



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** April 16, 2018

**From:** Jerry Chong  
Director, Finance

**File:** 03-0905-01/2018-Vol  
01

**Re:** 2017 Consolidated Financial Statements

### Staff Recommendation

That the City's audited consolidated financial statements for the year ended December 31, 2017 be approved.

Jerry Chong  
Director, Finance  
(604-276-4064)

Att. 2

<b>REPORT CONCURRENCE</b>	
<b>CONCURRENCE OF GENERAL MANAGER</b> 	
<b>REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE</b>	<b>INITIALS:</b> 
<b>APPROVED BY CAO</b> 	

## Staff Report

### Origin

Section 167 of the Community Charter requires that annual audited financial statements be prepared and presented to Council. The City's audited consolidated financial statements for 2017 have been prepared in accordance with the generally accepted accounting principles for local governments, as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

The financial statements consist of:

- Consolidated statement of financial position – summary of financial assets and liabilities, net financial assets, non-financial assets and accumulated surplus at year end. The accumulated surplus can also be viewed as the net worth of the organization;
- Consolidated statement of operations – summary of the annual surplus for the year consisting of revenues from the operating and capital funds that were raised in the year and expenses reflecting how funds were used during the year including the annual costs for owning and using capital assets (amortization);
- Consolidated statement of changes in net financial assets – a reconciliation between the net revenues earned in the year to the change in net financial assets. This statement shows the net revenues, with a reversal of the non-cash accruals for amortization and sale of assets, less donated assets and the spending to acquire new capital assets in the year. The change in net financial assets is an indicator of whether revenues raised in the year were sufficient to cover the spending in the year; and
- Consolidated statement of cash flows – summary of how the City's cash position changed during the year, highlighting sources and uses of cash, including the use of cash to acquire capital assets.

### Analysis

Financial statements present information about the financial position, performance and changes in the financial position of the City. The financial statements provide accountability by supplying information about the City's resources, obligations and financial affairs. They detail the financial viability, the nature and allocation of economic resources, the revenues and financing and the quality of financial management.

An analysis of the consolidated financial statements as prepared by management is provided in the Financial Statement Discussion and Analysis (FSD&A) included in Attachment 1. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis is intended to be read in conjunction with the 2017 audited consolidated financial statements.

The consolidated financial statements combine the accounts of the City of Richmond, Richmond Olympic Oval and Richmond Public Library. The City's investment in Lulu Island Energy Company (LIEC), a wholly owned government business enterprise (GBE), is accounted for using the modified equity method effective for fiscal 2017. The financial statements of LIEC are now prepared in accordance with International Financial Reporting Standards, as required for a GBE.

For fiscal 2016 and prior, LIEC was consolidated into the City's financial statements as it was classified as a government organization. Further information about the basis of consolidation is listed in Note 2 to the consolidated financial statements. The consolidated financial statements are included in Attachment 2.

## **Financial Impact**

### 2017 Consolidated Statement of Financial Position

The financial position of the City and its subsidiaries is strong as accumulated surplus increased in 2017 by \$107.7 million to \$3.0 billion (net of the opening adjustment for the accounting changes due to LIEC's transition to a GBE). These figures reflect the cumulative balance of all previous activity as of the reporting date December 31, 2017.

Highlights of the 2017 consolidated statement of financial position:

- \$3.0B – Accumulated surplus (net worth)
  - \$2.3B – Net book value of tangible capital assets
  - \$484.9M – Reserve balance, including \$178.1M committed towards active capital projects
  - \$205.0M – Appropriated surplus for future commitments
  - \$22.6M – Surplus (cumulative unallocated balance of general, water and sewer funds)
- \$698.1M – Net financial assets
  - \$1.0B – Cash and investments
  - (\$130.7M) – Development cost charge balance, including \$38.5M committed towards active capital projects
  - (\$82.8M) – Deposits and holdbacks
  - (\$66.3M) – Deferred revenue
  - (\$37.6M) – Net debt

### 2017 Consolidated Statement of Operations

The consolidated revenues exceeded expenses by \$109.9 million. These figures represent the activity during 2017 from January 1 to December 31.

