

AGENDA ITEM NO: 7.8

MEETING DATE: May 2, 2023

STAFF REPORT - COVER SHEET

SUBJECT: 2022 Audited Financial Statements Date: April 25, 2023
DEPARTMENT: Finance Prepared by: Glen Savard

1. SUMMARY OF ISSUE:

In accordance with Section 171 of the *Community Charter*, the municipal auditor must report to Council on the annual financial statements of the municipality. Mr. Sean Reid, CPA, CA, Partner with KPMG LLP, will provide a brief presentation to Council regarding the audit process and the opinion given by KPMG.

The 2022 financial statements have been prepared to the auditors' satisfaction in accordance with the CPA Canada Public Sector Accounting Handbook and Canadian accounting standards for public sector. They are prepared in a consolidated format, which includes the operations and financial position of the City, along with its subsidiaries, Chilliwack Economic Partners Corporation (CEPCO) and Tourism Chilliwack Inc. No misstatements were identified in the audit.

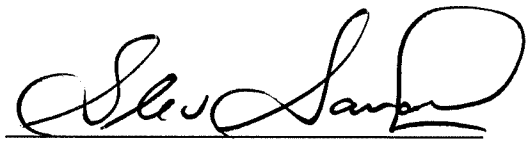
Overall, the City continues to be in a strong financial position and continues to invest and re-invest in infrastructure, while funding all capital infrastructure without debt, in accordance with a pay-as-you-go capital financing policy.

The Consolidated Statement of Operations and Accumulated Surplus outlines the annual revenues and expenses for the City. This statement contains the non-cash item "contributed tangible capital assets" which represents capital infrastructure (i.e. roads, sidewalks, street lights, water utility infrastructure, sewer utility infrastructure) that are constructed by developers as part of developments and "contributed" to the ownership of the City upon completion. These are recorded as revenues in accordance with accounting standards.

Development Cost Charges (DCC's) collected are treated as unearned revenues and shown on the Consolidated Statement of Financial Position under liabilities. In accordance with accounting standards, they are only recorded as revenue on the Consolidated Statement of Operations and Accumulated Surplus when the funds are expended on eligible projects as costs are incurred. As a result, it is customary that larger DCC revenue variances will be reported between the actual and budgeted amounts, as all eligible DCC planned projects do not always commence or complete by year-end. The variance is, therefore, mostly a result of project timing and are not reflective of the level of DCC's collected.

2. RECOMMENDATION:

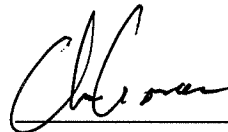
That the 2022 Audited Financial Statements of the City of Chilliwack be approved.

A handwritten signature in black ink, appearing to read "Glen Savard", written over a horizontal line.

Glen Savard, Director of Finance

**3. CHIEF ADMINISTRATIVE OFFICER'S
RECOMMENDATION/COMMENTS:**

Supports recommendation.

A handwritten signature in black ink, appearing to read "Chris Crosman", written over a horizontal line.

Chris Crosman, CAO

DRAFT Consolidated Financial Statements of

CITY OF CHILLIWACK

And Independent Auditors' Report thereon

Year ended December 31, 2022

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of City of Chilliwack

Opinion

We have audited the financial statements of City of Chilliwack (the "City"), which comprise:

- the consolidated statement of financial position as at December 31, 2022
- the consolidated statement of operations and accumulated surplus 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 financial position of the City as at December 31, 2022, and its results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 the City to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Chartered Professional Accountants

