

Staff Report to Council

Financial Services

FILE: 05-1680-01/20

REPORT DATE: April 28, 2020 MEETING DATE: May 05, 2020
TO: Mayor and Council
FROM: Cheryl Harding, Director of Financial Services
SUBJECT: 2019 Financial Statements & Audit Results

CHIEF ADMINISTRATIVE OFFICER REVIEW/APPROVAL:



RECOMMENDATION(S): THAT Council:

- A. Accept the City's 2019 financial statements and direct the Mayor and Director of Financial Services to sign the Consolidated Statement of Financial Position and forward the completed financial statements to the province as required by May 15, 2020 ; AND
- B. Direct staff to do a presentation of the City's 2019 financial statements along with the 2019 annual report at the July 7, 2020 Council meeting;
OR
- C. Other.

PURPOSE

To present the City's 2019 financial statements to Council.

☐ Information Report ☒ Decision Report ☐ Direction Report

DISCUSSION

Background:

The preparation of the financial statements and related information is the responsibility of City Council and the management of the City of Pitt Meadows. It is intended to

provide reliable and accurate financial information on the state and health of the City's finances.

The City's auditors, KPMG LLP (KPMG), have conducted the audit and issued an unmodified audit report on the 2019 Consolidated Financial Statements and have no areas of concern to report.

Relevant Policy, Bylaw or Legislation:

The Community Charter Section 167 stipulates the municipal financial statements for a fiscal year must be presented to Council for its acceptance and by May 15 the audited statements must be submitted to the Inspector of Municipalities.

Analysis:

The KPMG audit team performed their on-site interim audit work in November 2019. During the months of December 2019 to March 2020 Financial Services and Payroll staff performed a variety of yearend process duties that culminated into the preparation of the draft 2019 financial statement package. The draft statements were provided to the City's auditors who conducted their final audit in April 2020.

The objective of the audit is to obtain reasonable assurance the financial statements are free of any material misstatement. Therefore, an audit requires testing transactions and balances, review of internal control systems, as well as discussions with staff at various levels throughout the City. Resulting from the audit, KPMG have issued an unmodified audit report for the fiscal year ended December 31, 2019.

The Chief Financial Officer Letter of Transmittal (Attachment A) and the 2019 Audited Financial Statements (Attachment B) are attached to this report. Below are excerpts from the letter of transmittal that will provide an overview of the key elements of the consolidated financial statements.

Statement of Financial Position:

(\$ millions)

	2019 Actual (\$)	2018 Actual (\$)	Year Over Year Change (\$)
Net Financial Assets	24.6	20.9	3.7
Non-Financial Assets	182.2	178.2	4.0
Accumulated Surplus	206.8	199.1	7.7

The City's financial position continued to be healthy throughout 2019 with an annual surplus of \$7.7 million (2018 \$4.9 million), bringing Accumulated Surplus to \$206.8

million. The accumulated surplus on the Consolidated Statement of Financial Position is a key measure of the City of Pitt Meadows' financial strength and long-term sustainability.

Statement of Operations (\$ millions)

	2019 Budget (\$)	2019 Actual (\$)	2018 Actual (\$)	Budget Variance (\$)	Year Over Year Change
Revenues	43.3	42.7	37.9	0.6	4.8
Expenses	35.2	35.0	33.0	0.2	2.0
Annual Surplus	8.1	7.7	4.9	0.4	2.8

The Annual Surplus of \$7.7 million is higher in 2019 compared to 2018 by \$2.8 million.

Consolidated revenue of \$42.7 million increased from the prior year by \$4.8 million mainly due to a combination of increased tax levies attributed to growth in the community and contributions from federal and provincial governments for construction projects.

Consolidated expenses of \$35.0 million increased in 2019 from the prior year by \$2.0 million primarily due to increases in the collective agreement, RCMP contract costs, Greater Vancouver Sewer & Drainage District and Greater Vancouver Water District charges and general contract and inflationary escalations.

Operating Fund Surpluses/(Deficits) (\$ thousands)

Operating Fund	Surplus/(Deficit)
General	337
Water	(236)
Sewer	26
Drainage	(15)
Solid Waste	34

Key highlights of the operating results for each of the operating funds are:

1. General Fund: The RCMP net operating surplus of \$70,493 is attributed mostly to position vacancies. Surplus revenues of \$40,000 in business licenses, \$41,000 in bylaw fines, \$59,000 in Parks, Recreation & Culture revenues and \$69,000 in taxation growth revenue represent \$279,000 of the total surplus. The balance is

the net contribution to surplus from all other City services or service delivery partners.

2. Water Fund: The \$236,704 deficit is the result of lower than budgeted water usage from the metered accounts, which would normally be offset by lower water purchases however indications are the flat rate users water volume did not decrease in the same manner as the metered water accounts.
3. Sewer Fund: Maintenance costs in sewer collection coming in lower than expected created the \$26,403 surplus which is held as savings in the Sewer Reserve for future asset replacement funding.
4. Drainage Fund: Higher than expected cost of repairs to pump stations, flood gates and trash screens are the primary factors creating the \$15,187 deficit.
5. Solid Waste: The \$33,582 surplus is due to savings in the garbage and green waste tipping fees resulting from lower volumes being collected.

Other Information:

KPMG have provided the draft auditors' report (Attachment B) which presents their opinion on the consolidated financial statements being a fair representation of the City's financial position.

For further details, KPMG have prepared a report entitled Audit Findings which is included in Attachment C. The report outlines the audit status, audit findings and current emerging issues, if any, in auditing and financial reporting. TCA Benchmarking comparisons with other municipalities in the region are also included.

COUNCIL STRATEGIC PLAN ALIGNMENT

- ☐ Principled Governance ☐ Balanced Economic Prosperity ☒ Corporate Excellence
☐ Community Spirit & Wellbeing ☐ Transportation & Infrastructure Initiatives
☐ Not Applicable

The 2019 Consolidated Financial Statements present the City's financial position and demonstrate responsible financial management.

FINANCIAL IMPLICATIONS

- ☒ None ☐ Budget Previously Approved ☐ Referral to Business Planning
☐ Other

Necessary amendments to the 2019 Financial Plan Bylaw, as identified by staff during the yearend process, including those provided to Council during the 2019 8 month budget review, will be brought to Council in June with a covering report outlining the

significant items. None of the amendments will affect taxation and will involve funding from reserves for 2019 only.

PUBLIC PARTICIPATION

☒ Inform ☐ Consult ☐ Involve ☐ Collaborate ☐ Empower

Comment(s): The Council approved financial statements will be signed and submitted to the province by May 15, 2020, posted on the City website and incorporated into the 2019 Annual Report.

KATZIE FIRST NATION CONSIDERATIONS

Referral ☐ Yes ☒ No

SIGN-OFFS

Written by:

Cheryl Harding, Director of Financial Services

ATTACHMENT(S):

- A. CFO City Letter of Transmittal
- B. KPMG LLP Draft Auditor Report with 2019 Draft Financial Statements
- C. KPMG LLP Audit Findings Report



Chief Financial Officer Letter of Transmittal

May 5, 2020
Mayor and City Council
City of Pitt Meadows

Members of Council:

I am pleased to present the Financial Statements of the City of Pitt Meadows for the year ended December 31, 2019, which includes the Consolidated Financial Statements and Auditors' Report for the City of Pitt Meadows pursuant to Sections 98 and 167 of the Community Charter.

The preparation of the Financial Statements and related information is the responsibility of City Council and the management of the City of Pitt Meadows; and is intended to provide reliable and accurate financial information on the state and health of the City's finances to residents, businesses, taxpayers and other statement readers. The reporting results include the City's service delivery partners: Ridge Meadows RCMP, Fraser Valley Regional Library and Nustadia Recreation Inc.

The financial statements and related information are prepared in accordance with generally accepted accounting principles (GAAP) for Canadian local governments as established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada and the Provincial Ministry of Municipal Affairs and Housing.

The audit firm of KPMG LLP was appointed by Council and is responsible for expressing an opinion as to whether the Consolidated Financial Statements, prepared by management, fairly present the financial position of the City and the results of its 2019 operations. The auditors have expressed an opinion that the City's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Pitt Meadows as at December 31, 2019, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended. KPMG LLP reports their audit results to City Council through a Regular Council meeting.

The City maintains a system of internal accounting controls designed to provide reasonable assurance for safeguarding assets and the reliability of financial records and documents. City of Pitt Meadows management recognizes that all systems of internal accounting controls have inherent weaknesses, which management mitigates by periodic reviews and revisions. Council oversaw all City financial matters for 2019 including the budget process, review of auditor reports and recommendations, and review of operational and capital information.

This year's financial statements include a subsequent event note that pertains to the COVID-19 pandemic declared by the World Health Organization (WHO) on March 11, 2020. The financial impact to the City is unknown at this time as the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not yet known. Therefore, an estimate of the financial impact on the City is not practical at this time.

Financial Overview

Consolidated Statement of Financial Position

Financial Position (\$ millions)

	2019 Actual (\$)	2018 Actual (\$)	Year Over Year Change (\$)
Net Financial Assets	24.6	20.9	3.7
Non-Financial Assets	182.2	178.2	4.0
Accumulated Surplus	206.8	199.1	7.7

The City's financial position continued to be healthy throughout 2019 with an annual surplus of \$7.7 million (2018 \$4.9 million), bringing Accumulated Surplus to \$206.8 million. The accumulated surplus on the Consolidated Statement of Financial Position is a key measure of the City of Pitt Meadows' financial strength and long-term sustainability. Accumulated surplus consists of Net Financial Assets and Non-Financial Assets.

Net Financial Assets of \$24.6 million (2018 \$20.9 million) is the amount by which all assets exceed all liabilities and denotes the City's ability to meet its future obligations. The increase in Net Financial Assets of \$3.7 million over the prior year is primarily due to investment activity and investment income.

Non-Financial Assets of \$182.2 million (2018 \$178.2 million), are comprised of the net book value of the City's capital assets, which include civic buildings, recreation centres, parks, roads, water and sewer infrastructure and land. Non-Financial Assets also include inventory of supplies and prepaid expenses. Non-Financial Assets increased by \$4.0 million over the prior year primarily due to additions of capital assets.

Consolidated Statement of Operations

Operations (\$ millions)

	2019 Budget (\$)	2019 Actual (\$)	2018 Actual (\$)	Budget Variance (\$)	Year Over Year Change
Revenues	43.3	42.7	37.9	0.6	4.8
Expenses	35.2	35.0	33.0	0.2	2.0
Annual Surplus	8.1	7.7	4.9	0.4	2.8

Budget Variance

The Annual Surplus of \$7.7 million, which is the excess of revenues less expenditures, was less than the budget of \$8.1 million by \$400,000.

Consolidated revenue of \$42.7 million was lower than budgeted revenue by \$600,000, mainly due to lower than expected government transfers of which the timing is dependent on construction projects. This is offset by higher than expected investment income from a larger investment portfolio and sale of services attributed to various service connections.

Consolidated expenses of \$35 million across all City functions and services was lower than the budget by \$200,000 predominantly due to savings from staff vacancies and lower than expected contracted services throughout various City operations.

Year Over Year Change

Annual Surplus of \$7.7 million (2018 - \$4.9 million) is higher in 2019 compared to 2018 by \$2.8 million.

Consolidated revenue of \$42.7 million (2018- \$37.9 million) increased from the prior year by \$4.8 million mainly due to a combination of increased tax levies attributed to growth in the community and contributions from federal and provincial governments for construction projects.

Consolidated expenses of \$35.0 million (2018- \$33.0 million) increased in 2019 from the prior year by \$2.0 million primarily due to increases in the collective agreement, RCMP contract costs, Greater Vancouver Sewer & Drainage District and Greater Vancouver Water District charges and general contract and inflationary escalations.

Reserve and Development Levy Fund Balances

City revenues are strategically set aside by Council in reserves to protect the City against unanticipated events that can trigger budget deficits, to balance programs and activities that tend to fluctuate each year, and to finance long-term capital needs or contingent liabilities. The City has a healthy \$44.4 million in reserve and development levy funds to support the planned capital projects and the City's operating commitments. This is an increase of \$4.1 million over the 2018 total of \$40.3 million.

Significant offsetting transactions include: \$1.1 million Road Use Levies; \$809,000 other third party contributions; \$536,000 in levies collected from developers; \$610,000 in interest earnings; \$5.3 million to fund roads, vehicles and equipment, lifecycle and other capital reserves; \$1.6 million facilities replacement reserve; and \$2.7 million utility capital reserves. The reserve and development levy increases were offset by \$8.6 million used to fund capital and operating projects.