Highlights of the 2017 consolidated statement of operations:

- \$109.9 million – Annual surplus (the increase in net worth which includes the increase in capital equity, reserves, appropriated surplus and surplus). The 2017 annual surplus is comprised of:
  - \$57.2M increase in investment in capital assets
  - \$28.3M for investment in GBE
  - \$13.0M increase in the reserve balance
  - \$4.0M increase in appropriated surplus for future commitments
  - \$5.2M net increase in surplus and other, inclusive of an increase of \$8.1M for the City's 2017 operating surplus (based on the budget presentation and including transfer to reserves and transfers to/from other accumulated surplus items). As approved at the December 10, 2012 Council meeting, the operating surplus will

be transferred to the Rate Stabilization Account to minimize future tax increases or to offset one-time expenditure requests.

- \$523.2 million total revenues
  - \$206.9M taxation and levies
  - \$99.9M utility fees
  - \$52.2M contributed assets through development
  - \$39.4M sales of services
- \$413.3 million total expenses
  - \$159.6 million wages and benefits
  - \$66.0 million supplies, materials and other
  - \$64.9 million contract services, including RCMP
  - \$58.0 million amortization expense

### Conclusion

The financial statements are legislated reporting requirements and staff recommend that they be approved. As noted in the Auditors' Report, it is the Auditors' opinion that these consolidated financial statements present fairly the consolidated financial position as of December 31, 2017, and its consolidated results of operations and changes in net consolidated financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Cindy Gilfillan, CPA, CMA  
Manager, Financial Reporting  
(604-276-4077)

- Att. 1: 2017 Financial Statement Discussion and Analysis  
2: 2017 City of Richmond Consolidated Financial Statements

2017 | City of Richmond

# FINANCIAL STATEMENT DISCUSSION & ANALYSIS



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# Introduction

The Community Charter requires that annual audited financial statements be prepared and presented to Council. The City's audited consolidated financial statements for the year ended December 31, 2017 have been prepared in accordance with the generally accepted accounting principles for local governments, as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The Financial Statement Discussion and Analysis (FSD&A) provides a detailed analysis of the Consolidated Financial Statements. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis has been prepared by management and is intended to be read in conjunction with the 2017 audited consolidated financial statements.

The consolidated financial statements combine the accounts of the City of Richmond, Richmond Olympic Oval (Oval), and Richmond Public Library (Library). All future references to the "City" reflect the financial results for all entities. Further information about the basis of consolidation is listed in Note 2 to the Consolidated Financial Statements.

Effective January 1, 2017, Lulu Island Energy Company (LIEC) is classified as a government business entity (GBE). The City's investment in LIEC as a GBE is accounted for using the modified equity method with initial recognition of the investment to opening accumulated surplus.

The consolidated financial statements include the following statements:

- **Consolidated statement of financial position** summarizes the assets (financial and non-financial), liabilities, net debt, and accumulated surplus as at December 31<sup>st</sup>, 2017 and 2016.
- **Consolidated statement of operations** outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, and reserve funds for the City and its consolidated entities, and provides the calculation of the City's accumulated surplus at year end.
- **Consolidated statement of changes in net financial assets** outlines the changes in net financial assets as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
- **Consolidated statement of cash flows** summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.



# Consolidated Statement of Financial Position

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The Consolidated Statement of Financial Position is the equivalent of the private sector's balance sheet. This statement focuses on the City's assets (financial and non-financial) and liabilities. The difference between the financial assets and liabilities is the City's net financial assets, which represents the amount available for a later date.

The City maintained its strong financial position in 2017 allowing for flexibility and financial sustainability well into the future.

- Financial Assets increased by \$56.1M to \$1.1B
- Liabilities increased by \$20.8M to \$416.4M
- Net financial assets increased by \$35.4M to \$698.1M
- Non-financial assets increased by \$72.4M to \$2.3B
- Accumulated surplus increased by \$107.7M to \$3.0B

The accumulated surplus includes investment in tangible capital assets, reserves, appropriated surplus, surplus and other equity. The change in accumulated surplus is referred to as annual surplus and is included on the Statement of Operations.