Chilliwack, Canada

City of Chilliwack**Consolidated Statement of Financial Position**

Year Ended December 31, 2022 with comparative information for 2021

	2022	2021
Financial Assets		
Cash (Note 2)	\$ 68,269,879	\$ 37,961,090
Portfolio investments (Note 2)	141,693,710	173,906,156
Accounts receivable (Note 3)	24,808,284	23,298,816
	<u>234,771,873</u>	<u>235,166,062</u>
Liabilities		
Accounts payable and accrued liabilities (Note 4)	41,415,295	43,842,472
Development cost charges (Note 5)	44,468,884	41,975,760
Unearned revenue	20,772,236	18,428,621
Refundable deposits	22,700,832	23,542,641
	<u>129,357,247</u>	<u>127,789,494</u>
Net Financial Assets	<u>105,414,626</u>	<u>107,376,568</u>
Non-Financial Assets		
Property under development (Note 6)	9,090,099	8,345,508
Tangible capital assets (Note 7)	877,118,573	857,595,351
Inventories	1,707,085	1,538,571
Prepaid expenses	3,213,117	3,852,271
	<u>891,128,874</u>	<u>871,331,701</u>
Accumulated Surplus (Note 9)	<u>\$ 996,543,500</u>	<u>\$ 978,708,269</u>

Contingent liabilities (Note 11)

Commitments (Note 13)

Contractual rights (Note 14)

Glen Savard, CPA, CGA

Director of Finance

See accompanying notes to consolidated financial statements

City of Chilliwack
Consolidated Statement of Operations and Accumulated Surplus
Year Ended December 31, 2022 with comparative information for 2021

	2022 Actual	2022 Budget (Note 15)	2021 Actual
Revenues			
Municipal taxation and grants-in-lieu of taxes	\$ 97,966,460	\$ 96,572,400	\$ 92,999,344
Government grants and transfers (Note 8)	16,952,148	11,063,330	13,486,342
Sale of services	51,718,960	45,748,214	46,223,122
Licences, permits, penalties and fines	5,013,351	4,096,000	5,123,746
Return on investments	3,967,252	1,190,360	2,306,452
Development cost charges	12,107,375	39,323,500	20,321,963
Contributed tangible capital assets (Note 7)	1,343,747	6,035,000	7,547,273
Other revenue	2,584,002	1,556,000	2,494,031
	191,653,295	205,584,804	190,502,273
Expenses			
General government services	13,220,128	12,734,550	11,492,201
Protective services	52,930,738	46,491,700	48,836,191
Engineering, transportation and public works services	29,705,276	36,353,500	26,621,984
Solid waste and environmental services	13,538,313	13,721,300	12,881,220
Water and sewer services	28,561,919	23,821,400	24,200,524
Parks, recreation and cultural services	26,578,244	30,056,050	24,122,689
Planning and development	6,811,208	8,853,224	8,137,074
Interest and other	618,240	251,600	348,408
	171,964,066	172,283,324	156,640,291
Annual Surplus Before Other Revenue (Loss)	19,689,229	33,301,480	33,861,982
Other revenue (loss)			
Loss on disposal of tangible capital assets	(1,853,998)	-	(1,255,113)
Annual Surplus	17,835,231	33,301,480	32,606,869
Accumulated Surplus, beginning of year	978,708,269	978,708,269	946,101,400
Accumulated Surplus, End of Year	\$ 996,543,500	\$ 1,012,009,749	\$ 978,708,269

See accompanying notes to consolidated financial statements

City of Chilliwack

Consolidated Statement of Change in Net Financial Assets

Year Ended December 31, 2022 with comparative information for 2021

	2022 Actual	2022 Budget (Note 15)	2021 Actual
Annual surplus	\$ 17,835,231	\$ 33,301,480	\$ 32,606,869
Acquisition of tangible capital assets	(44,995,188)	(117,728,000)	(52,466,282)
Acquisition of property under development	(744,591)	-	(4,663,548)
Contributed tangible capital assets	(1,343,747)	(6,035,000)	(7,547,273)
Amortization of tangible capital assets	24,730,743	17,462,535	23,881,341
Loss on disposal of tangible capital assets	1,853,998	-	1,255,113
Proceeds on disposal of tangible capital assets	230,972	-	338,918
	(2,432,582)	(72,998,985)	(6,594,862)
Change in inventories	(168,514)	-	175,667
Change in prepaid expenses	639,154	-	835,722
Change in net financial assets	(1,961,942)	(72,998,985)	(5,583,473)
Net financial assets, beginning of year	107,376,568	107,376,568	112,960,041
Net financial assets, end of year	\$ 105,414,626	\$ 34,377,583	\$ 107,376,568