While the reserve fund balances would appear to be significant, it should be noted that the majority of these funds have been designated for specific future projects and activities by City Council.

Debt

Borrowing Capacity

The Community Charter restricts the City to the amount of long term liabilities it can commit to, as well as the process it must undertake to incur debt (including capital lease commitments). The legislation limits the borrowings to a percentage of annual sustainable revenues that can be allocated to the servicing of debt. The City is restricted to allocating 25% of its annual sustainable revenues to the servicing of debt and capital leases with the approval of the electorate, and 5% with Council approval.

Current Borrowings

Financing capital improvements through debt is an important consideration and a standard funding practice utilized by all municipalities, especially as cities become built out and the more traditional methods of financing through land sales and developer contributions are not as prevalent. Pitt Meadows continued to carry a low debt-per-capita ratio in 2019. The debt-per-capita ratio decreased from \$275 in 2018 to \$258 in 2019, based on the Province of BC Statistics 2019 population estimate of 19,728 as at April 2020. The \$258 debt per capita ratio is well within the City's financial capacity.

The 2019 Financial Plan included repayments to the three outstanding debt issues the City carries with the Municipal Finance Authority for the expansion and renovation of the Civic Centre Parkade, the Arena acquisition and construction, and construction of the South Bonson Community Centre.

Investment Portfolio

The City of Pitt Meadows invests its excess operating and capital funds in accordance with its Investment Policy and the statutory requirements of the Community Charter. The investment decisions and strategies strive to maximize the return on investments while minimizing portfolio risk, and ensuring that daily and future cash flow requirements are aligned and met. Generating high rates of return on investments held in the City's investment portfolio presented a challenge again in 2019, partly due to continued lower short term rates and the restrictive nature of the City's investment policy to protect public funds. In 2019, the City's investment portfolio increased over 2018 by \$3.5 million to \$49.2 million. Average annual yield to the portfolio in 2019 was 1.84% versus 1.69% in 2018 and the investment portfolio generated \$673,000 interest revenue in 2019, a 9.6% increase over the \$614,000 in 2018. The interest revenue increased due to the 0.15% increase in average annual yield as well as the increase in the longer term investments which is a result of the City's ongoing efforts to build sustainable asset funding within the reserves.

Tangible Capital Assets

The City of Pitt Meadows owns and maintains a significant amount of physical assets comprised of roads, bridges, traffic signal controls, sewer and water systems (reservoirs, pipes, pumps, etc.) equipment, vehicles, parks, facilities, and other amenities. Tangible capital assets represent a significant portion of municipal government assets, and are crucial to the delivery of programs and services, operations and life safety. The collective worth of the City's assets at the end of 2019 is estimated to be approximately \$180 million, calculated at historical cost as required by accounting guidelines (PSAB).

Although the historical cost is significant, the replacement cost of the assets would be substantially more. The City utilizes these assets to deliver the services and programs the community relies on, preparing annual five year capital plans that are mostly comprised of the cost of maintaining, replacing or upgrading this large and diverse inventory to keep them in a state of good repair. Some of the infrastructure has been used for some time, and some has been recently upgraded or replaced through capital budget programs.

The City's actual tangible capital expenditures were approximately \$9.7 million in 2019, funded from taxation, reserves, development levies and grants. Significant community capital projects continuing, completed or started in 2019 include replacement of Pitt Polder Pump Station #4, Fire Hall and Operations Dump Truck; rehabilitation of South Alouette Bridge; and a number of water main replacements.

In order to maintain services, it is important that the City, at a minimum, replace its assets at a rate equal to the rate assets are being amortized (used up) keeping in mind that amortization is based on historical costs rather than replacement costs, which can be significantly different. On this basis, the City's 2019 amortization of \$5.5 million should be measured against the City's 2019 actual capital expenditures of \$9.7 million, recognizing that the differences from year to year should be analyzed over a 50 to 100 year infrastructure plan to determine trends, potential gaps and funding shortfalls.

Financial Sustainability

The City recognizes that it must strive to be financially sustainable, and along with regional and two senior levels of government, develop long term sustainable funding and service models that address service and infrastructure models.

Asset Management

In 2019, the City managed over 21,000 City asset components, encompassing land, buildings, infrastructure, equipment and vehicles, collectively valued at \$180 million. One of the most crucial aspects of financial sustainability is the stewardship over the City's assets. Without the ongoing replacement and proper maintenance of these assets the City could not continue to deliver the services to the same level the community enjoys today.

The City of Pitt Meadows follows and supports the recommendations of accounting oversight bodies and government agencies to implement sound accounting, management and reporting practices over tangible capital assets. The City fully appreciates the long term financial benefits of deploying financial stewardship policies, as well as the positive impact they have on overall sustainability.

In 2019, the City reaffirmed its strategy to build sustainable asset funding into its base budget by setting aside \$9.5 million in reserve funding. The City continues to deploy reporting asset management systems, including an Operations Management Software System to systematically track and analyze assets and related expenditures so sound repair or replacement decisions are made. The City also operates a Geographic Information System to track physical asset locations.

The City continues to develop and update asset management plans and condition assessments for its assets to better quantify the infrastructure funding gap and re-consider the initial assumptions that were made regarding asset valuations.

Strategic and Financial Planning and Reporting

The City of Pitt Meadows developed a comprehensive and consultative strategic planning process that set out the goals and objectives of Council for its four year term, 2019 to 2022, in a Strategic Plan document. This high-level Strategic Plan is linked with the Corporate Business Plans which assigned project to departments to meet Council's goals and objectives. Departments developed more detailed work plans that dovetailed with the City's budget process and the City's 5 Year Operating and Capital plans to ensure adequate funding and resources were provided for the 2019 budget.

The linking of shorter term plans and budgets gives residents, businesses and other agencies confidence that decisions are well thought out, providing the City with long term planning continuity and sustainability. To ensure results of the long term planning are both tracked and monitored, the City deploys a suite of computerized accounting, planning and resource management systems. Council communicates with the community through interactive budget meetings to allow public input and to gauge public response to financial and business plans. The City also engages the community through a variety of forums, exchanges and surveys utilizing a variety of social media tools including the City's website, Facebook and Twitter.

Fiscal Capacity

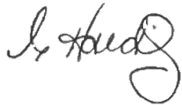
City Council recognizes that a sustainable community must balance the services and level of services it delivers with the ability of its residents and businesses to sustain the funding of the services. The City has a number of taxation policies that have been well established over time that establish tax allocations to property classes, acceptable proportions of taxation versus user fees and permissive exemptions.

Some services need to be sustained and financed by the community at large through taxation. This provides equal access by all citizens to ensure the health, safety and well-being of the Community. Other services need to be delivered on a user fee basis to ensure the demand is matched to the willingness to pay, and that a certain portion of the cost is recovered from the users demanding the service. The City is committed to increasing the overall proportion of revenue from non-residential classes through growth and development while working to ensure that the amount of property taxes paid by business and industry does not harm the ability for existing businesses to operate effectively in the community and is not a deterrent for business considering locating in the community.

The City will regularly review and compare the tax ratio between residential property owners and business owners relative to other municipalities in Metro Vancouver.

City Council recognizes that a sustainable community must include certain religious, philanthropic, cultural and historical institutions, and therefore, uses its legislative powers to grant tax exemptions to applicants of this nature to assist these important community stakeholders with their financing.

In closing, I would like to thank City Council for providing their direction and leadership, the Chief Administrative Officer, Directors and their respective departments for their cooperation and input throughout the year, as well as staff in Financial Services for their dedicated service. The commitment and professionalism demonstrated by all has resulted in the City of Pitt Meadows continuing to disclose useful and understandable financial results to our stakeholders, earning for the fifth straight year, the Canadian Award for Financial Reporting presented by the Government Financial Officers Association of the United States and Canada.

A handwritten signature in black ink, appearing to read 'Cheryl Harding', with a stylized flourish at the end.

Cheryl Harding
Director of Financial Services
Chief Financial Officer



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Pitt Meadows

Opinion

We have audited the consolidated financial statements of the City of Pitt Meadows (the "City"), which comprise:

- the consolidated statement of financial position as at December 31, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes 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, 2019, and its consolidated results of operations, its changes in net consolidated 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 organizations, 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.

Chartered Professional Accountants

Chilliwack, Canada

[Date]

Consolidated Statement of Financial Position

As At December 31, 2019, with comparative information for 2018

	2019	2018
Financial Assets		
Cash and Cash Equivalents	\$ 8,627,899	\$ 1,116,353
Portfolio Investments (Note 2)	40,583,212	44,605,485
Accounts Receivable (Note 3)	5,930,658	4,716,074
	55,141,769	50,437,912
Liabilities		
Accounts Payable and Accrued Liabilities (Note 4)	5,467,897	5,470,315
Refundable Deposits (Note 5)	2,688,700	2,049,627
Deferred Revenue (Note 6)	3,709,865	3,732,924
Employee Benefit Liability (Note 7)	780,500	719,000
Development Cost Charges (Note 8)	12,785,360	12,073,171
Debt (Note 9)	5,085,363	5,476,540
	30,517,685	29,521,577
Net Financial Assets	24,624,084	20,916,335
Non-Financial Assets		
Tangible Capital Assets (Note 10)	180,277,967	176,369,810
Inventories of Supplies	244,475	262,217
Prepaid Expenses & Leases	1,667,682	1,546,355
	182,190,124	178,178,382
Accumulated Surplus (Note 11)	\$ 206,814,208	\$ 199,094,717

Contingent Liabilities and Commitments (Note 13)

Contractual rights (Note 15)

Subsequent events (Note 19)

See accompanying Notes to the Consolidated Financial Statements.

Cheryl Harding, Director of Financial Services

Bill Dingwall, Mayor

Consolidated Statement of Operations

Year Ended December 31, 2019, with comparative information for 2018

	2019 Budget (Note 17)	2019 Actual	2018 Actual
Revenues			
Municipal Property Taxes (Note 16)	\$ 22,425,000	\$ 22,583,934	\$ 20,734,901
Utility Charges	10,144,200	9,961,974	9,407,352
Sale of Services	2,124,700	2,431,642	2,640,146
Licenses, Permits, Penalties, and Fines	1,653,500	2,041,368	2,043,471
Investment Income	465,000	672,942	613,738
Other Revenue	562,500	560,838	521,080
Government Transfers (Note 14)	5,350,300	3,989,491	1,878,918
Contributions	564,800	454,104	64,416
	<u>43,290,000</u>	<u>42,696,293</u>	<u>37,904,022</u>
Expenses			
General Government Services	5,190,199	5,057,471	4,888,846
Protective Services	8,080,645	7,808,810	7,028,619
Transportation Services	3,446,045	3,430,401	3,632,577
Solid Waste Services	994,700	964,252	836,665
Water Services	4,005,417	4,044,382	4,049,721
Sewer Services	2,291,212	2,328,150	2,002,501
Drainage Services	1,829,957	1,922,582	1,841,701
Diking Services	314,110	255,687	280,858
Development Services	884,594	891,190	653,434
Parks, Recreation and Cultural Services	8,138,385	8,273,877	7,790,261
	<u>35,175,264</u>	<u>34,976,802</u>	<u>33,005,183</u>
Annual Surplus	<u>\$ 8,114,736</u>	<u>\$ 7,719,491</u>	<u>\$ 4,898,839</u>
Accumulated Surplus, Beginning of Year	<u>199,094,717</u>	<u>199,094,717</u>	<u>194,195,878</u>
Accumulated Surplus, End of Year	<u>\$ 207,209,453</u>	<u>\$ 206,814,208</u>	<u>\$ 199,094,717</u>

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Net Financial Assets

Year Ended December 31, 2019, with comparative information for 2018

	2019 Budget (Note 17)	2019 Actual	2018 Actual
Annual Surplus	\$ 8,114,736	\$ 7,719,491	\$ 4,898,839
Tangible Capital Assets			
Acquisition	(25,930,136)	(9,681,971)	(9,886,680)
Amortization	5,450,000	5,527,949	5,308,039
Proceeds from disposal	-	30,778	29,532
Loss on disposal	-	215,087	181,653
	(20,480,136)	(3,908,157)	(4,367,456)
Inventories of Supplies			
Acquisition	-	(217,270)	(242,979)
Use	-	235,012	233,097
	-	17,742	(9,882)
Prepaid Expenses & Lease			
Acquisition	-	(326,909)	(200,652)
Use	-	205,582	257,921
	-	(121,327)	57,269
Increase (Decrease) in Net Financial Assets	(12,365,400)	3,707,749	578,770
Net Financial Assets, Beginning of Year	20,916,335	20,916,335	20,337,565
Net Financial Assets, End of Year	\$ 8,550,935	\$ 24,624,084	\$ 20,916,335

