

## 2024 Consolidated Financial Statements

**Recommendation:**

**THAT Council approve the 2024 Consolidated Financial Statements.**

**Report Purpose and  
Summary Statement:**

The purpose of this report is to present the Consolidated Financial Statements (the "Statements") for the fiscal year ended December 31, 2024.

The 2024 Statements have been prepared in accordance with Public Sector Accounting Standards ("PSAS") as mandated by the Public Sector Accounting Board ("PSAB"). The City's auditor, BDO Canada LLP ("BDO"), has conducted an audit of the Statements and issued a draft audit opinion indicating that the financial statements present fairly, in all material respects, the financial position and results of operations for the year ended December 31, 2024. In accordance with Canadian Auditing Standards, Council must approve the Statements before BDO can issue their final audit opinion.

**To:** Mayor and Council

**File number:**

## **2024 Consolidated Financial Statements**

### **BACKGROUND:**

The Financial Statements provide a comprehensive overview of the City's financial position at year-end and summarize its financial performance for the preceding year. As a retrospective document, the Statements are a key tool in assessing the City's fiscal health and overall financial well-being. The 2024 Statements have been prepared in accordance with PSAS. Notably, two new standards came into effect in 2024, and the attached Statements reflect the impact of these changes.

### **ANALYSIS:**

#### **Discussion:**

Financial reporting in local government plays a vital role in communicating the fiscal health and well-being of the community. Two key documents serve this purpose: the Financial Plan and the Financial Statements. While both are essential, they have distinct objectives and are governed by different rules, as outlined below:

The **Financial Plan** is a forward-looking document that outlines the City's planned expenditures and transfers to reserves for the next five years, along with the corresponding funding sources. Under the Community Charter, municipalities are required to prepare a "balanced budget," meaning that total planned expenditures and transfers to reserves must not exceed total anticipated revenues or transfers from reserves. In simple terms, the Financial Plan answers the question: "What are we going to do and how are we going to pay for it?"

In contrast the **Financial Statements** are a retrospective document that provides a snapshot of the City's actual financial performance and position as of December 31. The Statements compare the City's actual financial performance to the activities identified in the Financial Plan. Under the Community Charter, municipalities must prepare their Financial Statements in accordance with generally accepted accounting principles (GAAP) for local governments, as established by PSAB.

The differing objectives of the Financial Plan and the Financial Statements, combined with the different rules guiding their preparation, can easily result in confusion when trying to compare the two documents. For example, the Financial Plan treats transfers to and from reserves as transactions, while the Financial Statements, at the summary consolidated level, do not include transfers as they take place within the corporate entity, therefore this information is provided in the Notes to the Statements. Understanding such differences is key when reviewing the City's financial results.

## New accounting standards under PSAB

In 2024 two new accounting standards came into effect as follows:

1. PS3160 - Public private partnerships

Effective January 1, 2024, the City adopted PS3160 which guides the accounting treatment of instances when a public sector entity acquires infrastructure through a partnership with the private sector, where the private sector partner is responsible for acquisition, financing, and maintaining the infrastructure. At this time, the City does not have any agreements that meet the criteria outlined in the standard.

2. PS3400 – Revenue

Effective January 1, 2024, the City adopted PS3400 which provides guidance on recognition, measurement, and presentation for certain revenue streams. Specifically, the standard separates revenues into streams referred to exchange or non-exchange.

To adopt this standard City staff reviewed all revenue streams to ensure that our recognition practices aligned with the new requirements and made changes where needed. The main changes related to the timing of revenue recognition for Amenity Charges, In-Trust collections and other similar revenue streams. Previously the City treated these collections as restricted earnings, so like DCC's, they were reported as a liability until approved works were completed, at which time the liability was drawn down and revenue was recognized. With the adoption of PS3400, all previously collected charges were recognized as user fees in 2024 and then transferred to reserves. Monies in the reserve will continue to be expended in accordance with the City's policies and bylaws.