See accompanying notes to consolidated financial statements

City of Chilliwack**Consolidated Statement of Cash Flows**

Year Ended December 31, 2022 with comparative information for 2021

	2022	2021
Cash provided by (used for):		
Operating Activities:		
Annual surplus	\$ 17,835,231	\$ 32,606,869
Non-cash items:		
Amortization of tangible capital assets	24,730,743	23,881,341
Developer contributions	(1,343,747)	(7,547,273)
Loss on sale of tangible capital assets	1,853,998	1,255,113
Change in non-cash assets and liabilities:		
Accounts receivable	(1,509,468)	(4,430,479)
Inventories	(168,514)	175,667
Prepaid expenses	639,154	835,722
Accounts payable and accrued liabilities	(2,427,177)	14,951,166
Development cost charges	2,493,124	(4,805,224)
Unearned revenue	2,343,615	4,736,551
Refundable deposits	(841,809)	1,316,192
	43,605,150	62,975,645
Capital Activities:		
Proceeds on disposal of tangible capital assets	230,972	338,918
Acquisition of tangible capital assets	(44,995,188)	(52,466,282)
Acquisition of property under development	(744,591)	(4,663,548)
	(45,508,807)	(56,790,912)
Investing Activities:		
Change in portfolio investments	32,212,446	(52,707,738)
	32,212,446	(52,707,738)
Increase (decrease) in cash	30,308,789	(46,523,005)
Cash, beginning of year	37,961,090	84,484,095
Cash, end of year	\$ 68,269,879	\$ 37,961,090

See accompanying notes to consolidated financial statements

General:

The Municipality was reincorporated as a City in 1999 by way of Letters Patent under the Municipal Act, now the Local Government Act, a statute of the Province of British Columbia. Its principal activities include the provision of local government services to the residents of the incorporated area. These services include administrative, protective, transportation, recreational, water, sewer and fiscal services.

1 Significant accounting policies:

(a) Basis of presentation:

It is the City of Chilliwack's (the "City") policy to follow accounting principles generally accepted for British Columbia local governments and to apply such principles consistently. These consolidated financial statements include the operations of the General, Water, Sewer and Reserve Funds and the City's wholly owned subsidiaries, Chilliwack Economic Partners Corporation ("CEPCO") and Tourism Chilliwack Inc. ("Tourism"). These consolidated statements have been prepared using standards issued by the CPA Canada Public Sector Accounting Handbook. All material interfund and intercompany accounts and transactions have been eliminated.

(b) Portfolio investments:

Portfolio investments are carried at amortized cost. If it is determined that there is a permanent impairment in the value of an investment, it is written down to net realizable value.

(c) Property under development:

Property under development is recorded at the lower of cost or net realizable value and includes direct costs attributable to the project plus any capitalized interest if incurred. The properties are tangible capital assets under development.

(d) Tangible capital assets:

Tangible capital assets are recorded on the basis of cost less accumulated amortization. Cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost is amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land	n/a
Land improvements	0-40
Buildings	40-50
Equipment	4-20
Vehicles	7-25
Engineering structures	10-100

Annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use. Infrastructure related tangible capital assets that are contributed from developers as part of a development project, are recorded at fair market value at the date of contribution and recorded in revenue as developer contributions. Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(e) Inventories:

Inventories of supplies are valued at the lower of cost and net realizable value, on a weighted average basis.

(f) Revenue recognition:

Revenues from municipal taxation, grants in lieu of taxes and utility charges are recognized when the levies are billed or billable to the property owner. Revenue from sales of services is recognized when the services are provided. Government grants are recognized when they are approved by senior governments and the conditions required to earn the grants have been completed. Development cost charges are recognized as revenue in the period the funds are expended on an eligible development project. Development cost charges collected, but not yet expended, are reported as an unearned revenue.

City of Chilliwack
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported amounts of revenues and expenses as at the date of the financial statements. Areas that contain estimates include assumptions used in estimating provisions for accrued liabilities, landfill post-closure liability, contingent liabilities, estimated useful lives of tangible capital assets and the value of assets contributed to the City.