# Financial Assets

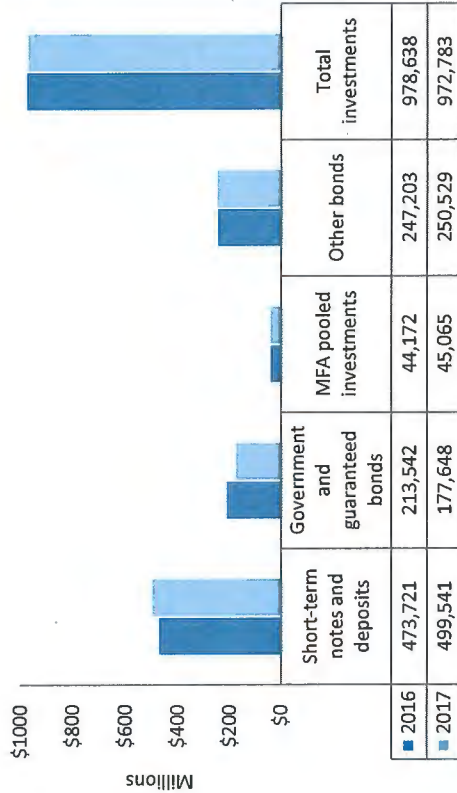
## Cash and cash equivalents

Cash and cash equivalents increased by \$29.5M to \$47.9M mainly due to timing of cash from investments in the portfolio.

## Investments

Investments decreased by \$5.9M to \$972.8M primarily due to the timing of cash flow.

### Investment Portfolio by Type (\$000's)



## Investment in LIEC

Effective January 1, 2017, the City accounted for its investment in LIEC under the modified equity method. This resulted in a \$28.3M (2016 – nil) investment for the City.

## Accrued interest receivable

Accrued interest receivable decreased by \$0.3M due to the decreased investment balance and timing of the investments.

## Accounts receivable

Accounts receivable decreased by \$0.7M to \$27.0M primarily due to collections of other trade receivables. The decrease was partially offset by capital grants and a net increase in water and sewer utilities receivables.

Accounts Receivable (\$000's)	2017	2016	Change
Water and sewer utilities	\$ 12,661	\$ 12,541	\$ 120
Casino revenues	4,025	3,951	74
Capital grants	2,929	2,345	584
Other trade receivables	7,421	8,929	(1,508)
<b>Total</b>	<b>\$ 27,036</b>	<b>\$ 27,766</b>	<b>\$ (730)</b>

## Taxes receivable

Taxes receivable decreased by \$0.4M to \$9.0M due to the timing of collections.



## Financial Assets

### Development fees receivable

Development fees receivable increased by \$5.7M to \$22.4M partially due an increase in use of letter of credits for payment of development cost charges (DCC).

Developers have the option to pay DCCs upfront, or in installments over a 2 year period. When paying in installments, 1/3 of the total DCCs is paid upfront and the next 1/3 installment is paid one year after the originating date. The final 1/3 installment is paid at the 2 year anniversary date, with these amounts being secured by a letter of credit.

Additionally, the net DCC contributions received by the City in 2017 of \$26.9M is \$6.0M higher than 2016.

### Debt reserve fund - deposits

The debt reserve fund balance did not change from 2016 as the City did not receive payments from the Municipal Finance Authority (MFA) in 2017.





# Liabilities

## Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by \$2.3M to \$99.0M. The increase is attributable to the timing of payment for the RCMP contract, and construction invoices for the Minoru Centre for Active Living (MCAL) and Fire Hall No. 1.

## Development cost charges

The DCC balance of \$130.7M (2016 - \$117.6M) represents the total balance of unspent DCC's and includes amounts that have been allocated to capital projects but remain unspent as at December 31<sup>st</sup>, 2017. These amounts are restricted and may only be used on authorized capital expenditures.

Net contributions of \$26.9M and earned interest of \$1.9M were received in 2017. The balance was offset by \$15.7M for capital projects funded by DCC during the year.

Development Cost Charges (\$000's)	2017	2016	Change
Balance, beginning of year	\$117,597	\$111,591	\$6,006
Contributions	26,866	20,886	5,980
Interest	1,931	1,752	179
Revenue recognized	(15,710)	(16,632)	922
Balance, end of year	\$130,684	\$117,597	\$13,087

The \$130.7M balance includes amounts that have been allocated to active capital projects but that remain unspent. At December 31<sup>st</sup>, 2017 there is \$38.5M (2016 - \$37.6M) committed to active capital projects. Additional DCC funding of \$31.6M was approved as part of the 2018 Capital Budget.