## Components of the Financial Statements

There are several key components and terms used in the Financial Statements defined here for purposes of reviewing the statements themselves. The City's Financial Statements are comprised of the following:

- Statement of Financial Position
- Statement of Operations
- Statement of Remeasurement Gains and Losses
- Statement of Change in Net Financial Assets
- Statement of Cash Flow
- Significant Accounting Policies
- Notes to the Financial Statements
- Segment Report
- Schedule of Tangible Capital Assets (Schedule 1)
- Schedule for Growing Communities Fund Grant (Schedule 2)

Additionally, significant terms for interpretation of the Financial Statements are outlined below:

- **Net Financial Position:** is calculated as financial assets less liabilities. This provides a snapshot of where the City stood financially in terms of the resources it held and the amounts it owed on December 31, 2024. If Net Financial Position is negative, it is referred to as Net Debt and indicates revenues that will be collected in the future are needed to pay for liabilities that already exist. If it is positive, it is referred to as Net Financial Assets and may indicate a greater degree of flexibility.
- **Accumulated Surplus:** is calculated as the City's assets (both financial and non-financial) less liabilities and net of remeasurement gains and losses. It represents the net economic resources available for service provision. The largest element comprising this number is the value of our tangible capital assets, the physical assets used in day-to-day service provision, meaning the Accumulated Surplus balance does not represent a source of cash available to finance our day-to-day operations.
- **Annual Surplus:** is calculated as the difference between annual revenues and expenses, as reported on the Statement of Operations. It is important to keep in mind that items included in revenue do not necessarily represent cash received during the year. For example, the value of contributed tangible capital assets is reported as a revenue but does not represent cash the City received. On the expense side, only the annual cost of using those assets is recognized through amortization. The amounts expended for capital investment or renewal is not included, nor is the value of infrastructure contributed to the City through development. This accounting requirement results in a large reported Annual Surplus but does not represent a cash surplus.
- **Accumulated Operating Surplus:** Is the City's accumulated surplus balance before considering the impact of Remeasurement Gains and Losses.

The Notes and Schedules to the Financial Statements provide additional information related to items found on the Statement of Financial Position and the Statement of Operations and are referenced on the respective line items of each of these statements.

Of note, Schedule 2 is an unaudited temporary schedule to the Financial Statements and meets the Provincial requirement to provide information regarding the use of the Growing Communities Funding received by the City in March of 2023.

#### Statement of Financial Position

The Statement of Financial Position provides information about the City's financial assets, liabilities, and its non-financial assets. One of the key indicators on this statement is the Net Financial Position. As noted above, it is calculated by subtracting our liabilities from our financial assets and is one piece of information available to assess the City's financial flexibility. As at December 31, 2024, the City had Net Financial Assets of approximately \$168 million, an increase of approximately \$24 million from 2023.

The increase can be attributed to an increase in cash and investments of \$5.4 million, an increase in asset retirement obligations of \$2.6 million, an increase in deferred revenue of \$3.8 million offset by a reduction in restricted revenues of \$18.7 million related to the adoption of PS3400 and a decrease in debt of \$4.3 million.

The other key indicator that appears on the Statement of Financial Position is the Accumulated Surplus. As noted above, this is the total of all assets (both financial and non-financial), less our liabilities, net of any remeasurement gains and losses. This number represents the net economic resources available for service provision. As at December 31, 2024, the City's Accumulated Surplus was approximately \$1.451 billion, as compared to \$1.376 billion in 2023, comprised of an Accumulated Operating Surplus of \$1.43 billion offset by Accumulated Remeasurement Losses of \$2.2 million. The remeasurement loss is the variation between cost and fair value of certain of the City's portfolio investments, it is not a cash loss.

### Statement of Operations

The Statement of Operations reports the City's revenues and expenses for the year. The difference between revenues and expenses is referred to as the Annual Surplus if positive, or the Annual Deficit if negative. It is important to note that accounting rules require us to include in revenue items, such as the value of infrastructure contributed to the City through development, but on the expense side we include only the cost of using those assets through amortization, not the value of the assets received. This requirement contributes to a reported Annual Surplus, that does not fully represent a cash surplus.

In 2024, City recognized contributed infrastructure with a value of \$29.2 million into revenue compared to \$14.4 million in 2023. The amortization expense recorded for these assets was approximately \$0.3 million. With the adoption of PS3400 in 2024, \$18.7 million of monies that had been collected in prior years and had been recorded as restricted revenues were brought into revenue as user fees, similarly \$2.6 million of current year collections were recorded as user fees and interest income that would previously have been recorded as restricted revenues and reported as a liability.