Actual results could differ from these estimates.

(h) Contaminated sites:

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

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

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

2 Restricted assets:

The City has restrictions on the portfolio investments and cash available for operational use as follows:

	2022	2021
Cash	\$ 68,269,879	\$ 37,961,090
Portfolio Investments	141,693,710	173,906,156
	209,963,589	211,867,246
Less restricted for:		
Statutory Reserve Funds	22,960,547	24,884,663
Restricted Revenue	43,028,607	40,231,368
	65,989,154	65,116,031
Funds available for operational use	\$ 143,974,435	\$ 146,751,215

The investment portfolio includes bonds of chartered banks, the Government of Canada and provincial governments; deposits and notes of chartered banks, credit unions, the Government of Canada and provincial governments; and deposits in the Municipal Finance Authority short term investment pools.

3 Accounts receivable:

	2022	2021
Taxes	\$ 4,372,988	\$ 3,918,939
Province of British Columbia	3,182,916	2,755,770
Government of Canada	1,458,580	1,191,246
Regional and local governments	343,305	119,520
Trade receivables	4,670,817	4,653,722
Accrued interest	1,630,375	895,529
Water trade receivables	3,418,063	3,628,026
Sewer trade receivables	4,290,963	4,391,672
Development cost charges	1,440,277	1,744,392
	\$ 24,808,284	\$ 23,298,816

4 Accounts payable and accrued liabilities:

	2022	2021
Trade payables	\$ 18,152,599	\$ 21,677,489
Province of British Columbia	3,002,730	3,812,193
Government of Canada	13,056,667	12,430,969
Regional and local governments	2,172,099	1,120,621
Landfill closure and post-closure costs	5,031,200	4,801,200
	<u>\$ 41,415,295</u>	<u>\$ 43,842,472</u>

Landfill closure and post-closure costs:

The City has the responsibility for closure and post-closure care of the Bailey Landfill site. Potential costs related to closure activities at this site include drainage control, leachate monitoring, gas monitoring and recovery, and final ground cover. The landfill site is expected to require post-closure care for thirty years after its estimated closure in 2040. The liability amount of \$5,031,200 has been recorded by multiplying the estimated net present value of total remaining costs related to closure and post-closure care (\$9,231,400) by the cumulative capacity used (54.5%). This liability reduces as landfill restoration costs are incurred.

In addition, the City has appropriated a portion of accumulated surplus as a landfill reserve. The balance of \$11,530,809 (2021 - \$10,419,805) is appropriated for other landfill related costs and unforeseen closure and post-closure costs.

5 Development cost charges:

The development cost charge liability, reported as unearned revenue, represents funds received from developers for capital infrastructure expenditures required as a result of their development projects. As these funds are expended on eligible projects, the liability is reduced and the amount expended reported as revenue.

Developers are entitled to pay development cost charges (DCCs) in equal installments over two years if the total amount payable is equal to or greater than \$50,000. Installments due for the next two years are included in accounts receivable and are guaranteed by the developer by providing an irrevocable letter of credit payable to the City of Chilliwack for the remaining amount of DCCs owing. As at December 31, 2022, the amount of the DCCs due over the next two years is \$1,440,277 (2021 - \$1,744,392).

Assets are not physically segregated to meet the requirements of the restricted revenues. As related expenditures are incurred, revenue is recognized.

6 Property under development:

The property under development relates to projects of Chilliwack Economic Partners Corporation as follows:

	2022	2021
Canada Education Park	\$ 3,258,792	\$ 3,258,792
Downtown Redevelopment	5,831,307	5,086,716
	<u>\$ 9,090,099</u>	<u>\$ 8,345,508</u>

