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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the City of Pitt Meadows

We have audited the accompanying consolidated financial statements of the City of Pitt Meadows, which comprise the Consolidated Statement of Financial Position as at December 31, 2010, and the Consolidated Statements of Operations, Change in Net Financial Assets and Cash Flows for the year then ended, and significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly in all material respects, the financial position of the City of Pitt Meadows as at December 31, 2010 and the results of its operations and cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Chartered Accountants

Vancouver, British Columbia
May 10, 2011

City of Pitt Meadows
Consolidated Statement of Financial Position
As at December 31, 2010

	2010	2009
FINANCIAL ASSETS		
Cash and Equivalents	\$ 1,598,320	\$ 4,928,348
Portfolio Investments (Note 2)	18,553,024	14,800,916
Property Taxes and Utilities Receivable	1,662,293	1,134,147
Other Government Receivable	1,508,857	2,065,702
General and Interest Receivable (Note 3)	786,982	736,007
Development Installments (Note 4)	199,385	333,444
	24,308,861	23,998,564
LIABILITIES		
Accounts Payable and Accrued Liabilities	2,787,255	2,094,488
Other Government Payable	2,313,610	1,983,887
Contractor Holdbacks	593,407	212,716
Prepaid Taxes	1,117,242	1,028,009
Refundable Performance Deposits	194,146	176,204
Deferred Revenue (Note 5)	526,906	339,972
Employee Benefit Obligation (Note 6)	471,200	417,800
Development Cost Charges (Note 7)	3,464,196	2,876,486
Debt (Note 8)	7,473,000	3,775,000
	18,940,962	12,904,562
NET FINANCIAL ASSETS	5,367,899	11,094,002
NON FINANCIAL ASSETS		
Tangible Capital Assets (Note 9, Schedule 1)	154,114,431	144,983,993
Inventories of Supplies	204,475	199,244
Prepaid Expenses	98,601	245,820
	154,417,507	145,429,057
ACCUMULATED SURPLUS (Note 11)	\$ 159,785,406	\$ 156,523,059

See accompanying Notes to the Consolidated Financial Statements.



Dean Rear, CA, Director of Finance



Don MacLean, Mayor

City of Pitt Meadows
Consolidated Statement of Operations
For the Year Ended December 31, 2010

	<u>2010 Budget</u> (Note 16)	<u>2010 Actual</u>	<u>2009 Actual</u>
REVENUES			
Municipal Property Taxes (Schedule 2)	\$ 13,285,749	\$ 13,184,188	\$ 12,198,878
Parcel Taxes	30,000	29,295	27,279
Private Utility Company Taxes	234,000	237,148	224,709
Water Levy	3,137,045	3,075,436	2,847,209
Sewer Levy	1,793,113	1,813,731	1,704,032
Drainage Levy	1,172,390	1,177,303	1,115,451
Solid Waste Levy	1,099,899	1,139,141	1,059,947
Dyking Levy	11,800	12,444	12,384
Sale of Services	1,398,059	1,385,870	1,542,012
Licenses, Permits, Penalties, and Fines	683,750	648,921	619,319
Return on Investments	677,000	706,402	936,771
Government Grants	2,786,073	2,239,036	2,473,089
Contributions by Developers	464,000	224,967	2,842,013
Contributions by Others	967,840	1,891,577	947,861
	<u>27,740,718</u>	<u>27,765,459</u>	<u>28,550,954</u>
EXPENSES			
General Government Services	3,477,467	3,758,645	3,058,422
Protective Services	5,790,476	5,453,771	5,030,504
Transportation Services	3,802,794	3,635,648	4,018,607
Water Services	2,855,155	2,734,394	2,798,300
Sewer Services	1,596,104	1,569,146	1,534,051
Drainage Services	1,122,041	1,390,299	1,220,006
Solid Waste Services	1,086,700	1,105,062	1,005,675
Dyking Services	208,310	186,816	120,311
Recreation and Cultural Services	4,218,999	4,538,921	4,320,631
Planning Services	404,048	396,627	343,232
Interest Charges	215,813	230,179	208,971
	<u>24,777,907</u>	<u>24,999,508</u>	<u>23,658,710</u>
Less: Internal Equipment Charges	<u>(610,000)</u>	<u>(496,396)</u>	<u>(507,755)</u>
	<u>24,167,907</u>	<u>24,503,112</u>	<u>23,150,955</u>
ANNUAL SURPLUS	<u>\$ 3,572,811</u>	3,262,347	5,399,999
ACCUMULATED SURPLUS, BEGINNING OF YEAR		<u>156,523,059</u>	<u>151,123,060</u>
ACCUMULATED SURPLUS, END OF YEAR		<u>\$ 159,785,406</u>	<u>\$ 156,523,059</u>

See accompanying Notes to the Consolidated Financial Statements.