When the Financial Plan is prepared, we ensure that all planned sources of funding are equal to all planned uses of funding. This is referred to as a "Balanced Budget". However, not everything in the Financial Plan appears in the Statement of Operations. Some Financial Plan transactions, such as transfers to and from reserves, are eliminated from the summary Financial Statements as they are internal transactions. Other items are not included as they do not meet the definition of an expense. For example, our planned investment in tangible capital assets will result in an expenditure of resources, but not an expense. The annual cost of using our tangible capital assets, recorded as amortization, is an expense and is included on this Statement of Operations. Information about the difference between the Financial Plan and the Financial Statements is shown in Note 21 to the Financial Statements.

Consolidated Revenues: Budget \$286.8 million; Actual \$239.4 million

Not all monies the City receives are recorded as revenues at the time of payment. Monies, such as Development Cost Charges that are collected for specific works typically capital in nature, are recorded as restricted revenue and reported as a liability when received. It is only when we do the works funded from these sources that we draw down the liability and recognize the revenue. Until that occurs, the funds remain recorded as a liability.

In 2024, consolidated revenues were below budget by \$17.5 million. This is comprised of variances in several categories. The following highlights some of the key variances:

- User fees and other revenues exceed budget estimates by \$24 million. The primary driver for this increase relates to the change in revenue treatment for streams previously treated as restricted revenues. With the adoption of PS3400 \$18.7 million that had previously been recorded as a liability was recognized as User Fees and Other Revenue. As this represented previously collected cash, the adjustment did not represent an increase in cash.
- Government transfers exceed budget estimates by \$2.2 million, a result of receiving the first installment of \$4.8 million in funding from the Housing Accelerator Fund, offset by capital grants not meeting financial plan estimates. As grant funding for capital projects is recognized as the work is completed this does not represent a shortfall in expected grant funding.
- Development revenues were below budget estimates by \$58 million. This is due in large part to factors such as expenditures for DCC funded capital projects not being incurred and as noted previously, when this happens, those funds remain recorded as a liability for future recognition.
- Interest and investment income exceeded budget estimates by \$6.9 million as a result of increased interest rates available to us and higher than expected cash balances as a result of differences between expected and actual delivery of capital projects.
- There was a recorded loss of \$1.25 million on disposal of tangible capital assets. This occurs when assets are replaced before the end of their expected useful life and does not represent a cash loss.
- The value of contributed assets exceeded budget estimates by \$9.2 million. Noting that this represents the value of assets received as part of the development process, it does not represent cash received.

Consolidated Expenses – Budget: \$202.7 million; Actual \$193.4 million:

Expenses are comprised of general operating expenses for goods and services, labour, interest on debt, and amortization of our tangible capital assets. The actual cash expended to invest in the replacement or acquisition of assets is not reflected on this Statement.

In 2024, consolidated expenses were below budget by \$8.1 million. Some key items contributing to this variance include:

- RCMP contract costs below budget estimates by \$1 million.
- Approximately \$10 million in projects provided for in 2024 for which work will proceed or continue in 2025.
- General savings for goods and services of approximately \$3 million
- Labour costs below budget estimates by \$3.6 million.

The above savings were offset by the following:

- Amortization expense more than budget estimates by approximately \$5.3 million; a result of updated estimates not being available at the time the Financial Plan was adopted.
- Expenses of \$3.6 million related to changes in estimates related to the asset retirement obligation for the landfill.

#### Statement of Remeasurement Gains and Losses

The Statement of Remeasurement Gains and Losses shows the changes in the market value of the City's portfolio investments. For certain investments tied to market indices, we report their market value.

- If market value is higher than cost, it shows as a remeasurement gain
- If market value is lower than cost, it shows as a remeasurement loss

These changes do not affect cash flow as they are simply adjustments comparing cost to current market value. As of December 31, 2024, the City has an accumulated remeasurement loss of \$2,250,885. Future changes in market values will flow through the Statement of Operations. Both legislation and the City's investment policy emphasize safety of City investments and the risk of this remeasurement loss being realized is considered remote.

#### Statement of Change in Net Financial Assets

Defined above, net financial position is the difference between financial assets and liabilities. The change in net financial assets is explained by how the surplus or deficit in a year affects the net financial position. If we recognize more revenue than we expend, then the net financial position will increase, if expenditures exceed revenues, then it will decrease. In 2024, the City's financial position increased by \$23.8 million to \$168 million.

