricted Surplus**

Restricted surplus is the amount resulting from excess revenues that have been internally designated for a specified future purpose, externally restricted, or formally designated.

**Tangible Capital Asset**

Tangible capital assets are physical assets such as land, buildings, infrastructure, and equipment that have a useful life of more than one year. They are used on a continuing basis and not for sale in the usual course of operations.

**Write-downs of Tangible Capital Assets**

Write-downs of tangible capital assets occur when there is a permanent decline in value of an asset held by a local government that is not reflected in the amortization of the asset. Write-offs are where the asset is no longer of value to a local government, but the item has a value left on the books that needs to be removed.