City of Chilliwack
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

7 Tangible capital assets:

	2022				
	Opening Cost	Additions	Disposals	Change - Under Construction	Closing Cost
General					
Land	\$ 150,642,264	\$ 2,419,944	\$ -	\$ -	\$ 153,062,208
Buildings	147,699,738	2,263,109	(2,062,546)	-	147,900,301
Equipment and vehicles	48,629,024	1,969,030	(641,966)	-	49,956,088
Engineering structures	422,777,774	22,518,142	(685,120)	-	444,610,796
Under construction	25,236,095	-	-	8,634,347	33,870,442
	794,984,895	29,170,225	(3,389,632)	8,634,347	829,399,835
Water					
Land	2,026,328	-	-	-	2,026,328
Buildings	27,173	-	-	-	27,173
Equipment and vehicles	4,057,269	197,938	(42,322)	-	4,212,885
Engineering structures	202,623,100	2,992,778	(72,439)	-	205,543,439
Under construction	2,006,384	-	-	2,090,832	4,097,216
	210,740,254	3,190,716	(114,761)	2,090,832	215,907,041
Sewer					
Land	1,643,155	-	-	-	1,643,155
Equipment and vehicles	3,200,266	10,923	-	-	3,211,189
Engineering structures	285,068,713	1,681,104	(35,236)	-	286,714,581
Under construction	912,528	-	-	1,543,293	2,455,821
	290,824,662	1,692,027	(35,236)	1,543,293	294,024,746
CEPCO					
Land	196,196	-	-	-	196,196
Buildings	5,377,524	11,292	-	-	5,388,816
Equipment	293,332	-	-	-	293,332
	5,867,052	11,292	-	-	5,878,344
Tourism Chilliwack					
Goodwill	6,120	-	-	-	6,120
Buildings	127,913	-	-	-	127,913
Equipment	220,455	6,207	-	-	226,662
	354,488	6,207	-	-	360,695
	\$ 1,302,771,351	\$ 34,070,467	\$ (3,539,629)	\$ 12,268,472	\$ 1,345,570,661

City of Chilliwack
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

7 Tangible capital assets (continued):

	Opening Accum. Amort.	2022 Amortization	Disposals	Ending Accum. Amort	NBV 2022	NBV 2021
General						
Land	\$ -	\$ -	\$ -	\$ -	153,062,208	\$ 150,642,264
Buildings	60,161,148	3,533,608	(287,094)	63,407,662	84,492,639	87,538,590
Equipment and vehicles	27,435,253	3,192,093	(587,919)	30,039,427	19,916,661	21,193,771
Engineering structures	177,182,489	8,616,223	(458,842)	185,339,870	259,270,926	245,595,285
Under construction	-	-	-	-	33,870,442	25,236,095
	264,778,890	15,341,924	(1,333,855)	278,786,959	550,612,876	530,206,005
Water						
Land	-	-	-	-	2,026,328	2,026,328
Buildings	4,875	1,949	-	6,824	20,349	22,298
Equipment and vehicles	1,397,025	426,392	(34,322)	1,789,095	2,423,790	2,660,244
Engineering structures	73,344,138	3,283,642	(52,156)	76,575,624	128,967,815	129,278,962
Under construction	-	-	-	-	4,097,216	2,006,384
	74,746,038	3,711,983	(86,478)	78,371,543	137,535,498	135,994,216
Sewer						
Land	-	-	-	-	1,643,155	1,643,155
Equipment and vehicles	1,478,812	213,697	-	1,692,509	1,518,680	1,721,454
Engineering structures	101,989,460	5,290,701	(34,322)	107,245,839	179,468,742	183,079,253
Under construction	-	-	-	-	2,455,821	912,528
	103,468,272	5,504,398	(34,322)	108,938,348	185,086,398	187,356,390
CEPCO						
Land	-	-	-	-	196,196	196,196
Buildings	1,608,391	152,159	-	1,760,550	3,628,266	3,769,133
Equipment	243,067	13,138	-	256,205	37,127	50,265
	1,851,458	165,297	-	2,016,755	3,861,589	4,015,594
Tourism Chilliwack						
Goodwill	-	-	-	-	6,120	6,120
Buildings	120,128	-	-	120,128	7,785	7,785
Equipment	211,214	7,141	-	218,355	8,307	9,241
	331,342	7,141	-	338,483	22,212	23,146
	\$ 445,176,000	\$ 24,730,743	\$ (1,454,655)	\$ 468,452,088	\$ 877,118,573	\$ 857,595,351

The fair value of tangible capital assets contributed to the City during the year is as follows:

	2022	2021
Engineering structures	\$ 1,263,547	\$ 2,788,648
Water	78,175	524,097
Sewer	2,025	490,742
Land	-	3,578,786
Building	-	165,000
	\$ 1,343,747	\$ 7,547,273

8 Government grants and transfers

Included in government grants and transfers are Federal Gas Tax Agreement Funds of \$3,745,554 (2021 - \$7,329,158).