City of Pitt Meadows
Consolidated Statement of Change in Net Financial Assets
For the Year Ended December 31, 2010

	<u>2010 Budget</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Annual Surplus	\$ 3,572,811	\$ 3,262,347	\$ 5,399,999
Acquisition of Tangible Capital Assets	(19,148,000)	(12,938,748)	(12,087,980)
Amortization of Tangible Capital Assets	3,384,655	3,384,655	3,257,831
Proceeds on Disposal of Tangible Capital Assets	140,484	140,484	-
Loss on Disposal of Tangible Capital Assets	283,171	283,171	214,608
	<u>(15,339,690)</u>	<u>(9,130,438)</u>	<u>(8,615,541)</u>
Net (Acquisition) Consumption of Inventories of Supplies	-	(5,231)	54,197
Net Use (Acquisition) of Prepaid Expenses	-	147,219	(220,653)
DECREASE IN NET FINANCIAL ASSETS	<u>\$ (11,766,879)</u>	(5,726,103)	(3,381,998)
NET FINANCIAL ASSETS, BEGINNING OF YEAR		<u>11,094,002</u>	<u>14,476,000</u>
NET FINANCIAL ASSETS, END OF YEAR		<u>\$ 5,367,899</u>	<u>\$11,094,002</u>

See accompanying Notes to the Consolidated Financial Statements.

City of Pitt Meadows
Consolidated Statement of Cash Flow
For the Year Ended December 31, 2010

	2010 Actual	2009 Actual
OPERATING TRANSACTIONS		
Annual Surplus	\$ 3,262,347	\$ 5,399,999
Non Cash Items Included in Annual Surplus:		
Contributions from Developers and Others	(69,443)	(2,817,325)
Amortization	3,384,655	3,257,831
Loss on Disposal of Tangible Capital Assets	283,171	214,608
(Increase) Decrease in Inventories of Supplies	(5,231)	54,197
Decrease (Increase) in Prepaid Expenses	147,219	(220,653)
Decrease in Non Cash Operating Items	1,523,538	1,131,114
Decrease in Development Installments	134,059	531,142
Increase (Decrease) in Refundable Performance Deposits	17,942	(67,956)
Increase (Decrease) in Deferred Revenue	186,934	(72,662)
Cash Provided by Operating Transactions	8,865,191	7,410,295
CAPITAL TRANSACTIONS		
Proceeds on Disposal of Tangible Capital Assets	140,484	-
Cash Used to Acquire Tangible Capital Assets	(12,938,748)	(10,955,823)
Cash Applied to Capital Transactions	(12,798,264)	(10,955,823)
INVESTING TRANSACTIONS		
Net (Purchase) Sale/Maturity of Portfolio Investments	(3,752,108)	1,752,246
FINANCING TRANSACTIONS		
Development Cost Charge Receipts and Interest	657,153	59,896
Proceeds from Long-term Debt and Temporary Borrowing	8,360,430	2,675,000
Repayment of Temporary Borrowing	(4,662,430)	-
Cash Provided from Financing Transactions	4,355,153	2,734,896
(DECREASE) INCREASE IN CASH AND EQUIVALENTS	(3,330,028)	941,614
CASH AND EQUIVALENTS, BEGINNING OF YEAR	4,928,348	3,986,734
CASH AND EQUIVALENTS, END OF YEAR	\$ 1,598,320	\$ 4,928,348

See accompanying Notes to the Consolidated Financial Statements.

City of Pitt Meadows
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2010

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, solid waste, water, sewer, drainage and dyking services.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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 accountable for the administration of their financial affairs and resources to the Council and are controlled or owned by the City, including the Pitt Meadows Economic Development Corporation which was incorporated on March 5, 2010. Inter-entity balances and transactions have been eliminated on consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of 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 life of tangible capital assets, settlement costs associated with legal claims, and collectability of accounts receivable. As such, actual results could differ from those estimates.

Revenue Recognition

Revenue is recorded on the accrual basis and included in revenue 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.