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flow

Year Ended December 31, 2019, with comparative information for 2018

	2019	2018
Operating Activities		
Annual Surplus	\$ 7,719,491	\$ 4,898,839
Items not utilizing cash:		
Development Cost Charge Revenue Recognized (Note 8)	(31,703)	(21,346)
Amortization	5,527,949	5,308,039
Loss on Disposal of Tangible Capital Assets	215,087	181,653
Change in non-cash assets and liabilities:		
Accounts Receivable	(1,214,584)	983,809
Accounts Payable and Accrued Liabilities	(2,418)	(627,745)
Refundable Performance Deposits	639,073	145,192
Deferred Revenue	(23,059)	(597,434)
Employee Benefit Liability	61,500	78,300
Inventories of Supplies	17,742	(9,882)
Prepaid Expenses & Lease	(121,327)	57,269
Cash Provided by Operating Activities	12,787,751	10,396,694
Capital Activities		
Proceeds on Disposal of Tangible Capital Assets	30,778	29,532
Cash Used to Acquire Tangible Capital Assets	(9,681,971)	(9,886,680)
Cash Used in Capital Activities	(9,651,193)	(9,857,148)
Investing Activities		
Purchase of Investments	(52,078,467)	(54,701,816)
Redemption of Investments	56,100,740	53,190,649
Cash Provided (Used) in Investing Activities	4,022,273	(1,511,167)
Financing Activities		
Development Cost Charge Receipts and Interest	743,892	314,393
Repayment of Temporary Borrowing	-	(562,419)
Repayment of Long Term Debt	(391,177)	(382,175)
Cash Provided (Used) in Financing Activities	352,715	(630,201)
Increase (Decrease) in Cash and Cash Equivalents	7,511,546	(1,601,822)
Cash and Cash Equivalents, Beginning of Year	1,116,353	2,718,175
Cash and Cash Equivalents, End of Year	\$ 8,627,899	\$ 1,116,353

See accompanying Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

The City was incorporated as a District Municipality in 1914 under the *Municipal Act* (now a combination of the *Community Charter* and the *Local Government Act*), a statute of the Province of British Columbia. Effective January 1, 2007, the articles of incorporation of the municipality were changed by an Order in Council of the provincial government to reflect a change in its name to the City of Pitt Meadows. Its principal activities include the provision of local government services to the residents of the incorporated area. These services include community planning, protective, transportation, recreational & cultural, solid waste, water, sewer, drainage diking services and general government.

I. Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements of the City of Pitt Meadows are prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada.

The consolidated financial statements reflect the assets, liabilities, revenues, expenses, and accumulated surplus of the reporting entity which is comprised of all organizations that are controlled or owned by the City, including the Pitt Meadows Economic Development Corporation which was incorporated on March 5, 2010 and is currently inactive. Inter-entity balances and transactions have been eliminated on consolidation.

(b) Cash and Cash Equivalents

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

(c) Portfolio Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized over the term of the respective investment. Investments are written down when there is considered to be a permanent decline in value.

(d) Deferred Revenue

The City defers a portion of the revenue collected from permits, licenses and other fees and recognizes this revenue in the year in which related inspections are performed or related expenditures are incurred.

(e) Government Transfers

Government transfers, which include legislative grants, are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met, and the amount to be received can be reasonably estimated except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when the transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

(f) Debt

Debt is recorded net of related sinking fund balances held by the Municipal Finance Authority of BC (MFA).

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

I. Significant Accounting Policies (continued)

(g) Employee Future Benefits

The City and its employees make contributions to the Municipal Pension Plan. The Municipal Pension Plan is a multi-employer contributory defined pension plan. These contributions are expensed as incurred.

The City also accrues sick leave, deferred vacation, supplementary vacation, vacation in year of retirement, overtime and service severance benefits. The liability relating to these benefits is actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The liability under this benefit plan is accrued based on projected benefits as the employees render services necessary to earn the future benefits. The discount rate used to measure obligations is based on the cost of borrowing. The cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service life of active employees covered under the plan.

(h) Liability for Contaminated Sites

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. Any liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

- a) an environmental standard exists;
- b) contamination exceeds the environmental standard;
- c) the City is directly responsible or accepts responsibility;
- d) it is expected that future economic benefits will be given up;
- e) a reasonable estimate of the amount can be made.

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

(i) Non Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible Capital Assets

Tangible Capital Assets, including capital work-in-progress, are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development and betterment of the assets. Interest incurred during construction is capitalized.

The cost, less residual value, is amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Road Infrastructure	20 to 100 years
Drainage & Sewer Infrastructure	30 to 80 years
Water Infrastructure	10 to 80 years
Sewer Infrastructure	30 to 80 years
Other Infrastructure	50 to 100 years
Buildings	20 to 50 years
Land Improvements	20 to 30 years
Vehicles	5 to 20 years
Equipment and Furnishings	4 to 10 years

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

I. Significant Accounting Policies (continued)

(i) Tangible Capital Assets (continued)

Amortization commences when the asset is put into service.

Diking Infrastructure consists of dikes and ditches which are not amortized since they do not deteriorate as long as they are maintained properly.

Contributed tangible capital assets are recorded at their estimated fair value at the date of contribution as contributed revenue.

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

(ii) Inventories of Supplies

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

(j) Revenue Recognition

Revenue is recorded on the accrual basis and recognized in the period in which the transactions or events occurred that give rise to the revenues. Revenue unearned in the current period is recorded as deferred revenue until the services are provided.

Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. Annual levies for non-optional municipal services and general administrative services are recorded as taxes for municipal services in the year they are levied. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts. Levies imposed by other taxing authorities are not included as taxes for municipal purposes.

Unrestricted revenue for the sale of goods and services are reported as revenue at the time the services or products are provided.

Contributions for specific purposes are recorded as deferred revenue and recognized as revenue in the year in which the related expenses are incurred.

(k) Expense Recognition

Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

(l) Tax Collections for Other Governments

The City is required by legislation to bill and collect taxes on behalf of other governments. These revenues and payments are not included in the City's financial statements.

(m) 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 contingent assets and liabilities, and the reported amounts of revenues and expenses during the period. Significant areas requiring use of management estimates relate to the determination of employee benefit obligations, useful lives of tangible capital assets, valuation of contributed assets and liabilities associated with legal claims. As such, actual results could differ from those estimates.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

1. Significant Accounting Policies (continued)

(n) Segment Disclosures

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. The City has provided definitions of segments as well as presented financial information in Note 18.

(o) Budget Information

Budget information, presented on a basis consistent with that used for actual results, was included in the Five Year Plan and was adopted by Council on April 2, 2019.

2. Portfolio Investments

The City's portfolio of investments include money market mutual funds and fixed income Canadian corporate paper and bonds.

The fixed income instruments have stated rates of return ranging from 1.09% to 2.91% (2018 – 1.03% to 2.91%), with varying maturity dates up to June 1, 2023 (2018 – July 25, 2022). It is the City's practice to buy and hold investments to maturity in order to realize the stated rate of return.

	2019 Market	2019 Cost	2018 Cost
Money market mutual funds	\$ 1,730	\$ 1,730	\$ 1,690
Fixed income Canadian corporate paper & bonds	40,534,904	40,581,482	44,603,795
	\$ 40,536,634	\$ 40,583,212	\$ 44,605,485

3. Accounts Receivable

	2019	2018
Property taxes and utilities	1,987,289	2,634,211
Federal government agencies	391,725	391,335
Provincial government	1,963,274	46,860
Other government	247,748	206,284
General receivables	999,287	923,279
Development installments	341,335	784,105
	\$ 5,930,658	\$ 4,716,074

Development installments represent funds due from developers and others on a financing arrangement within two years. The City holds letters of credit as security for these amounts.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

4. Accounts Payable and Accrued Liabilities

	2019	2018
Accounts Payable and Accrued Liabilities	\$ 1,898,503	\$ 2,557,651
Wages and Benefits Payable	247,882	144,173
Statutory Holdbacks	617,843	624,308
Due to Other Governments	2,703,669	2,144,183
	\$ 5,467,897	\$ 5,470,315

5. Refundable Deposits

	Balance December 31, 2018	Amounts Received	Amounts Refunded/ Forfeited	Balance December 31, 2019
Contract work	\$ 114,414	\$ 262,527	(\$ 95,694)	\$ 281,247
Building (Construction)	122,500	50,000	(31,500)	141,000
Engineering Services	1,042,034	752,079	(139,088)	1,655,025
Parks & Recreation	35,700	81,600	(79,312)	37,988
Other	734,979	191,512	(353,051)	573,440
	\$ 2,049,627	\$ 1,337,718	(\$ 698,645)	\$ 2,688,700

6. Deferred Revenue

	Balance December 31, 2018	Amounts Received	Revenue Recognized	Balance December 31, 2019
Business and dog licenses	\$ 110,392	109,715	(\$ 110,392)	\$ 109,715
Major road network funding	807,533	241,859	(67,223)	982,169
Engineering fees	52,478	9,578	(2,503)	59,553
Parks & Recreation fees	97,428	116,166	(97,428)	116,166
Pump station grant	511,198	-	(511,198)	-
Prepaid taxes	1,795,953	1,892,356	(1,795,953)	1,892,356
Other	357,942	210,807	(18,843)	549,906
	\$ 3,732,924	\$ 2,580,481	(\$ 2,603,540)	\$ 3,709,865

7. Employee Benefit Liability

The City provides non-vested sick leave, service severance, overtime bank, and vacation benefits to its employees. These benefits are described as follows:

- Non-Vested Sick Leave: Regular full-time employees are entitled to a sick leave benefit of 1.5 days for each month of service which may be accumulated to a maximum of 261 days. Regular part-time employees are entitled to a sick leave benefit of 1 day (pro-rated) for each month of service which may be accumulated to a maximum of 75 days.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

7. Employee Benefit Liability (continued)

- b) Service Severance: Upon retirement, employees are eligible for a payout of 3 days per year of service accumulated paid at his or her current rate of pay. Employees leaving the service of the employer, other than on retirement or layoff who have completed 8 or more years of service are eligible for a payout of 1 day per year of service paid at his or her current rate of pay.
- c) Overtime Bank: Employees may accumulate overtime hours in a bank. Upon termination, retirement or death, accrued overtime is paid out at his or her current rate of pay.
- d) Deferred Vacation: Employees may defer a portion of their annual vacation entitlement. Employees in the collective bargaining unit who are entitled to 25 vacation days or more are subject to a maximum accumulation of 20 days. Exempt employees are subject to a maximum of 15 days.
- e) Supplementary Vacation: Employees are entitled to 5 days of supplementary vacation every five years. Employees in the collective bargaining unit are entitled commencing the fifteenth year of service. Exempt employees are entitled commencing the fifth year of service. The supplementary days must be used during the five year period following entitlement.
- f) Severance, deferred vacation and sick leave plans do not provide medical or dental coverage as part of the benefit provided, therefore medical and dental is not included in the valuation.

Information about obligations for employee sick leave, overtime, vacation and retirement benefits are as follows:

	2019	2018
Accrued Benefit Obligation, beginning of year	\$ 702,300	\$ 746,900
Current Service Cost	95,600	99,700
Interest Cost	25,300	24,500
Employer Contributions	(61,900)	(58,300)
Actuarial loss/(gain)	67,800	(110,500)
Accrued Benefit Obligation, end of year	\$ 829,100	\$ 702,300
Unamortized net actuarial loss/(gain)	(48,600)	16,700
Accrued Benefit Liability	\$ 780,500	\$ 719,000

The most recent actuarial valuation of the City's employee benefit obligation was calculated as at July 31, 2019 and was extrapolated to December 31, 2019.

The significant actuarial assumptions used in measuring the City's accrued benefit obligations include estimated future wage increases and the following.