Gas Tax funding is provided by the Government of Canada. The use of the funding is established through a funding agreement between the Municipality and the Union of British Columbia Municipalities. Gas Tax funding may be used towards designated public transit, local roads and bridges, community energy, water, wastewater, solid waste, disaster mitigation, amateur sport and recreation, culture, tourism and capacity building projects as specified in the funding agreement.

9 Accumulated surplus:

Accumulated surplus consists of individual fund surplus, statutory reserves and surplus invested in tangible capital assets as follows:

	2022	2021
Operating Funds		
Unrestricted:		
General	\$ 10,747,330	\$ 13,202,755
CEPCO	1,829,079	1,902,234
Tourism	1,110,827	870,732
Water Fund	3,350,000	3,250,000
Sewer Fund	3,560,000	3,560,000
Building - Protective Services	2,957	1,607,957
Landfill	11,530,809	10,419,805
Sewer future works	9,125,650	7,911,660
Water future works	10,896,923	12,236,558
Work-in-progress	10,635,500	8,862,500
Soil removal	450,976	486,016
Future property acquisition	-	937,036
Federal Gas Tax Agreement funds	12,735,704	12,424,054
Other	11,398,525	10,211,440
	87,374,280	87,882,747
Statutory Reserve Funds		
General Capital	15,605,524	18,846,459
Equipment Replacement	6,152,016	5,040,018
Subdivision Control	1,203,008	998,186
	22,960,548	24,884,663
Investment in Tangible Capital Assets & Property Under Development		
General	550,612,876	530,206,005
Water	137,535,498	135,994,216
Sewer	185,086,398	187,356,390
CEPCO	12,951,688	12,361,102
Tourism	22,212	23,146
	886,208,672	865,940,859
	\$ 996,543,500	\$ 978,708,269

10 Collections for other governments:

The City collects and remits taxes on behalf of other government jurisdictions as follows:

	2022	2021
B.C. Assessment Authority	\$ 1,336,956	\$ 1,168,225
Fraser Valley Regional Hospital District	3,447,450	3,358,192
Municipal Finance Authority	7,233	5,477
Ministry of Education	47,816,863	43,588,270
Fraser Valley Regional District	2,643,441	2,579,458
	\$ 55,251,943	\$ 50,699,622

These taxes are not included in revenues within the Consolidated Statement of Operations and Accumulated Surplus of the City.

11 Contingent liabilities:

- (a) The City, as a member of the Fraser Valley Regional District, is responsible for its proportion of any operating deficits or long term debt related to functions in which it participates. Any liability which may arise as a result will be accounted for in the period in which the required payment is made.
- (b) The City is currently engaged in certain legal actions. Of the claims the City is defending, certain claims are covered by the City's insurers and/or other parties. The City accrues for claims for which the amounts are known or can be reasonably estimated. The outcome of other claims is undeterminable at this time and, accordingly, no provision has been made for these actions.
- (c) 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, 2021, the plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 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 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 an unfunded actuarial liability.

The most recent actuarial valuation for the Municipal Pension Plan as of December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The City expensed \$3,106,376 (2021 - \$3,116,738) for employer contributions to the Plan in fiscal 2022.

The next valuation will be as at December 31, 2024, with results available in 2025.

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.

12 Fair value of financial assets and financial liabilities:

The fair value of the City's cash, accounts receivable, accounts payable, accrued liabilities and refundable deposits approximate their carrying amounts due to the immediate or short term maturity of these financial instruments.