Government Transfers

Unconditional grant revenue is recognized when received. Conditional grant revenue is recognized to the extent that any liability created by eligibility criteria has been satisfied.

Expense Recognition

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

Cash and Equivalents

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

Portfolio Investments

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

City of Pitt Meadows
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non Financial Assets

Tangible capital and other non financial assets are reported as assets as they can be used to provide government services in future periods. These assets do not normally provide resources to discharge liabilities unless they are sold.

Tangible Capital Assets

Tangible Capital Assets, comprised of capital assets and 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:

Land	No amortization
Road Infrastructure	20 to 100 years
Drainage Infrastructure	30 to 80 years
Water Infrastructure	10 to 80 years
Sewer Infrastructure	30 to 80 years
Dyking Infrastructure	No amortization
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

In the year of acquisition, amortization begins the first day of the month the asset is in service.

Contributed tangible capital assets are recorded at their fair value at the date of contribution. The contribution is also recorded as revenue.

Property Tax Collections for Other Governments

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

2. PORTFOLIO INVESTMENTS

The City's portfolio of investments include bonds, deposits and notes of the Government of Canada and provincial governments and agencies, deposits and notes of chartered banks, and deposits in the Municipal Finance Authority Money Market Fund and Short Term Bond Fund.

The various instruments have stated rates of return ranging from 2.70% to 5.25% (2009 – 3.34% to 5.25%), with varying maturity dates up to January 2016. The market value of the investments as at December 31, 2010 was \$18,611,700 (2009 – \$14,997,700). It is the City's practice to buy and hold investments to maturity in order to realize the stated rate of return.

City of Pitt Meadows
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2010

3. GENERAL AND INTEREST RECEIVABLE

General and interest receivable includes a loan receivable from the Pitt Meadows Airport Society. The loan is repayable in equal annual installments of \$50,000, with the final payment due in 2011. The outstanding balance bears no interest.

	2010	2009
Loan Receivable, beginning of year	\$ 100,000	\$ 150,000
Repayment	(50,000)	(50,000)
Loan Receivable, end of year	\$ 50,000	\$ 100,000

4. DEVELOPMENT INSTALLMENTS

Development installments represent funds due from developers and others within two years. Funds realized upon collection of these receivables can only be used for expenditures as provided by the Development Cost Charge Reserve Fund Expenditure Bylaw and the relevant sections of the Local Government Act, unless otherwise authorized by the Ministry of Community, Sport and Cultural Development.

5. DEFERRED REVENUE

Deferred revenue includes:

	2010	2009
Contributions from Developers as per Subdivision Servicing Agreements	\$ 338,092	\$ 71,801
Other revenues received in advance	188,814	268,171
Total	\$ 526,906	\$ 339,972

The developer contributions will be recognized as revenue in future years when the related capital projects, for which they were collected, are completed. The other revenues will be recognized when the related services or grant project are performed or completed.

6. EMPLOYEE BENEFIT OBLIGATION

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

- a) Non-Vested Sick Leave: 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 250 days.
- b) Service Severance: Upon retirement, employees are eligible for a payout of 3 days per year of service accumulated after January 1, 1969, paid at his or her current rate of pay. Upon termination or death, employees who have completed 8 or more years of service accumulated after January 1, 1969 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 10 days.

City of Pitt Meadows
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2010

6. EMPLOYEE BENEFIT OBLIGATION (continued)

- 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.

The liabilities and expenses for these post employment benefits and compensated absences are recognized in the financial statements in the period in which the employees render services, rather than in the period in which employees are no longer providing service and the benefits actually paid.

The accrued benefit obligation and the net periodic benefit cost are estimated using an actuarial cost method.

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

	2010	2009
Accrued Benefit Obligation, beginning of year	\$ 417,800	\$ 355,700
Current Service Cost	48,800	29,200
Interest Cost	22,400	19,500
Benefits Paid	(14,400)	(8,500)
Actuarial (Gain) Loss	(3,400)	21,900
Accrued Benefit Obligation, end of year	\$ 471,200	\$ 417,800

The most recent actuarial valuation of the City's employee benefit obligation was completed as at December 31, 2009.