	2019	2018
Discount Rate	2.70%	3.30%
Expected Future Inflation Rate	2.00%	2.00%
Expected Average Remaining Service Life	11 years	11 years

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

8. Development Cost Charges

	Balance December 31, 2018	Developer Contributions (Refunds)	Interest Earnings	Capital Expenditures	Balance December 31, 2019
Major Roads	\$ 4,278,258	\$ 245,165	\$ 74,785	\$ -	\$ 4,598,208
Minor Roads	2,711,673	79,673	49,101	-	2,840,447
Sewer	164,425	21,200	2,447	-	188,072
Water	123,657	27,679	1,499	(13,318)	139,517
Drainage	1,118,234	(37,548)	18,062	(7,401)	1,091,347
Parks	3,676,924	200,004	61,825	(10,984)	3,927,769
	\$ 12,073,171	\$ 536,173	\$ 207,719	\$ (31,703)	\$ 12,785,360

9. Debt

The City obtains debt financing through the Municipal Finance Authority (MFA) in accordance with the Community Charter to finance certain capital expenditures. Sinking fund balances managed by the MFA are offset against related long term debt.

Bylaw	Purpose	Maturity Date	Interest Rate	Authorized	Repayments & Actuarial Adjustments	2019	2018
2368	Civic Centre Parkade	2035	3.73%	\$ 2,600,000	\$ 660,696	\$ 1,939,304	\$ 2,024,746
2408	Arena Acquisition	2025	3.73%	2,175,000	1,149,523	1,025,477	1,174,133
2429	Community Centre	2033	2.00%	3,141,602	1,021,020	2,120,582	2,277,661
				\$7,916,602	\$2,831,239	\$ 5,085,363	\$ 5,476,540

Future principal repayments on net outstanding debt over the next five years and thereafter are as follows:

Year	Amount
2020	\$ 400,542
2021	410,280
2022	420,408
2023	430,941
2024	441,896
Thereafter	2,981,296
	\$ 5,085,363

The City paid \$159,830 in interest on long-term debt during the year (2018 - \$171,976)

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

10. Tangible Capital Assets

Year ended December 31, 2019

Asset Category	Cost					Accumulated Amortization				
	Balance Beginning of Year	Additions	Disposals	Construction in Progress Transfer	Balance End of Year	Balance Beginning of Year	Amortization	Disposals	Balance End of Year	Net Book Value
Buildings	\$ 34,658,801	\$ 374,560	\$ 76,642	\$ 123,473	\$ 35,080,192	\$ 16,346,882	\$ 1,199,311	\$ 44,258	\$ 17,501,935	\$ 17,578,257
Drainage Infrastructure	32,485,983	163,896	38,967	-	32,610,912	11,852,624	616,948	12,875	12,456,697	20,154,215
Diking Infrastructure	12,026,612	-	-	-	12,026,612	-	-	-	-	12,026,612
Equipment and Furnishings	7,848,532	698,366	79,121	6,989	8,474,766	4,390,954	545,575	68,576	4,867,953	3,606,813
Land	51,250,042	-	-	-	51,250,042	-	-	-	-	51,250,042
Land Improvements	9,124,986	60,548	-	111,175	9,296,709	3,907,911	391,989	-	4,299,900	4,996,809
Leasehold Improvements	1,302,970	-	-	-	1,302,970	879,505	130,297	-	1,009,802	293,168
Other Infrastructure	5,378,190	11,281	-	-	5,389,471	1,071,762	91,977	-	1,163,739	4,225,732
Road Infrastructure	46,567,355	1,002,377	207,870	776,415	48,138,277	23,905,553	1,338,217	148,216	25,095,554	23,042,723
Sewer Infrastructure	14,906,192	314,943	164,891	313,066	15,369,310	5,719,326	218,702	79,207	5,858,821	9,510,489
Vehicles	5,635,692	802,817	276,153	-	6,162,356	3,538,822	341,121	276,151	3,603,792	2,558,564
Water Infrastructure	35,519,899	441,284	272,964	1,054,412	36,742,631	13,893,065	653,812	254,028	14,292,849	22,449,782
Construction in Progress	5,170,960	5,811,899	12,568	(2,385,530)	8,584,761	-	-	-	-	8,584,761
TOTAL	\$ 261,876,214	\$ 9,681,971	\$ 1,129,176	\$ -	\$ 270,429,009	\$ 85,506,404	\$ 5,527,949	\$ 883,311	\$ 90,151,042	\$ 180,277,967

Year ended December 31, 2018

Asset Category	Cost					Accumulated Amortization				
	Balance Beginning of Year	Additions	Disposals	Construction in Progress Transfer	Balance End of Year	Balance Beginning of Year	Amortization	Disposals	Balance End of Year	Net Book Value
Buildings	\$ 34,446,915	\$ 298,866	\$ 124,620	\$ 37,640	\$ 34,658,801	\$ 15,195,272	\$ 1,196,380	\$ 44,770	\$ 16,346,882	\$ 18,311,919
Drainage Infrastructure	30,078,102	2,353,889	33,498	87,490	32,485,983	11,281,863	590,933	20,172	11,852,624	20,633,359
Diking Infrastructure	12,026,612	-	-	-	12,026,612	-	-	-	-	12,026,612
Equipment and Furnishings	5,955,598	761,935	119,401	1,250,400	7,848,532	4,106,139	392,943	108,128	4,390,954	3,457,578
Land	51,250,042	-	-	-	51,250,042	-	-	-	-	51,250,042
Land Improvements	9,081,787	46,644	7,702	4,257	9,124,986	3,525,660	383,770	1,519	3,907,911	5,217,075
Leasehold Improvements	1,302,970	-	-	-	1,302,970	749,208	130,297	-	879,505	423,465
Other Infrastructure	5,378,190	-	-	-	5,378,190	980,067	91,695	-	1,071,762	4,306,428
Road Infrastructure	46,281,793	391,375	105,813	-	46,567,355	22,662,041	1,349,325	105,813	23,905,553	22,661,802
Sewer Infrastructure	14,785,683	125,225	4,716	-	14,906,192	5,508,211	214,117	3,002	5,719,326	9,186,866
Vehicles	5,392,306	368,149	124,763	-	5,635,692	3,319,799	343,787	124,764	3,538,822	2,096,870
Water Infrastructure	34,113,843	1,619,105	322,267	109,218	35,519,899	13,501,700	614,792	223,427	13,893,065	21,626,834
Construction in Progress	2,738,473	3,921,492	-	(1,489,005)	5,170,960	-	-	-	-	5,170,960
TOTAL	\$ 252,832,314	\$ 9,886,680	\$ 842,780	\$ -	\$ 261,876,214	\$ 80,829,960	\$ 5,308,039	\$ 631,595	\$ 85,506,404	\$ 176,369,810

Contributed tangible capital assets (including transportation, drainage, water and sanitary sewer assets) have been recognized as contributions at fair market value at the date of construction. In 2019, the City did not receive any contributed assets, (2018 - \$0).

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

11. Accumulated Surplus

Accumulated Surplus includes the Investment in Tangible Capital Assets, Current Year Surplus and Statutory Reserves as follows:

	2019	2018
Current Year Surplus (Deficit)		
General Fund	\$ 337,171	\$ 356,718
Water Fund	(236,704)	(207,411)
Sewer Fund	26,403	79,416
Drainage Fund	(15,187)	(49,803)
Solid Waste	33,582	32,903
Appropriated Surplus		
Statutory Operating Reserves	3,784,396	3,918,863
Statutory Capital Reserves	27,691,942	24,070,761
	31,621,603	28,201,447
Investment in Tangible Capital Assets	175,192,605	170,893,270
Total Accumulated Surplus	\$ 206,814,208	\$ 199,094,717

12. Municipal 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, 2018, the plan has about 205,000 active members and approximately 101,000 retired members. Active members include approximately 40,000 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, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The City paid \$702,775 (2018 - \$651,679) for employer contributions while employees contributed \$605,699 (2018 - \$568,845) to the plan in fiscal 2019.

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

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

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

13. Contingent Liabilities and Commitments

Contingent Liabilities

- a) The City is a member of the Municipal Insurance Association (MIA), which operates under a reciprocal insurance exchange agreement. The main purposes of the exchange agreement are: (1) to pool the risk of third party liability claims against member municipalities (approximately 170) in order to allow for stable financial planning related to those liability claims; and (2) to engage in broad risk management strategies to reduce accidents or occurrences that may result in liability claims against the City. The City is assessed an annual premium by MIA based on factors such as population, administrative costs, premium tax and re-insurance costs. MIA is subject to financial oversight by the Provincial Government.
- b) The City self insures for certain potential financial losses arising from the penetration of water into building envelopes ("leaky buildings") and acts of terrorism, for any claims made after January 1st, 2002.
- c) The City has been named defendant in a number of claims that are currently pending. In determining their estimated exposure the City has relied upon their understanding of the claims, including activities undertaken by the other parties, as well as discussions with legal counsel. In the opinion of management, the amount of any loss from these claims cannot be reasonably estimated, nor can the likelihood of their outcomes be known at this time. Therefore, management has made no provision for these claims and any future settlement will be accounted for in the year of settlement.
- d) As at December 31, 2019 there were various property assessment appeals pending. The outcome of those appeals may result in adjustments to property taxes receivable for the current and prior years. The City has made no specific provision for these appeals as the outcome is indeterminable. Management does not expect any material adjustments to occur from appeals.
- e) The City is a member of E-Comm, an organization comprised predominately of member municipalities, for the purpose of providing emergency dispatch services. The City is represented on the board, and as a Class 'A' shareholder has voting rights should the organization want to incur additional debt. The E-Comm facility was constructed using debt as a financing mechanism and members are liable for a proportionate share of that debt. This debt is repaid by members through annual fees charged by E-Comm. Should E-Comm dissolve, members would be liable for a proportionate share of any residual debt. Alternatively should a member choose to opt out of E-Comm, they would be liable for a proportionate share of debt at the time of withdrawal.
- f) The City has a contingent liability with respect to debentures of the Greater Vancouver Water District, Greater Vancouver Sewerage and Drainage District and Metro Vancouver, to the extent provided for in their respective Enabling Acts, Acts of Incorporation and Amending Acts. Management does not consider payment under this contingency to be likely and therefore no amounts have been accrued.

Commitments

- g) The City has a long-term service agreement with another organization for the provision of fire and public works dispatch services. This agreement has an annual cost of approximately \$36,000 and will expire on December 31, 2024.
- h) The City leases approximately 12,200 square feet of space at 12059 Harris Road, Pitt Meadows for the Pitt Meadows Library. The lease commenced March 1, 2012 for a term of ten years. The annual minimum rent is \$151,000 and is subject to annual CPI increases in the second five year period of the term.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

13. Contingent Liabilities and Commitments (continued)

Commitments (continued)

- i) The City has an Operating and Maintenance Agreement with Nustadia Recreation Inc. for the operation and maintenance of the Pitt Meadows Arena. The agreement was effective May 1, 2011, with an initial term of five years and four optional renewal periods. The first of four renewal terms has been executed for the period May 1, 2016 to April 30, 2021. An annual management fee of \$100,000 is payable under the agreement (adjusted annually for inflation), with payments due in equal monthly installments.
- j) The City has a long-term service agreement with the Province of British Columbia for the provision of police services by the Royal Canadian Mounted Police with an annual cost of approximately \$3.9 million. The current agreement commenced April 1, 2012 with an expiry date of March 31, 2032.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

14. Government Transfers

	2019	2018
Federal Conditional		
Celebrate Canada	2,800	-
Community Infrastructure	-	9,492
National Disaster Mitigation–Flood Risk Assessment (Federal portion)	26,755	-
New Building Canada Fund – Pump Station Replacement (Fed. portion)	2,325,000	-
Provincial Conditional		
Active Communities	-	25,782
BC Hydro Beautification	16,047	-
Community Child Care Planning Program	6,000	-
Emergency Response Claim	-	22,033
Emergency Social Services	19,519	39,178
Evacuation Route Planning	22,453	-
ICBC Road Improvement Program	-	15,440
National Disaster Mitigation–Flood Risk Assessment (Prov. portion)	26,755	44,368
New Building Canada Fund – Pump Station Repl. (Prov. portion)	859,948	1,107,386
Other	18,657	12,597
Provincial Unconditional		
Climate Action Revenue Incentive Program	26,138	23,698
Small Communities	155,225	158,177
Traffic Fines	193,368	203,510
Regional Conditional		
TransLink Major Road Network	67,224	96,973
Other	2,081	9,470
Regional Unconditional		
Gas Tax	221,521	110,819
	\$ 3,989,491	\$ 1,878,918

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

15. Contractual Rights

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The City's contractual rights arise from contracts entered into for leases, licenses to occupy, grant funding agreements, service agreements, and developer contribution agreements.