The fair value of portfolio investments at December 31, 2022 was \$142,724,962 (2021 - \$176,999,939). Included in the fair market estimate is accrued interest of \$1,630,375 (2021 - \$895,529), which is reported within accounts receivable.

13 Commitments:

In 2004, the City of Chilliwack entered into a 25 year agreement with the Chilliwack Chiefs Development Group Ltd. (CDG) for the provision of community priority time in the Chilliwack Coliseum. As part of the agreement, the City pays \$400,000 annually to CDG for the operation of the facility and \$175,000 as a reimbursement for revenues collected directly by the City,

14 Contractual rights:

The City has entered into contracts for various property rentals and leases, and is scheduled to receive the following amounts under those contracts:

Year	Amount
2023	1,832,804
2024	1,645,016
2025	1,517,130
2026	1,017,046
2027	88,305
Thereafter	204,541
	\$ 6,304,842

City of Chilliwack
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

15 Budget figures:

The operating and capital budget figures, presented on a basis consistent with that used for actual results, were approved by Council as the 2022 Financial Plan Bylaw 2022, No. 5165. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	2022 Budget
Revenues	
Operating budget	\$ 189,381,400
Capital budget	
Development cost charges	38,830,500
Contributed tangible capital assets	6,035,000
Statutory reserve funds	21,212,000
Operating reserves	40,960,000
Current operations	8,225,500
Government grants and transfers	2,465,000
Total revenue per approved budget	<u>307,109,400</u>
Add:	
CEPCO	1,516,506
Tourism	1,951,398
Less:	
Transfers from other funds	(103,797,500)
Inter-entity eliminations	<u>(1,195,000)</u>
Total budgeted revenue as reported	<u>205,584,804</u>
Expenses	
Operating budget	172,081,400
Capital budget	<u>117,728,000</u>
	289,809,400
Add:	
CEPCO	1,141,992
Tourism	1,870,032
Amortization	17,462,535
Less:	
Transfers to other funds	(136,805,635)
Inter-entity eliminations	<u>(1,195,000)</u>
Total budgeted expenses as reported	<u>172,283,324</u>
Budgeted surplus as reported	<u>\$ 33,301,480</u>

16 **Financial risks**

The City is exposed to financial risks from its use of financial instruments. Management does not believe that the City's financial instruments are exposed to significant liquidity risk.

Market risk is the risk where changes in market prices, such as interest rates, can affect the City's income. The City's cash and portfolio investments include amounts on deposits with financial institutions that earn interest at market rates. The City manages its cash by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest would not have a significant effect on the City's income.

Credit risk is the risk that one party to the financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Management does not believe that the City is exposed to significant credit risk.

There has been no change to the risk exposures outlined above from 2021.

17 **Segmented information:**

The City is a diversified municipal government institution that provides a wide range of services to its citizens, including Protective Services; Transportation Services; Landfill Operations; Water and Sewer Services; Recreation and Cultural Services and Environmental Development Services. For management reporting purposes, the Government's operations and activities are organized and reported by Service Areas. Service Areas were created for the purpose of recording specific activities to attain certain objectives in accordance with regulations, restrictions or limitations.

General Government Services

General government services include all activities associated with adopting bylaws, mayor and council support, financial management, municipal facilities and the cost effective delivery of services. Items included are Mayor and Council, administration, clerks and legislative services, corporate services, management information systems, graphical information systems, finance and procurement and maintenance of municipal facilities.

Protective Services

Protective services includes all activities associated with community safety including the enforcement of laws and the prevention of crime. Items include police protection, fire protection, bylaw enforcement, emergency services and building inspection.

Engineering, Transportation and Public Works Services

Engineering, transportation and public works services include all activities associated with transportation including roads and drainage networks. Items included are services of the engineering department, traffic services, street lighting, transit, winter snow and ice control, maintenance and to roads, road shoulders, open drainage, storm sewers and dykes.

Solid Waste and Environmental Services

Solid waste and environmental services include all activities associated with solid waste and environmental health. Items include landfill operations, special waste programs, clean up campaigns, operation of the Green Depot and the curbside collection and recycling programs.