## Deposits and holdbacks

Deposits and holdbacks increased by \$10.0M to \$82.8M mainly due to security deposits increasing by \$7.1M and developer contributions by \$2.1M.

Deposits and Holdbacks (\$000's)	2017	2016	Change
Security deposits	58,083	\$50,970	7,113
Developer contribution	7,709	5,643	2,066
Contract holdbacks	5,824	5,764	60
Transit Oriented Development Fund	62	1,057	(995)
Other	11,108	9,362	1,746
Total deposits and holdbacks	82,786	\$72,796	9,990

## Deferred revenue

Deferred revenues are funds that are set aside for specific purposes by legislation, regulation or agreement, and may only be used for the specified work. These amounts are recognized as liabilities in the year the funds are deposited and recognized into revenue in the year the related expenditures are incurred.

Deferred Revenue (\$000's)	2017	2016	Change
Taxes and utilities	\$19,613	\$19,888	(\$275)
Building permits/ development	13,726	12,767	959
Oval	6,515	5,819	696
Capital Grants	20,278	21,094	(816)
Other	6,155	6,752	(597)
Total deferred revenue	\$66,287	\$66,320	(\$33)

# Liabilities

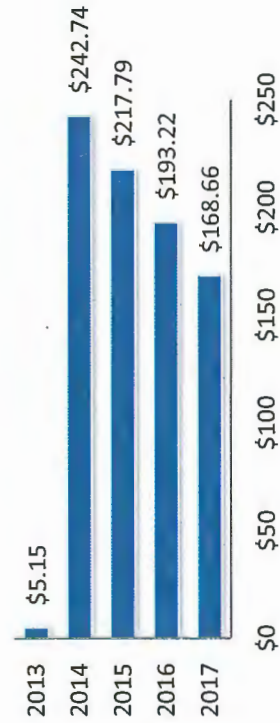
Deferred revenues decreased in taxes and utilities, other revenues, and capital grants. The decreases were offset by slight increases in building permits/development, business licences, and Oval, resulting in an overall \$33K decrease compared to 2016.

## Debt, net of MFA sinking fund deposits

Debt decreased by \$4.6M to \$37.6M as a result of the repayment made in 2017 towards the borrowing for the construction of the MCAL facility. The debt has a 10 year term and was obtained in 2014 at a rate of 3.30% for the duration of the term.

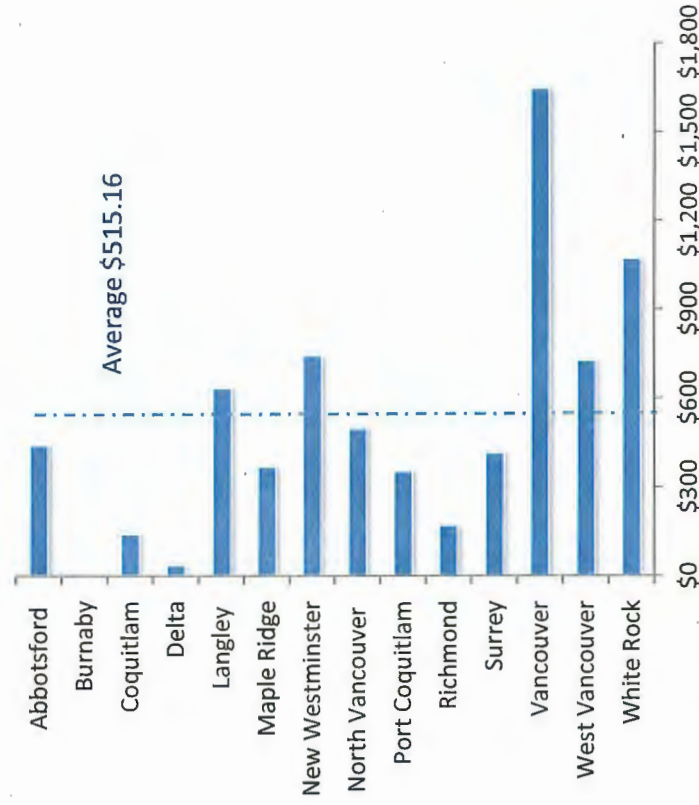
The debt per capita decreased to \$168.66 per person in 2017 from \$193.22 as of December 31, 2016. The decrease in debt per capita is the combined result of principal payments reducing the outstanding balance along with an increase in population.