Contractual Rights	2020	2021	2022	2023	2024	Thereafter
	\$5,933,236	\$562,525	\$562,798	\$556,293	\$555,771	\$1,049,466

16. Taxation and Other Levies

In addition to its own tax levies, the City is required to collect taxes on behalf of other taxing authorities, and remit to those authorities. Total taxes levied and remitted are as follows:

	2019	2018
Gross taxes levied on property	\$ 35,201,565	\$ 32,376,085
Taxes levied and collected on behalf of other jurisdictions:		
Provincial School Taxes	10,033,415	9,350,096
TransLink	1,933,626	1,699,701
British Columbia Assessment Authority	299,737	279,160
Greater Vancouver Regional District	349,380	310,943
Municipal Finance Authority of British Columbia	1,473	1,284
	12,617,631	11,641,184
Taxation Revenue	22,583,934	\$ 20,734,901

17. Budget

The budget amounts which are presented for comparative purposes reflect the statutory balanced budget as adopted by Council on April 2, 2019 per Financial Plan Bylaw No. 2818, 2019. The chart below reconciles the balanced statutory budget to the budget surplus reported on the Consolidated Statement of Operations:

	Budget Amount
Revenues	\$ 43,539,000
Expenses	35,424,264
Annual surplus per consolidated statement of operations	8,114,736
Add:	
Amortization	5,450,000
Transfers from reserves	12,756,600
Less:	
Capital expenditures	(25,930,136)
Debt principal repayments	(391,200)
Approved budget	\$ -

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

18. Segmented Information

For reporting purposes, City activities have been aggregated into functional segments based on the services each activity provides. The Segmented Disclosure Note (18(a)) reports the revenues and expenses that are directly attributable to each functional segment. The following describes the services included in each segment:

General Government Services

The General Government segment includes administration, legislative, financial, human resources, information technology and sustainability services. This also contains municipal property taxation and penalties and interest charged thereon, taxes in lieu, return on investments, and interest paid on development cost charge funds and tax prepayment accounts.

Protective Services

The Protective Services segment includes Police services provided by the RCMP and support services by the City of Maple Ridge, fire protection, bylaw enforcement, business licensing, building inspection, animal control and emergency program services.

Transportation Services

The Transportation Services segment includes engineering, operations administration, and roads maintenance services.

Utility, Solid Waste and Diking Services

The Utility, Solid Waste and Diking Services segment includes drainage, water, and sewer utility services, the solid waste collection and disposal service and diking services.

Parks, Recreation and Cultural Services

The Parks, Recreation and Cultural Services segment includes parks and recreation services provided by the City, Library services provided by the Fraser Valley Regional Library, and the operations of the Pitt Meadows Arena.

Development Services

The Development Services segment includes services for managing development and community planning.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

18 (a). Segmented Information – Segmented Disclosure

	2019 Actual						2019 Budget
	General Government Services	Protective Services	Transportation Services	Utility, Solid Waste and Diking Services	Development Services	Parks, Recreation and Cultural Services	Consolidated
Revenues							(Note 17)
Municipal Property Taxes	\$ 22,425,063	\$ -		\$ 158,871	\$ -	\$ -	\$ 22,583,934
Utility Charges	-	-	-	9,961,974	-	-	9,961,974
Sale of Services	42,112	27,756	37,846	150,222	952	2,172,754	2,431,642
Licenses, Permits, Penalties and Fines	-	494,058	1,127,512	30,736	364,557	24,505	2,041,368
Investment Income	672,942	-	-	-	-	-	672,942
Other Revenue	271,915	43,434	55	-	-	245,434	560,838
Government Transfers	570,114	42,585	67,224	3,271,452	6,000	32,116	3,989,491
Contributions	-	1,083	-	20,719	393,500	38,802	454,104
	23,982,146	608,916	1,232,637	13,593,974	765,009	2,513,611	42,696,293
Expenses							
Salaries and Benefits	2,921,173	2,063,567	1,083,562	1,391,232	790,995	2,039,059	10,289,588
Contracted Services	921,109	5,455,522	428,101	1,805,272	97,075	4,301,782	13,008,861
Supplies, Materials and Equipment	332,721	142,321	224,113	477,567	3,120	323,806	1,503,648
Purchase of Water and Sewer Levy	-	-	-	4,217,353	-	-	4,217,353
Amortization	668,152	147,400	1,655,204	1,492,913	-	1,564,280	5,527,949
Interest Charges	214,316	-	-	-	-	-	214,316
Loss (gain) on disposal	-	-	39,421	130,716	-	44,950	215,087
	5,057,471	7,808,810	3,430,401	9,515,053	891,190	8,273,877	34,976,802
Annual Surplus (Deficit)	\$ 18,924,675	-\$ 7,199,894	-\$ 2,197,764	\$ 4,078,921	-\$ 126,181	-\$ 5,760,266	\$ 7,719,491
							\$ 8,114,736

	2018 Actual						2018 Budget
	General Government Services	Protective Services	Transportation Services	Utility, Solid Waste and Diking Services	Development Services	Parks, Recreation and Cultural Services	Consolidated
Revenues							
Municipal Property Taxes	\$ 20,579,552	\$ -	\$ -	\$ 155,349	\$ -	\$ -	\$ 20,734,901
Utility Charges	-	-	-	9,407,352	-	-	9,407,352
Sale of Services	47,707	34,055	22,271	457,611	3,122	2,075,380	2,640,146
Licenses, Permits, Penalties and Fines	-	674,002	1,047,227	40,355	255,890	25,997	2,043,471
Investment Income	613,738	-	-	-	-	-	613,738
Other Revenue	239,562	40,539	6,220	6,913	-	227,846	521,080
Government Transfers	496,732	67,072	115,021	1,151,755	-	48,338	1,878,918
Contributions	7,736	1,858	17,400	3,946	2,400	31,076	64,416
	21,985,027	817,526	1,208,139	11,223,281	261,412	2,408,637	37,904,022
Expenses							
Salaries and Benefits	2,633,503	1,680,914	981,464	1,282,894	592,428	1,786,518	8,957,721
Contracted Services	1,133,602	5,095,550	842,059	1,664,437	56,077	4,197,487	12,989,212
Supplies, Materials and Equipment	299,141	133,331	162,519	519,203	4,929	218,798	1,337,921
Purchase of Water and Sewer Levy	-	-	-	4,006,082	-	-	4,006,082
Amortization	603,155	118,824	1,675,990	1,419,841	-	1,490,229	5,308,039
Interest Charges	219,445	-	-	5,110	-	-	224,555
Loss (gain) on disposal	-	-	(29,455)	113,879	-	97,229	181,653
	4,888,846	7,028,619	3,632,577	9,011,446	653,434	7,790,261	33,005,183
Annual Surplus (Deficit)	\$ 17,096,181	-\$ 6,211,093	-\$ 2,424,438	\$ 2,211,835	-\$ 392,022	-\$ 5,381,624	\$ 4,898,839
							\$ 7,440,691

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

19. Subsequent Event

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This situation presents uncertainty over the City's future cash flows, and may have a significant impact on the City's future operations. Potential impacts on the City's business could include future decreases in revenue and delays in completing capital project work. At the time of approval of these financial statements, the entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Experienced temporary declines in investment income
- Closure of facilities including recreation, library, and administrative buildings from March 16, 2020 to the date of the auditors' report based on public health recommendations. City hall remains operating but is closed to the public.
- Temporary and or permanent termination of employees
- Mandatory working from home requirements for those able to do so
- Instituted a number of cost-saving measures

As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the City is not practicable.

20. Comparative Figures

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

City of Pitt Meadows

Audit Findings Report
for the year ended
December 31, 2019

KPMG LLP

DATED APRIL 27, 2020 FOR DISCUSSION AT
THE COUNCIL MEETING ON MAY 5, 2020

kpmg.ca/audit



ATTACHMENT C

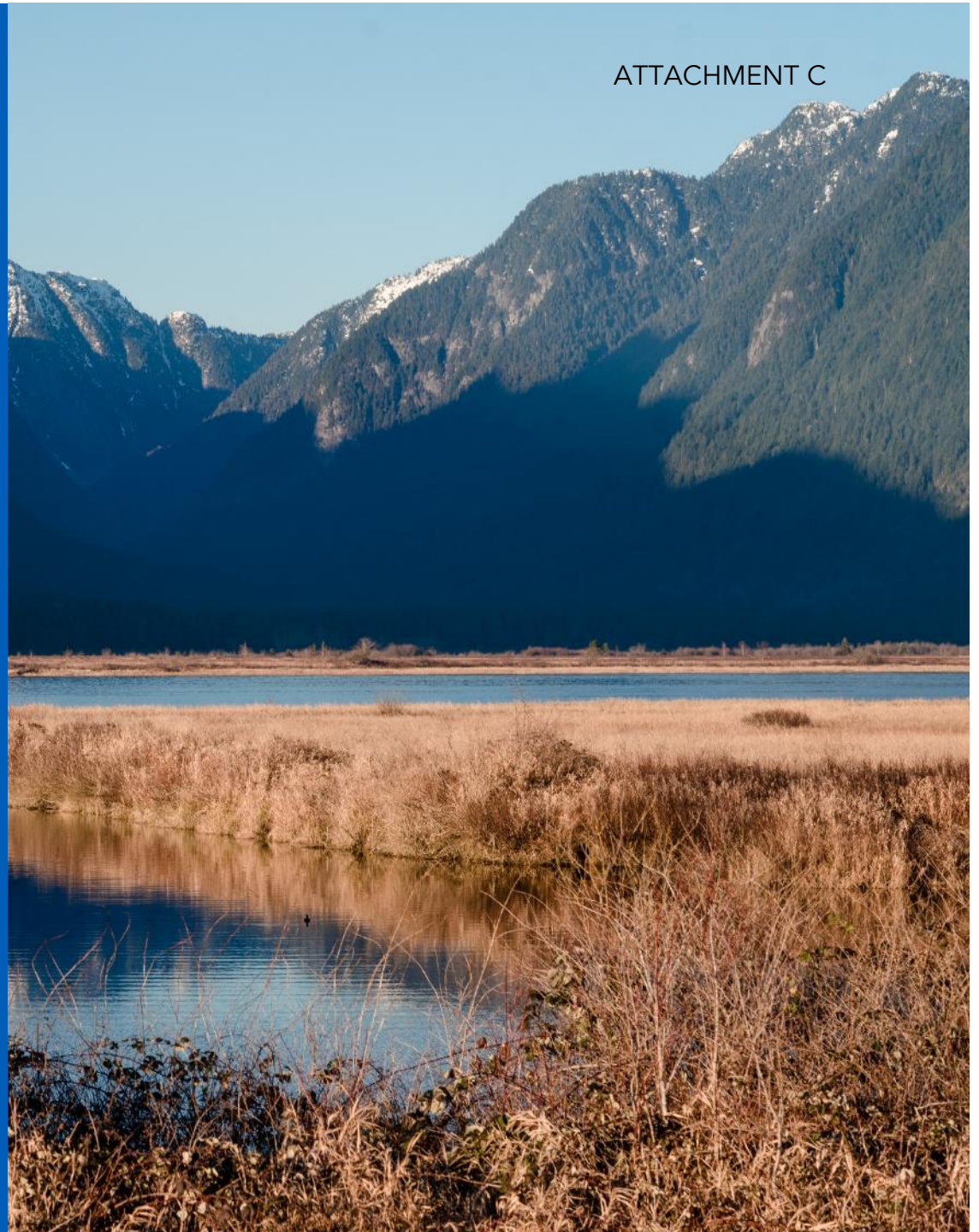


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BRITISH COLUMBIA MUNICIPALITY TCA DATA	10
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At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours**.



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Executive summary



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 (hereinafter referred to as the “financial statements”) of the City of Pitt Meadows (the “City”) as at and for the year ended December 31, 2019.

This Audit Findings Report builds on the Audit Planning Report dated January 6, 2020 that was previously communicated to you,



Changes from the Audit Plan

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

In addition to the planned audit procedures, we also considered the impact of COVID-19 on the financial statements. See page 4 for further details.



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 amongst others:

- 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.