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

	2010	2009
Discount Rate	4.50%	5.00%
Expected Future Inflation Rate	2.50%	2.50%

7. DEVELOPMENT COST CHARGES

The change in Development Cost Charges is as follows:

	2010	2009
Development Cost Charges, beginning of year	\$ 2,876,486	\$ 4,501,758
Net Developer Contributions (Refunds)	572,216	(101,960)
Interest Earnings	84,937	161,856
Project Funding	(69,443)	(1,685,168)
Development Cost Charges, end of year	\$ 3,464,196	\$ 2,876,486

City of Pitt Meadows
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2010

8. DEBT

Debt includes long-term debt and temporary borrowing as follows:

	2010	2009
Long-term debt (a)	\$ 4,775,000	\$ -
Temporary Borrowing (b)	2,698,000	3,775,000
Total	\$ 7,473,000	\$ 3,775,000

a) Long-term debt:

The City obtains debt financing through the Municipal Finance Authority in accordance with the Community Charter to finance certain capital expenditures. During the year, certain temporary borrowings were replaced with long-term debt.

The gross and outstanding amounts of the long-term debt are as follows:

	2010	2009
Civic Centre, Bylaw 2368, 3.73%, due 2035	\$ 2,600,000	\$ -
Arena Acquisition, Bylaw 2408, 3.73%, due 2025	2,175,000	-
Total	\$ 4,775,000	\$ -

Future sinking fund and principal payments on net outstanding long-term debt over the next five years and thereafter are as follows:

Year	Amount
2011	\$ 171,053
2012	177,895
2013	185,011
2014	192,411
2015	200,108
Thereafter	3,848,522
Total	\$ 4,775,000

b) Temporary Borrowing:

The City has temporary capital financing through the Municipal Finance Authority Interim Financing program for the following capital projects:

	Authorized	2010	2009
Drainage Utility, Bylaw 2430	\$ 4,500,000	\$ 270,000	\$ -
Facility Construction and Revitalization, Bylaw 2429	7,150,000	2,428,000	-
Civic Centre, Bylaw 2368		-	1,600,000
Arena Acquisition, Bylaw 2408		-	2,175,000
Total	\$11,650,000	\$ 2,698,000	\$ 3,775,000

Regular principal payments are not required, but funds borrowed under this program must either be repaid or converted to long term borrowing through a debenture issue within five years. The outstanding balance bears interest at approximately prime less 1.25%, which is paid monthly.

City of Pitt Meadows
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2010

9. TANGIBLE CAPITAL ASSETS

Schedule 1 details Tangible Capital Asset cost and accumulated amortization information. Included in these balances is the following:

As at December 31,	2010	2009
Assets Under Construction (not amortized)	\$ 9,710,779	\$ 4,493,243

For the Year Ended December 31,	2010	2009
Contributed Assets:		
Parking Structure	\$ -	\$ 1,000,000
Streetlights	-	19,725
Drainage Infrastructure	-	3,824
Water Infrastructure	-	35,502
Sewer Infrastructure	-	73,106
Total Contributed Assets	\$ -	\$ 1,132,157
Capitalized Interest	\$ 9,870	\$ 4,039

Contributed assets are included in revenue as Contributions in the year of contribution.

10. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in Tangible Capital Assets, a component of Accumulated Surplus (Note 11), represents the net book value of total tangible capital assets less long term obligations assumed to acquire those assets. The change in consolidated equity in tangible capital assets is as follows:

	2010	2009
Equity in Tangible Capital Assets, beginning of year	\$141,208,993	\$135,268,452
Add: Capital Asset Additions	12,938,748	12,087,980
Less: Amortization	(3,384,655)	(3,257,831)
Disposal of Tangible Capital Assets	(423,655)	(214,608)
Debt Proceeds	(3,698,000)	(2,675,000)
Equity in Tangible Capital Assets, end of year	\$146,641,431	\$141,208,993

City of Pitt Meadows
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2010

11. ACCUMULATED SURPLUS

Accumulated Surplus includes Equity in Tangible Capital Assets, Current Fund Surplus and Statutory Reserves as follows:

	2010	2009
Equity in Tangible Capital Assets (Note 10)	\$146,641,431	\$141,208,993
Current Fund Surplus	71,840	908,022
Statutory Reserves		
Operating Reserves		
Operating Reserve Fund	1,881,633	2,830,354
Insurance and Liability Reserve fund	101,958	157,300
Total Operating Reserves	1,983,591	2,987,654
Capital Reserves		
Equipment Replacement Reserve Fund	1,133,388	1,045,290
Transportation Infrastructure Reserve Fund	1,983,462	1,888,775
Life Cycle Reserve Fund	1,429,523	1,218,768
Dyking Reserve Fund	-	-
Water Capital Reserve Fund	1,725,222	1,831,405
Sewer Capital Reserve Fund	1,108,897	876,107
Drainage Reserve Fund	118,889	54,320
South Bonson Amenities Reserve Fund	64,876	1,337,617
Parkland Acquisition Reserve Fund	942,783	1,426,250
Future Capital Reserve Fund	2,581,504	1,739,858
Total Capital Reserves	11,088,544	11,418,390
Accumulated Surplus	\$159,785,406	\$156,523,059

12. SEGMENTED INFORMATION

For reporting purposes, City activities have been aggregated into functional segments based on the services each activity provides. The Consolidated Schedule of Segment Disclosure (Schedule 3) reports the revenues and expenses that are directly attributable to each functional segment. The revenues and expenses that cannot be directly attributable or allocated on a reasonable basis to individual segments are reported in the unallocated 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, economic development and sustainability services.

Protective Services

The Protective Services segment includes Police services provided by the RCMP and support services by the District 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 Dyking Services

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

City of Pitt Meadows
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2010

12. SEGMENTED INFORMATION (continued)

Recreation and Cultural Services

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

Planning Services

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

Unallocated

The Unallocated segment includes the following revenues and expenses that cannot be directly attributable or reasonably allocated to a segment: 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.

13. MUNICIPAL PENSION PLAN

The City and its employees contribute to the Municipal Pension Plan (Plan), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012, with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The City of Pitt Meadows paid \$296,264 (2009 - \$270,054) for employer contributions to the Plan in fiscal 2010.

14. CONTINGENT LIABILITIES AND COMMITMENTS

- 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) In 2008 the City agreed to contribute \$1,600,000 toward the construction cost of a City owned parking structure that will be built by a developer on City owned land. The balance of the construction cost, estimated at \$1,000,000, is to be born by the developer and is to be considered a payment in lieu of the provision of parking stalls under the City of Pitt Meadows Land Use Bylaw. Construction commenced in 2009 and the contribution from the developer was recognized in 2009 revenue and tangible capital asset work in progress. The City is making payments to the developer in installments during construction. Construction is expected to be complete in 2011.

City of Pitt Meadows
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2010

14. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

- d) The City has cost sharing agreements with the District of Maple Ridge to provide services in a more efficient and cost effective manner. These agreements cover the provision of all parks and leisure services, and police housing and support services. The costs are shared on the basis of proportionate population, and Council can terminate the agreement(s) by providing four months to one year's notice.
- e) 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 \$32,000 and will expire on December 31, 2014.
- f) The City has been named defendant in a number of lawsuits 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 those cases where an unfavourable outcome is likely, a provision for anticipated costs has been accrued. In the opinion of management, the amount of any loss from these lawsuits 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.
- g) As at December 31, 2010 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.
- h) 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.
- i) On September 15, 2009 the City agreed to an Offer to Lease for approximately 12,200 square feet of space at 12059 Harris Road, Pitt Meadows for the purpose of relocating the Pitt Meadows Library in 2011. The proposed term of the lease offer is ten years commencing after the fixturing period. When executed, the lease will have annual minimum rent of \$151,000 and is subject to annual CPI increases in the second five year period of the term.
- j) The City entered into a contribution agreement with the Federal Government under the Recreation Infrastructure Canada Program for funding assistance for the revitalization of the Pitt Meadows Arena. The funding to be provided by the Federal Government is for one third of eligible project costs to a maximum of \$1 million. Only eligible project expenditures incurred prior to October 31st, 2011 are eligible for sharing.
- k) In October, 2010 the City signed an Offer to Lease for approximately 9,500 square feet of space in a senior's residential facility for the purposes of operating a Senior's Centre. Construction of the facility is expected to begin in 2011, with the lease to commence in September, 2012. The term of the lease is forty years plus a 20 year renewal term. The rent for the period is \$1,549,506, due at the commencement of the lease.

City of Pitt Meadows
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2010

15. SUBSEQUENT EVENT

In February, 2011 the City signed an Operating and Maintenance Agreement with Nustadia Recreation Inc. for the operation and maintenance of the Pitt Meadows Arenas. The agreement is effective May 1, 2011, with an initial term of five years and four optional renewal periods. An annual management fee of \$100,000 is payable under the agreement (adjusted annually for inflation), with payments due in equal monthly installments.