## City of Richmond Debt Per Capita 2013-2017



Richmond's 2017 debt per capita figure of \$168.66 is well below the 2016 regional average of \$515.16. The 2016 values for the other municipalities are the most current figures available.

## Debt Per Capita by City



- Source data obtained from the Ministry of Community Sport & Cultural Development - 2016 Local Government Statistics.

- Richmond figure adjusted to reflect 2017 net debt balance. The 2017 population statistics used are obtained from Policy Planning.

# Non-Financial Assets

## Tangible Capital Assets

Tangible capital assets (TCA) are recorded at original cost and are amortized over their useful life. The net book value (original cost less accumulated amortization) is presented.

TCA increased by \$71.9M to \$2.3B. The change is a result of \$163.0M of asset additions, less \$31.0M net reclassification due to the change in accounting for LIEC, net disposal of \$2.1M, and current year amortization of \$58.0M.

Tangible Capital Assets (\$000's)	2017	2016 (recast)	Change
Land	\$905,118	\$859,115	\$46,003
Buildings and building improvements	245,450	229,796	15,654
Infrastructure	907,710	930,042	(22,332)
Vehicles, machinery and equipment	49,516	44,143	5,373
Library's collections, furniture and equipment	3,355	3,494	(139)
Assets under construction	140,752	113,436	27,316
<b>Total</b>	<b>\$2,251,901</b>	<b>\$2,180,026</b>	<b>\$71,875</b>

Land increased by \$46.0M mainly due to \$36.1M of contributed assets received through development which included \$12.6M for road dedications related to the Seaside developments.

Buildings increased by \$15.7M due mainly to additions of \$30.9M offset by \$14.9M for amortization expense. The additions in 2017 included \$2.4M of contributed assets received through development and \$19.7M for Cambie Fire Hall No. 3.

Infrastructure decreased by \$22.3M primarily due to the classification of LIEC as a GBE where the TCA is removed and presented as an investment on the City's consolidated financial information in 2017. Activities in the year include \$41.3M in additions, offset by \$32.9M of amortization expenses. The additions include \$13.7 of contributed assets received through development.

Machinery and equipment increased by \$5.4M due to additions of \$14.3M including fire equipment of \$1.0M, offset by \$8.9M of amortization expenses.

Library's collections, furniture and equipment decreased by \$0.1M mainly due to \$1.1M in additions, offset by \$1.2M of amortization expense.

Assets under construction increased by \$27.3M mainly due to \$25.1M for MCAL and \$11.7M for Fire Hall No. 1. Additions were offset by completed projects during the year.



## Non-Financial Assets

### Inventory of materials and supplies

Inventory increased by \$0.6M due to bulk purchases made during the year.

### Prepaid expenses

Prepaid expenses decreased by \$0.1M due to the timing of utilization of expenses.

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# Accumulated Surplus

Accumulated surplus is equivalent to the net worth of an organization. The accumulated surplus increased by \$107.7M to \$3.0B. The annual increase is presented on the Consolidated Statement of Operations.

Accumulated Surplus (\$000's)	2017	2016 (recast)	Change
Investment in TCA	\$ 2,211,771	\$ 2,154,591	\$ 57,180
Reserves	484,883	471,846	13,037
Appropriated surplus	205,010	200,966	4,044
Investment in LIEC	28,289	-	28,289
Surplus	22,618	18,001	4,617
Other equity	3,558	3,024	534
<b>Total</b>	<b>\$2,956,129</b>	<b>\$ 2,848,428</b>	<b>\$ 107,701</b>

## Investment in TCA

Investment in TCA represents the equity held in assets. This balance is equal to the net book value of tangible capital assets less any outstanding debt relating to capital and restricted capital deferred revenue (for Oval).