Executive summary (continued)



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:

- Subsequent event – impact of COVID-19 on the financial statements and operations
- Development cost charges
- Payroll and other operating costs
- Fraud risk from management override of controls

We are satisfied that our audit work has appropriately dealt with these areas of focus.

See pages 4 to 6 for more details.



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.

We did not identify adjustments that were communicated to management and subsequently corrected in the financial statements.

We did not identify differences that remain uncorrected.

See Appendix 3.



Executive summary (continued)



Significant accounting policies and practices

There was no financial reporting impact of the new accounting standard PS 3430 *Restructuring Transactions* effective for the City's 2019 fiscal year. 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.



Control and other observations

In accordance with professional standards, we are required to communicate to the Council any control deficiencies that we determined, individually or in the aggregate, to be significant.

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

See page 8 for more details.



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, 2019 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.



Areas of audit focus and results

We highlight our findings in respect of areas of audit focus as identified in our Audit Planning Report. In addition to the planned audit procedures, we also considered the impact of COVID-19 on the financial statements.

Area of audit focus	Background
Subsequent events - impact of COVID-19 on the financial statements and operations.	Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant impact on the economy, governments, businesses, and communities. As such enhanced subsequent events procedures are warranted.

Our audit approach

There are two types of subsequent events, with the accounting treatment dependent on the categorization as follows:

- Events that provide future evidence of conditions that existed at the financial statement date. For these conditions, the financial statements should be adjusted for measurable impact to the assets, liabilities, revenues and expenditures.
- Events that are indicative of conditions that rose subsequent to the financial statement date. For these conditions, disclosures, at a minimum, should include a description of the event and an estimate of the financial impact, when practicable or a statement that an estimate cannot be made.

The COVID-19 outbreak is considered to be the second type for organizations with a December 31 year-end. The financial statements includes disclosure describing the nature of the event, and that an estimate of the financial impact of the outbreak cannot be made at this time.

We inquired with management about the impact of COVID-19 on the City and its operations. Management does not anticipate short-term cash flow issues as a result of reserves held.

See page 9 for further details on COVID-19 resources.

Areas of audit focus and results (continued)

Area of focus	Why?	Our response and significant findings
Development cost charges ("DCC")	DCC charged by the City are recorded as a liability and recognized as revenue when the expenditures have been incurred.	<ul style="list-style-type: none"> - We updated our understanding of the processes and controls for DCC's. - We selected a sample of DCC charges, recalculated the total amount, agreed each factor in the calculation to supporting documentation (e.g. approved rates), and agreed the amount recorded to cash receipts or letters of credit. - We selected a sample of DCC expenditures and agreed the amount recorded to supporting documentation. - We selected a sample of permits and ensured that any related DCC have been recorded.
Payroll and other operating costs	The City incurs payroll and other operating costs which are significant expenses of the City's operations.	<ul style="list-style-type: none"> - We updated our understanding of the processes and controls over the payroll & procurement process. - We performed analytical procedures to understand the change in payroll and other operating expenses relative to the prior year. We corroborated all significant variances noted by reviewing supporting documentation. - We performed a search for unrecorded liabilities to ensure costs are recorded in the appropriate fiscal year.

Areas of audit focus and results (continued)

Professional requirements	Why is it significant?
Fraud risk from management override of controls.	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our audit approach
<p>Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:</p> <ul style="list-style-type: none">– Testing of journal entries and other adjustments;– Performing a retrospective review of significant estimates; and– Evaluating the business rationale of significant unusual transactions. <p>There were no issues noted in our testing.</p>



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.
- Section 3430 Restructuring Transactions is effective for the City's 2019 fiscal year. There was no impact on the financial statements from the adoption of the new accounting standard.
- There were no other changes in significant accounting policies.
- 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 transactions.



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.
- There was a subsequent events note disclosure describing the nature and impact of COVID-19 included in the financial statements.



Control and other observations



In accordance with professional standards, we are required to communicate to the Council any control deficiencies that we identified during the audit and have determined to be material weaknesses or significant deficiencies in ICFR.

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 financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the 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 the 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.

Resources in Response to COVID-19 Pandemic

Summary	Link
<p>Please visit our COVID-19 website for resources regarding the topics below. This site is being <u>updated daily</u> based on information being released by Federal, Provincial and Municipal news releases.</p> <ul style="list-style-type: none">— Business continuity guide— Immediate actions to take— Medium to long-term actions— Tax considerations and a summary of Federal and Provincial programs— Legal considerations— Financial reporting and audit considerations— Global perspectives	COVID-19 Alerts (Live Link)



British Columbia Municipality TCA Data

As part of the audit, there are certain key ratios and trends that we look at to assess audit risk and likelihood of error and/or misstatement. We share these ratios with the Council and management and welcome any questions. The underlying data used in preparing the key ratios and trends noted below was obtained from the 2018 annual reports made publicly available by municipalities.

See following pages for results.



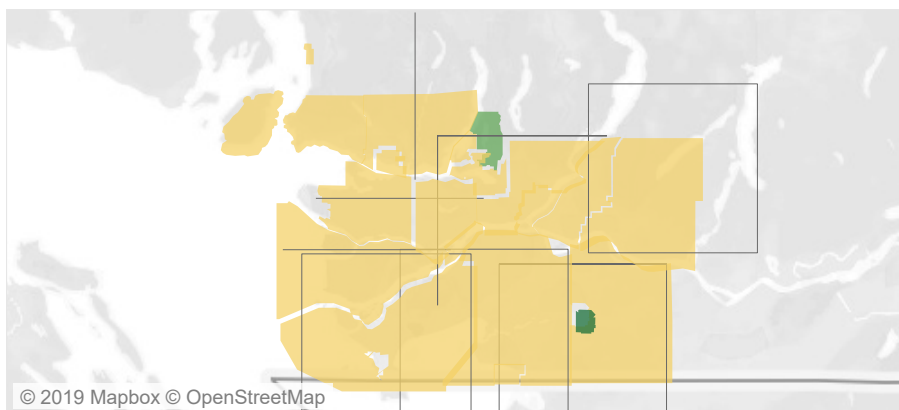
British Columbia Municipality TCA Benchmarking



Regional District
Metro Vancouver

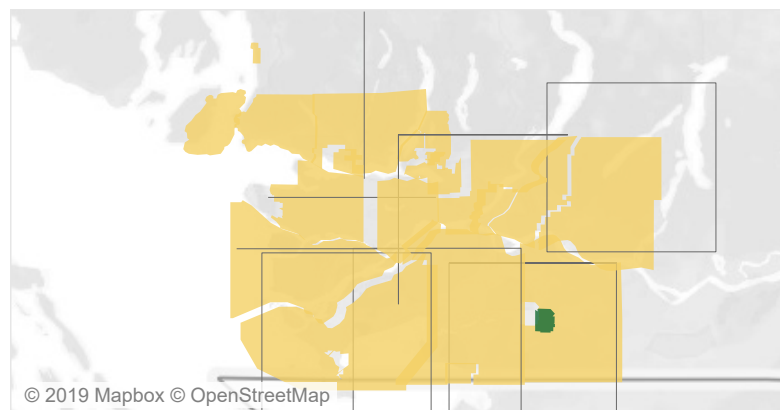
Population Range
All

Tangible Capital Assets per Capita



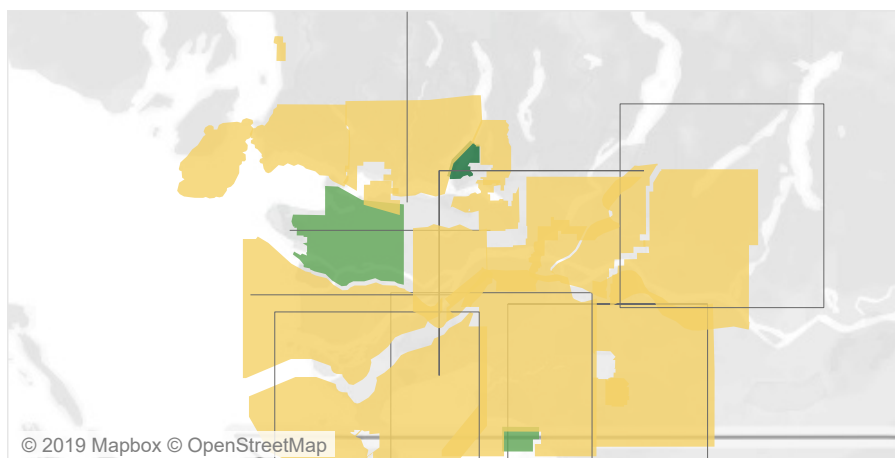
2,199 61,608

Additions per Capita



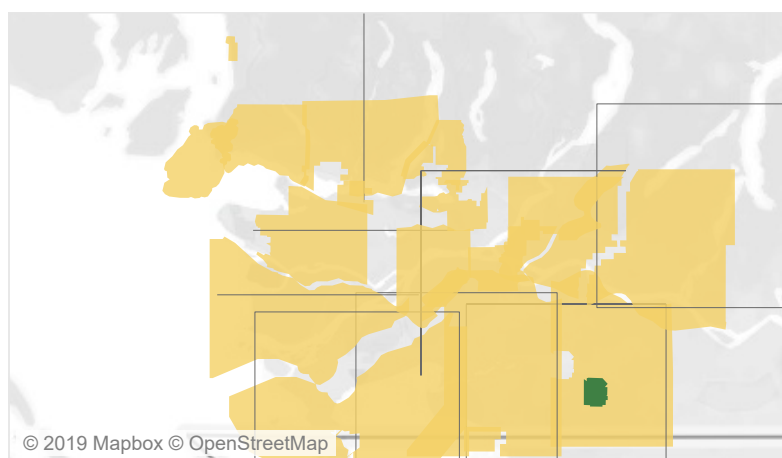
115 8,790

Debt to Tangible Capital Assets



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Amortization per Capita



48 1,363

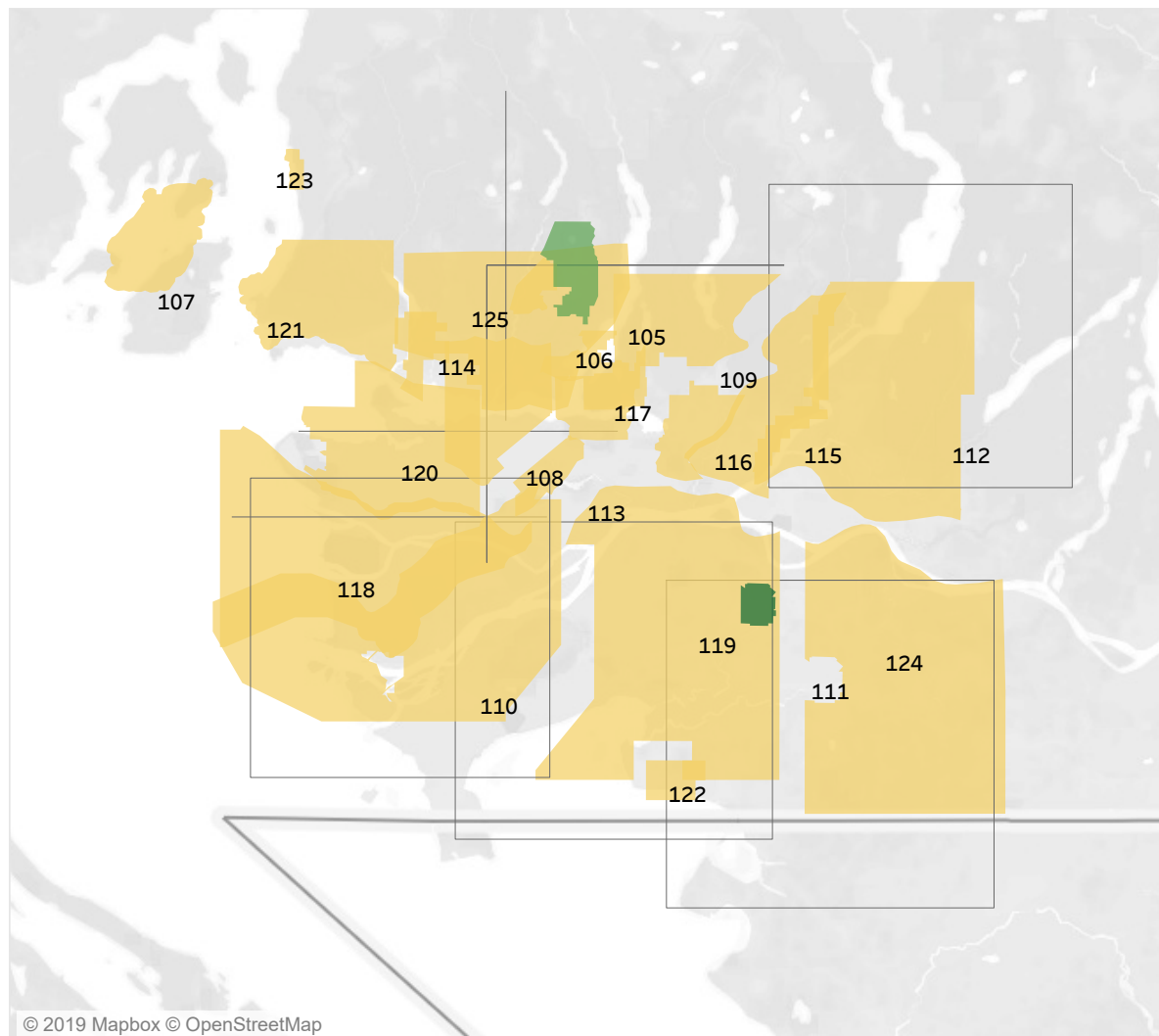
British Columbia Municipality TCA Benchmarking