## Statement of Cash Flow

The Statement of Cash Flow explains the change in the balance of cash and cash equivalents for the year, showing the impact of various types of transactions on the cash balance. For example, the statement shows that the City invested \$52 million in cash to acquire or construct tangible capital assets. Additionally, the \$38.9 million decrease in portfolio investments represents the conversion of portfolio investments to cash.

## Segment Report

The Segment Report repeats the information found on the Consolidated Statement of Operations but breaks it down into a greater level of detail. On this report, City services have been segmented by grouping activities by function, as directed by PSAB. Where possible, revenues and expenses have been attributed to the appropriate reporting segment. Expenses have been broken down into the categories of goods and services, labour, debt servicing and amortization. The Segment Report allows us to see how much each segment contributes to the Annual Surplus before considering allocations of taxes and other municipal resources. As described earlier, Annual Surplus is the difference between annual revenues and expenses.

The following table shows the departments included in each segment:

Reporting Segments						
General Gov't	Protective Svc	Parks Recreation & Cultural	Planning; Public Health & Other	Transportation	Water	Sewer
Administration	Police	Parks	Planning	Engineering	Water	Sewer
Legislative Svc.	Fire	Leisure Svc	Recycling	Operations		
Economic Dev	Bylaws	Youth Svc	Cemetery	Drainage		
Communications & Public Engagement	Inspection Svc	Arts		Roads		
Finance	Emergency Svc					
Human Resources						
Information Technology						
Intergovernmental Affairs						

The above discussion focuses on the main statements included in the City's Consolidated Financial Statements. The following provides some detail on the Accumulated Surplus balance reported on the Statement of Financial Position.



## Accumulated Surplus

The Accumulated Surplus balance is further broken down in Note 15 to the Financial Statements. This note communicates the available balances in the General Revenue Funds and the Sewer and Water Utilities, the equity in the capital funds and the balances in the City's reserve funds and accounts. Additionally, this note discloses liabilities that will be settled over a longer period, such as the City's debt, employee future benefits and asset retirement obligations. The following table provides a summary of the City's available resources and liabilities:

		<b>2024</b>	<b>2023</b>
Operating Surplus	General	\$ 6,446,588	\$ 7,663,463
	Sewer	22,697,830	9,608,417
	Water	<u>16,932,706</u>	<u>11,881,526</u>
		46,077,124	29,153,406
Equity in capital funds	General	965,174,158	928,876,524
	Sewer	159,167,851	147,187,757
	Water	<u>155,945,182</u>	<u>154,215,961</u>
		1,280,287,191	1,230,280,242
Reserves	Funds	68,4789,549	67,983,907
	Accounts	<u>117,976,729</u>	<u>111,395,118</u>
		186,766,278	179,379,025
Future obligations	Debt	(34,467,441)	(38,761,184)
	Employee future benefits	(2,761,600)	(2,718,600)
	Asset retirement obligations	<u>(22,260,160)</u>	<u>(19,670,943)</u>
		(59,489,201)	(61,150,727)
Remeasurement loss		(2,250,885)	(1,313,040)
Accumulated Surplus		<u>\$1,451,330,507</u>	<u>\$1,376,348,906</u>

## **CONCLUSION:**

The 2024 Consolidated Financial Statements (the "Statements") have been prepared using the accounting standards and reporting model mandated by the Public Sector Accounting Board ("PSAB"). BDO Canada LLP ("BDO") has conducted an audit of the Financial Statements and has provided an opinion that the statements present fairly the financial results of 2024. To satisfy current Canadian Auditing Standards, Council must formally approve the Statements before BDO can issue their final audit opinion.

As noted previously, the City's Financial Statements represent a snapshot of the City's Financial Position on December 31, 2024. We ended 2024 with an Annual Surplus of approximately \$76 million, an Accumulated Surplus balance of \$1.45 billion, and Net Financial Assets of \$168 million.

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Accounting

## **Attachments:**

- (A) Draft 2024 Consolidated Financial Statements
- (B) 2024 Audit Findings Report

## Report Approval Details

Document Title:	2024 Financial Statements.docx
Attachments:	- 2024 Draft Consolidated Financial Statements.pdf - Maple Ridge F2024 Audit Findings Report.pdf
Final Approval Date:	Apr 30, 2025

This report and all of its attachments were approved and signed as outlined below:

Catherine Nolan, Deputy Chief Financial Officer

Trevor Thompson, Chief Financial Officer

Carolyn Mushata, Director of Legislative Services and Corporate Officer

Scott Hartman, Chief Administrative Officer