16. BUDGET

The budget amounts which are presented for comparative purposes reflect the statutory budget as adopted by Council on February 2, 2010 adjusted for amortization and other items for comparability with the actual results.

The following reconciles the balanced statutory budget and the budget surplus reported on the Consolidated Statement of Operations.

	2010 Budget
Surplus as per Financial Plan Bylaw No. 2447, 2010	\$ -
Add: Capital Expenditures	
General Government Services	1,959,300
Protective Services	793,500
Transportation Services	2,482,000
Water Services	1,025,000
Sewer Services	297,000
Drainage Services	1,768,200
Recreation and Cultural Services	10,823,000
Budgeted Reduction in Debt Principle	-
Capital Cost of Borrowing	69,187
Budgeted Transfer to Own Reserves	4,625,900
	23,843,087
Less: Amortization Expense	3,384,655
Loss on Disposal of Tangible Capital Assets	283,171
Budgeted Transfer from Own Reserves	9,376,950
Budgeted Proceeds from Borrowing	7,225,500
	20,270,276
Budget Surplus, as per Consolidated Statement of Operations	\$ 3,572,811

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

City of Pitt Meadows
Consolidated Schedule of Tangible Capital Assets and Accumulated Amortization
For the Year Ended December 31, 2010

Schedule 1

Asset Category	2010									2010 Net Book Value	2009 Net Book Value
	Cost				Amortization						
	Balance Beginning of Year	Additions	Disposals	Balance End of Year	Balance Beginning of Year	Amortization	Disposals	Balance End of Year			
Land	\$ 51,143,071	\$ -	\$ 862	\$ 51,142,209	\$ -	\$ -	\$ -	\$ -	\$ 51,142,209	\$ 51,143,071	
Road Infrastructure	39,960,296	1,445,596	543,412	40,862,480	16,327,877	1,152,402	460,977	17,019,302	23,843,178	23,632,419	
Drainage Infrastructure	22,547,857	706,893	35,587	23,219,163	7,696,622	393,677	27,813	8,062,486	15,156,677	14,851,235	
Water Infrastructure	28,350,231	786,312	153,597	28,982,946	10,747,239	459,553	138,515	11,068,277	17,914,669	17,602,992	
Sewer Infrastructure	12,854,091	158,312	9,635	13,002,768	4,149,949	205,959	8,753	4,347,155	8,655,613	8,704,142	
Dyking Infrastructure	12,026,612	-	-	12,026,612	-	-	-	-	12,026,612	12,026,612	
Other Infrastructure	4,746,505	815,372	288,984	5,272,893	335,161	32,979	23,119	345,021	4,927,872	4,411,344	
Buildings	14,990,725	5,669,068	-	20,659,793	7,666,854	480,937	-	8,147,791	12,512,002	7,323,871	
Land Improvements	3,578,967	2,541,879	17,857	6,102,989	1,083,669	196,033	14,062	1,265,640	4,837,349	2,495,298	
Vehicles	3,705,966	329,477	237,339	3,798,104	1,913,127	242,552	195,746	1,959,933	1,838,171	1,792,839	
Equipment and Furnishings	3,095,864	485,839	96,609	3,485,094	2,095,694	220,563	91,242	2,225,015	1,260,079	1,000,170	
TOTAL	\$ 197,000,185	\$ 12,938,748	\$ 1,383,882	\$ 208,555,051	\$ 52,016,192	\$ 3,384,655	\$ 960,227	\$ 54,440,620	\$ 154,114,431	\$ 144,983,993	

City of Pitt Meadows
Consolidated Schedule of Municipal Property Taxes and Other Tax Levies
For the Year Ended December 31, 2010

Schedule 2

Schedule of Municipal Property Taxes:

	<u>2010 Budget</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Real Property Taxes			
Residential	\$ 8,239,843	\$ 8,215,280	\$ 7,593,176
Utilities	202,302	211,244	203,757
Major Industry	108,009	108,009	101,464
Light Industry	223,833	202,462	210,473
Business	3,977,101	3,908,848	3,524,042
Recreational/Seasonal	208,807	205,710	193,245
Farm	385,854	391,094	373,180
	<u>13,345,749</u>	<u>13,242,647</u>	<u>12,199,337</u>
Less: Prior Years' Re-assessments	<u>(60,000)</u>	<u>(58,459)</u>	<u>(459)</u>
Total Municipal Property Taxes	<u><u>\$ 13,285,749</u></u>	<u><u>\$ 13,184,188</u></u>	<u><u>\$ 12,198,878</u></u>