Tangible Capital Assets per Capita

Regional District
Metro Vancouver

Population Range
All



Municipality

105	Village of Anmore
106	Village of Belcarra
107	Bowen Island Municipality
108	City of Burnaby
109	City of Coquitlam
110	City of Delta
111	City of Langley
112	City of Maple Ridge
113	City of New Westminster
114	City of North Vancouver
115	City of Pitt Meadows
116	City of Port Coquitlam
117	City of Port Moody
118	City of Richmond
119	City of Surrey
120	City of Vancouver
121	District Municipality of West Vancouver
122	City of White Rock
123	Village of Lions Bay
124	Township of Langley
125	The Corporation of the District of North Vancouver

2,199 61,608

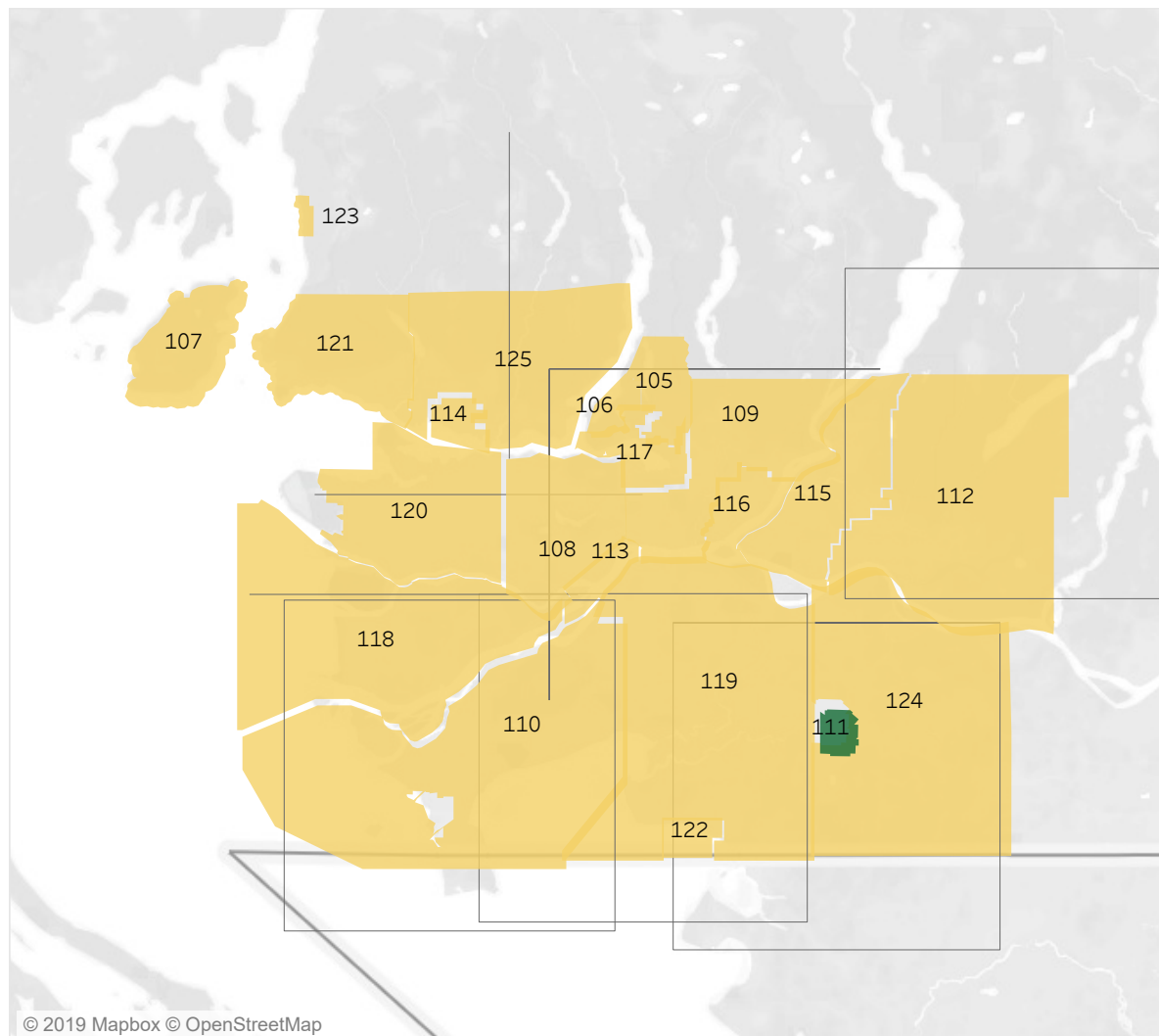
British Columbia Municipality TCA Benchmarking



Additions per Capita

Regional District
Metro Vancouver

Population Range
All



Municipality

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106	Village of Belcarra
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115 8,790

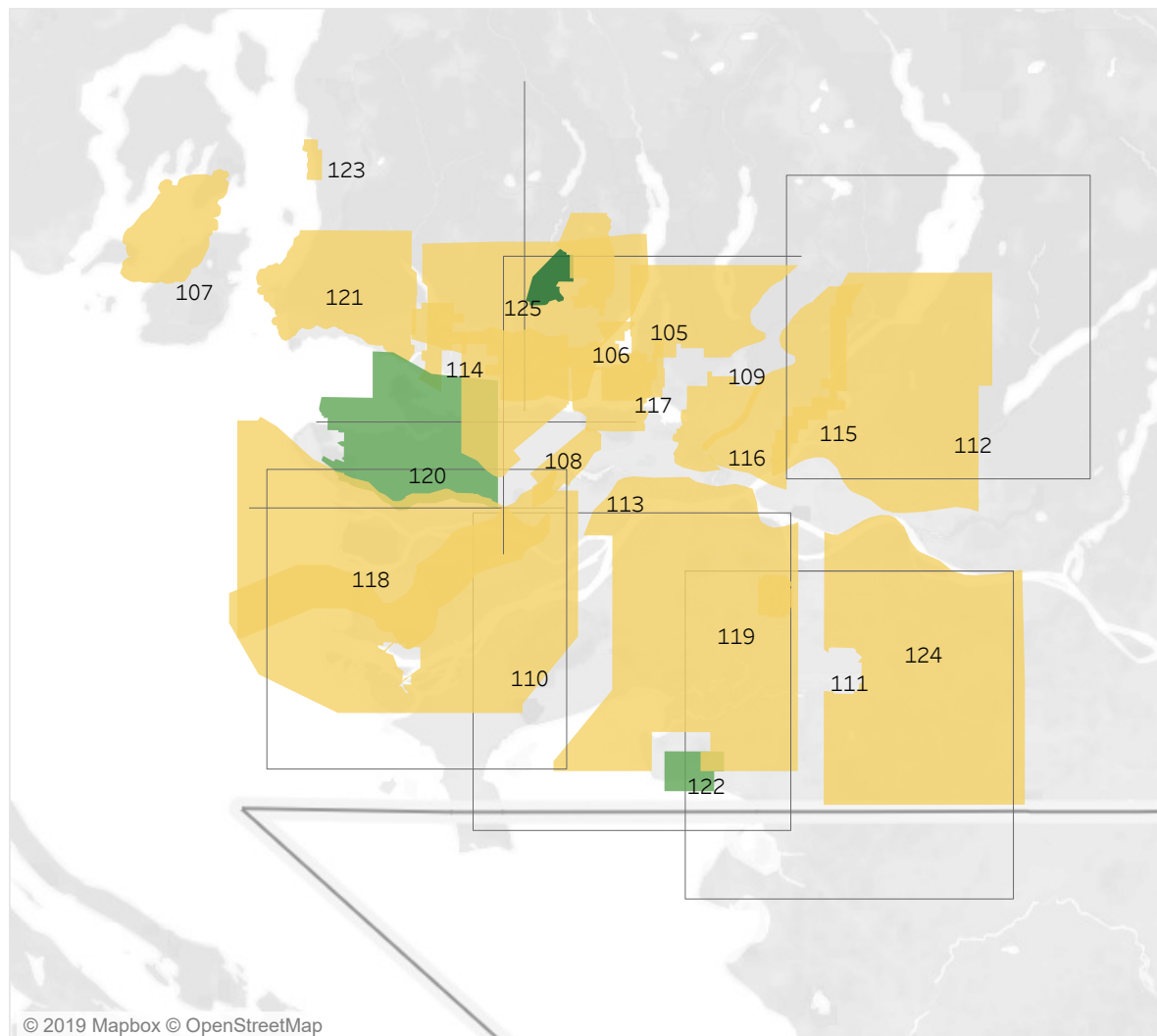
British Columbia Municipality TCA Benchmarking



Debt to Tangible Capital Assets

Regional District
Metro Vancouver

Population Range
All



Municipality

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106	Village of Belcarra
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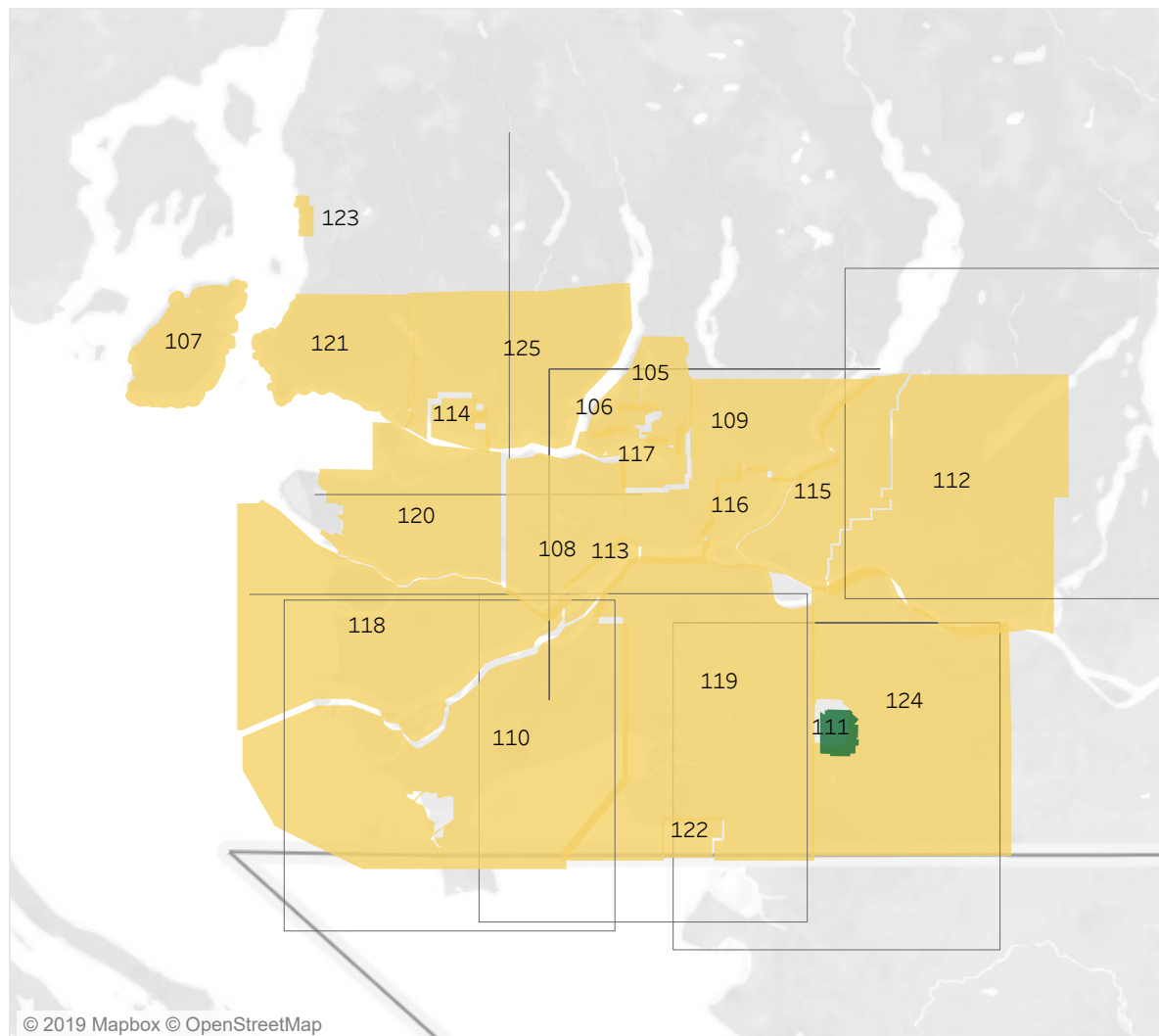
British Columbia Municipality TCA Benchmarking