Water and Sewer Services

Water and sewer services include all activities associated with water and sanitary sewer operations. Items included are maintenance and enhancements of the water supply system, water pumps stations, water distribution system, water meters, hydrants, sanitary sewer collection system, sewer lift stations, and sewer treatment and disposal.

Parks, Recreation and Cultural Services

Parks, recreation and cultural services include all activities associated with parks, recreation and cultural activities and operations. Items include costs associated with Evergreen Hall, Landing Sports Centre, Rotary Pool, Cheam Centre, Leisure Centre, Prospera Centre, Heritage Park, Great Blue Heron Nature Reserve, Grandstands, Cultural Centre, community fee for services, parks and trails, urban trees and plantings, sports fields, and libraries.

Planning and Development Services

Planning and development services include all activities associated with community planning and economic development. Items include costs associated with community planning, development, economic development and tourism activities.

The following table outlines the City's revenues and expenses by operating segment:

City of Chilliwack
Notes to Consolidated Financial Statements
Year Ended December 31, 2022

Table of Segmented Information:

	General Government Services	Protective Protective Services	Engineering Transportation & Public Works Services	Solid Waste & Environmental Services	Water & Sewer Services	Parks Recreation & Culture Services	Planning & Development Services	Interest & Other	2022	2021
Revenues										
Municipal taxation and grants-in lieu of taxes	\$ 97,959,181	\$ -	\$ -	\$ -	\$ 7,279	\$ -	\$ -	\$ -	\$ 97,966,460	\$ 92,999,344
Government grants & transfers	7,190,233	7,012,005	1,275,034	321,082	58,390	46,510	1,048,894	-	16,952,148	13,486,342
Sales of services	1,686,398	41,920	1,512,493	16,669,430	27,511,942	2,318,351	1,978,426	-	51,718,960	46,223,122
Licences, permits, penalties and fines	1,000,011	34,185	147,963	-	-	-	3,831,192	-	5,013,351	5,123,746
Return on investments	2,863,726	-	-	-	586,377	-	23,613	493,536	3,967,252	2,306,452
Development cost charges	-	-	9,793,546	-	484,125	1,829,704	-	-	12,107,375	20,321,963
Contributed tangible capital assets	-	-	1,343,747	-	-	-	-	-	1,343,747	7,547,273
Other revenue	440,837	311,612	1,651,217	7,537	80,200	34,204	58,395	-	2,584,002	2,494,031
	111,140,386	7,399,722	15,724,000	16,998,049	28,728,313	4,228,769	6,940,520	493,536	191,653,295	190,502,273
Expenses										
Salaries and benefits	7,804,638	16,291,955	5,258,904	735,736	5,668,020	4,916,428	4,155,307	-	44,830,988	42,392,870
Goods and services	6,494,047	35,674,729	15,450,946	12,396,366	11,427,518	17,909,136	2,431,353	-	101,784,095	89,678,073
Administration allocation	(2,250,000)	-	-	-	2,250,000	-	-	-	-	-
Interest and other	-	-	-	-	-	-	-	618,240	618,240	348,408
Amortization of tangible capital assets	1,171,443	964,054	8,995,426	406,211	9,216,381	3,752,680	224,548	-	24,730,743	23,881,340
Transfer of collections	-	-	-	-	-	-	-	-	-	339,600
	13,220,128	52,930,738	29,705,276	13,538,313	28,561,919	26,578,244	6,811,208	618,240	171,964,066	156,640,291
Annual Surplus Before Other	97,920,258	(45,531,016)	(13,981,276)	3,459,736	166,394	(22,349,475)	129,312	(124,704)	19,689,229	33,861,982
Other revenues (loss)										
Loss disposal of tangible capital assets	(1,824,801)	-	-	-	(29,197)	-	-	-	(1,853,998)	(1,255,113)
Annual Surplus (Deficit)	\$ 96,095,457	\$ (45,531,016)	\$ (13,981,276)	\$ 3,459,736	\$ 137,197	\$ (22,349,475)	\$ 129,312	\$ (124,704)	\$ 17,835,231	\$ 32,606,869