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:

	<u>2010</u>	<u>2009</u>
Municipal Property Taxes	<u>\$ 13,184,188</u>	<u>\$12,198,878</u>
Levies for Other Authorities:		
Provincial School Taxes	7,634,562	7,398,490
Greater Vancouver Transit Authority	1,531,640	1,477,503
British Columbia Assessment Authority	234,942	225,573
Greater Vancouver Regional District	226,673	213,291
Municipal Finance Authority of British Columbia	663	649
	<u>9,628,480</u>	<u>9,315,506</u>
Total Tax Levies	<u><u>\$ 22,812,668</u></u>	<u><u>\$ 21,514,384</u></u>

City of Pitt Meadows
Consolidated Schedule of Segment Disclosure
For the Year Ended December 31, 2010

Schedule 3

	2010 Actual							2010 Budget	2009 Actual	
	General Government Services	Protective Services	Transportation Services	Utility, Solid Waste and Dyking Services	Recreation and Cultural Services	Planning Services	Unallocated	Consolidated	Consolidated (Note 17)	Consolidated
REVENUES										
Municipal Property and Other Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,450,631	\$ 13,450,631	\$ 13,549,749	\$ 12,450,866
Utility, Solid Waste and Dyking Levies	-	-	-	7,218,055	-	-	-	7,218,055	7,214,247	6,739,023
Sale of Services	239,564	50,860	61,301	9,765	997,117	27,263	-	1,385,870	1,398,059	1,542,012
Licenses, Permits, Penalties and Fines	-	207,827	3,803	12,408	-	260,038	164,845	648,921	683,750	619,319
Return on Investments	-	-	-	-	-	-	706,402	706,402	677,000	936,771
Grants and Contributions	283,869	100,329	443,122	229,656	3,122,986	29,545	146,073	4,355,580	4,217,913	6,262,963
	<u>523,433</u>	<u>359,016</u>	<u>508,226</u>	<u>7,469,884</u>	<u>4,120,103</u>	<u>316,846</u>	<u>14,467,951</u>	<u>27,765,459</u>	<u>27,740,718</u>	<u>28,550,954</u>
EXPENSES										
Salaries and Benefits	1,952,248	850,549	1,269,186	806,903	39,300	355,100	-	5,273,286	5,691,277	4,590,385
Contracted Services	1,147,766	4,277,946	496,997	1,749,672	3,666,838	36,326	-	11,375,545	10,574,372	10,649,644
Supplies, Materials and Equipment	414,642	219,495	424,254	245,388	42,865	5,201	-	1,351,845	1,433,647	1,937,844
Purchase of Water and Sewer Levy	-	-	-	3,100,827	-	-	-	3,100,827	3,194,972	2,799,427
Amortization	343,715	109,281	1,353,784	1,059,189	518,686	-	-	3,384,655	3,384,655	3,257,831
(Gain) Loss on Disposal of Tangible Capital Assets	(99,726)	(3,500)	91,427	23,738	271,232	-	-	283,171	283,171	214,608
Interest Charges	115,733	-	-	3,017	-	-	111,429	230,179	215,813	208,971
	<u>3,874,378</u>	<u>5,453,771</u>	<u>3,635,648</u>	<u>6,988,734</u>	<u>4,538,921</u>	<u>396,627</u>	<u>111,429</u>	<u>24,999,508</u>	<u>24,777,907</u>	<u>23,658,710</u>
Less: Internal Equipment Charges	-	-	-	-	-	-	(496,396)	(496,396)	(610,000)	(507,755)
	<u>3,874,378</u>	<u>5,453,771</u>	<u>3,635,648</u>	<u>6,988,734</u>	<u>4,538,921</u>	<u>396,627</u>	<u>(384,967)</u>	<u>24,503,112</u>	<u>24,167,907</u>	<u>23,150,955</u>
ANNUAL SURPLUS	<u>\$ (3,350,945)</u>	<u>\$ (5,094,755)</u>	<u>\$ (3,127,422)</u>	<u>\$ 481,150</u>	<u>\$ (418,818)</u>	<u>\$ (79,781)</u>	<u>\$ 14,852,918</u>	<u>\$ 3,262,347</u>	<u>\$ 3,572,811</u>	<u>\$ 5,399,999</u>