Amortization per Capita

Regional District
Metro Vancouver

Population Range
All



Municipality

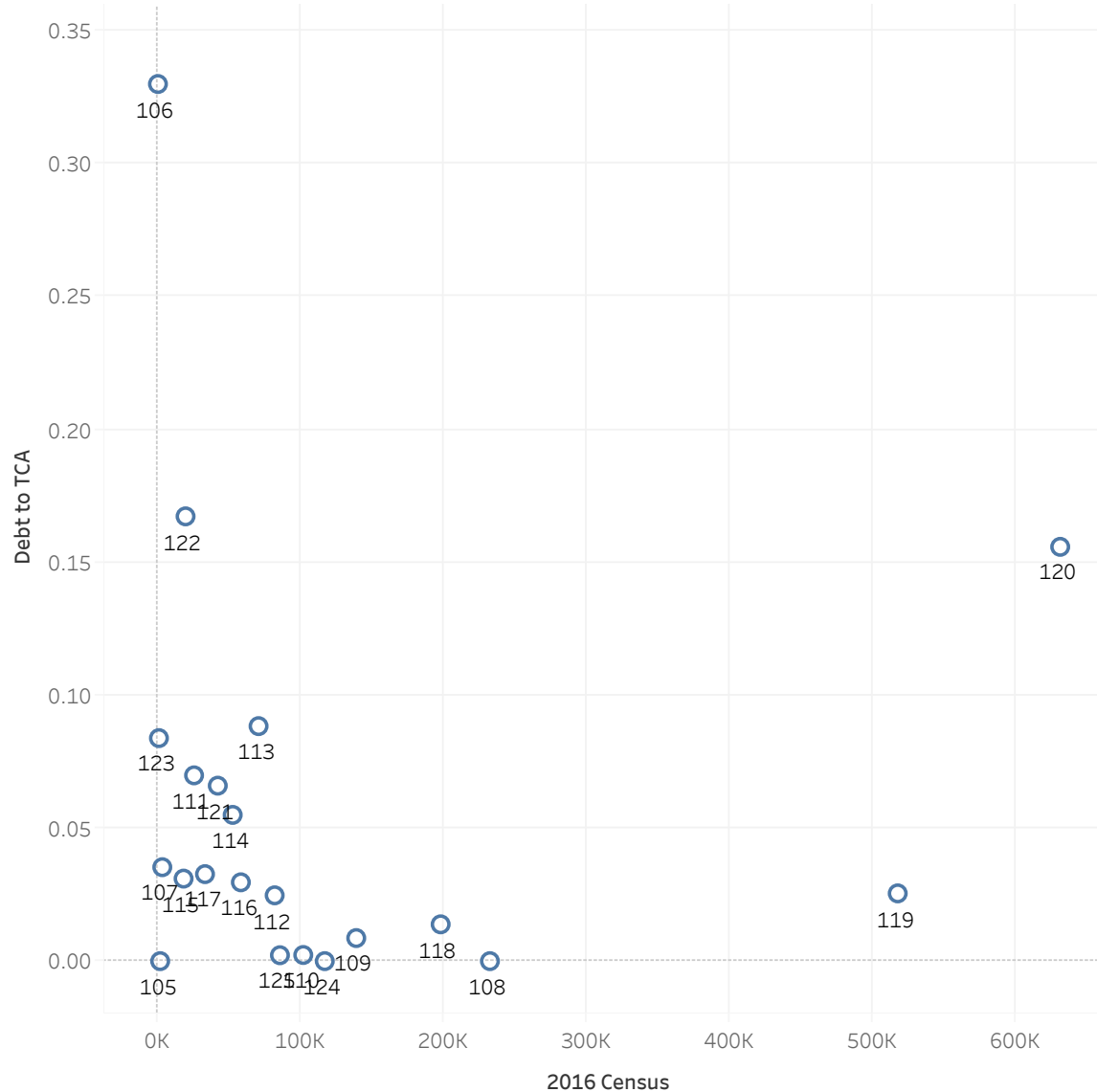
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48 1,363

British Columbia Municipality TCA Benchmarking



Debt to Tangible Capital Assets per Capita



Regional District

Metro Vancouver

Population Range

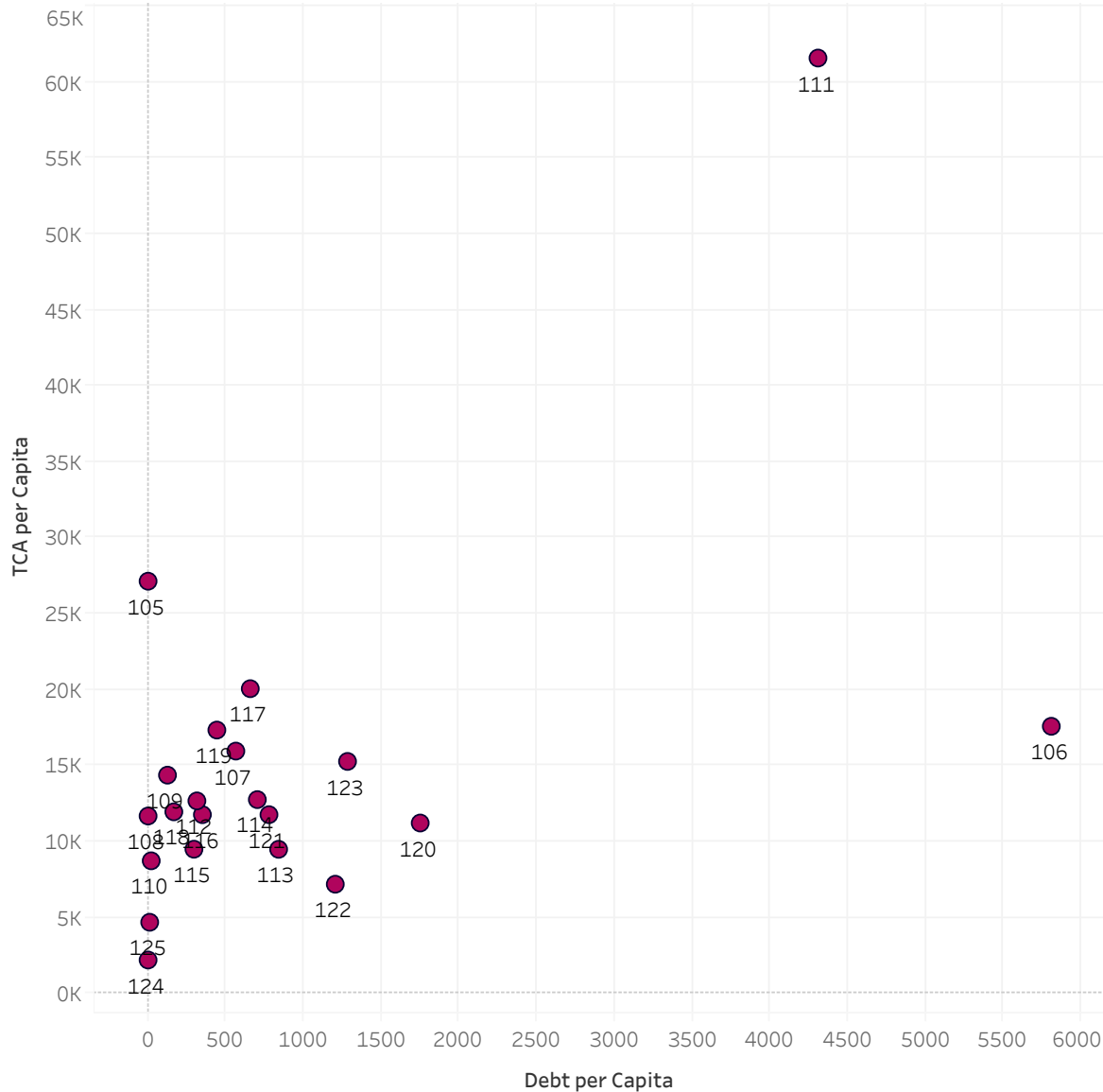
All

105	Village of Anmore
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115	City of Pitt Meadows
116	City of Port Coquitlam
117	City of Port Moody
118	City of Richmond
119	City of Surrey
120	City of Vancouver
121	District Municipality of West Vancouver
122	City of White Rock
123	Village of Lions Bay
124	Township of Langley
125	The Corporation of the District of North Vancouver

British Columbia Municipality TCA Benchmarking



Tangible Capital Assets per Capita to Debt per Capita



Regional District

Metro Vancouver

Population Range

All

105	Village of Anmore
106	Village of Belcarra
107	Bowen Island Municipality
108	City of Burnaby
109	City of Coquitlam
110	City of Delta
111	City of Langley
112	City of Maple Ridge
113	City of New Westminster
114	City of North Vancouver
115	City of Pitt Meadows
116	City of Port Coquitlam
117	City of Port Moody
118	City of Richmond
119	City of Surrey
120	City of Vancouver
121	District Municipality of West Vancouver
122	City of White Rock
123	Village of Lions Bay
124	Township of Langley
125	The Corporation of the District of North Vancouver



Appendices



Appendix 1: Required communications



Appendix 2: Audit quality and risk management



Appendix 3: Management representation letter



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 financial statements.



Management representation letter

In accordance with professional standards, a copy of the management representation letter is provided to Council in Appendix 3.



Independence

In accordance with professional standards, we have confirmed our independence on page 3.

Appendix 2: Audit quality and risk management



KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarizes the six key elements of our quality control system.

Visit our [Audit Quality Resources page](#) for more information including access to our most recent [Audit Quality Report](#).

Other controls include:

- Before the firm issues its audit report, the Engagement Quality Reviewer reviews the appropriateness of key elements.
- Technical department and specialist resources provide real-time support to audit teams in the field.

We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.

We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.

We do not offer services that would impair our independence.



All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.

The processes we employ to help retain and develop people include:

- Assignment based on skills and experience;
- Performance evaluation;
- Development and training; and
- Appropriate supervision & coaching

We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.

Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 3: Management representation letter



MANAGEMENT REPRESENTATION LETTER

KPMG LLP
200 – 923 Mary Street
Chilliwack, BC V2P 4H7

May 5, 2020

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 financial statements of the City of Pitt Meadows' ("the Entity") as at and for the year ended December 31, 2019.

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 September 18, 2017 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 ("relevant information"), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - 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.

- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

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
 - otherswhere 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, short sellers, 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.
 - f) We have disclosed to you all information regarding investigations into possible fraud and/or non-compliance or suspected non-compliance with laws and regulations, including illegal acts, that we have undertaken at our discretion and completed, including the results of such investigations, and the resolution of the matters, if any, identified in such investigations.

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.

Other information:

- 11) We confirm that the final version of the 2019 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:

- 12) 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).
- 13) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

CITY OF PITT MEADOWS

By: Mark Roberts, Chief Administrative Officer

By: Cheryl Harding, Director of Financial Services

Cc: Mayor and 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. 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 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, including the omission of an amount or a disclosure.



kpmg.ca/audit



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