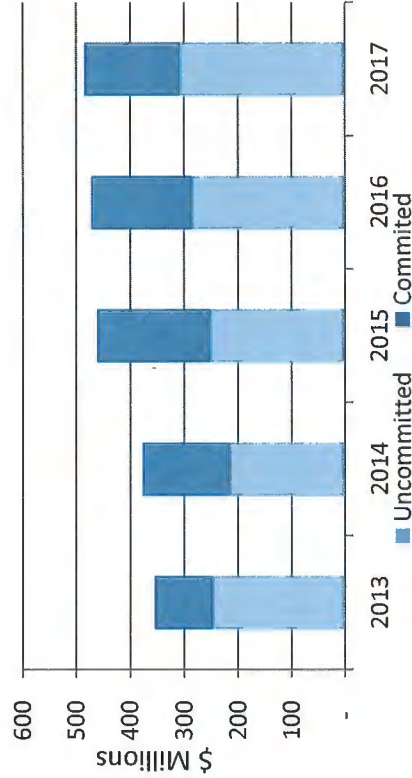
This balance is based on the historical cost of the asset net of accumulated amortization in accordance with accounting standards. This does not reflect market value or replacement value of the assets.

The investment in TCA balance increased by \$57.2M. This is the net activity of asset additions, amortization, disposals and debt reduction.

## Reserves

Reserves are established by Bylaw for specific purposes, mainly capital expenditures. The balance of \$484.9M includes amounts that have been approved for expenditure but remain unspent as at December 31<sup>st</sup> as prescribed by accounting standards. The uncommitted reserve balance is \$306.8M (2016 - \$284.6M).

### Reserve Balance 2013-2017



The increase in the reserve balance is mainly attributable to the timing of capital expenditures. There are several facility construction projects approved including MCAL and Fire Hall 1 that have reserve funds allocated towards the project but have not been fully spent as of the reporting date December 31, 2017.

From the available \$306.8M at December 31, 2017, \$97.0M has been approved for the City's 2018 Capital Budget.



# Accumulated Surplus

## Appropriated Surplus

Appropriated surplus is internally restricted for future commitments and potential liabilities. The balance increased by \$4.0M to \$205.0M as a result of a various transfers, including the transfer during 2017 of the 2016 operating surplus of \$7.0M to the Rate Stabilization Account.

## Investment in LIEC

In 2017, the City recorded its investment in LIEC under the modified equity method which recognizes the investment in LIEC. The balance reflects the City's share equity in LIEC on December 31, 2017 at \$28.3M.

## Surplus

The consolidated surplus increased by \$4.6M to \$22.6M. The increase is attributed to:

- \$8.1M City's 2017 operating surplus
- \$2.1M internal repayments from previously funded capital projects
- (\$7.0M) transfer of the City's 2016 operating surplus to the rate stabilization account

## Other Equity

Other equity relates to equity in the City's inventory. The balance increased to \$3.6M in 2017.





# Consolidated Statement of Operations

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The Consolidated Statement of Operations is the equivalent to the private sector's Income Statement and Statement of Retained Earnings. The Consolidated Statement of Operations provides a summary of the revenues, expenses, and surplus throughout the reporting period and outlines the change in accumulated surplus.

The 2017 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified 'cash requirement' basis and amounts recorded in these financial statements on a 'full accrual' basis.

Note 24 outlines the adjustments to the approved budget, particularly the exclusion of transfers to reserves and other funds and tangible capital asset acquisitions. These adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. As the accrual based budget does not include transfers to reserves, investment in assets and other items, the budget presented on the financial statements can show a surplus or deficit while the budget as approved by Council is a balanced budget.

# Revenues

## 2017 Budget to Actual Comparison

Total consolidated revenues were \$523.2M compared to the budgeted revenues of \$477.9M. Certain revenues cannot be accurately budgeted due to the unpredictability of the source, development timing and use of funds for capital. Budget to actual variance explanations are below.

Revenues (\$000's)	2017 Budget	2017 Actual	Variance
Taxation and levies	\$ 206,490	\$ 206,901	\$ 411
Utility fees	97,678	99,493	1,815
Sales of services	35,576	39,430	3,854
Payments-in-lieu of taxes	13,860	14,647	787
Provincial and federal grants	7,592	9,276	1,684
Development cost charges	18,933	15,710	(3,223)
Other capital funding sources	45,429	57,570	12,141
Investment income	14,694	17,832	3,138
Gaming revenue	18,088	16,753	(1,335)
Licences and permits	9,548	13,011	3,463
Other	9,985	31,502	21,517
Equity income	-	1,042	1,042
<b>Total</b>	<b>\$ 477,873</b>	<b>\$ 523,167</b>	<b>\$ 45,294</b>

Taxation and levies had a favourable variance of \$0.4M due to supplemental adjustments to the assessment roll by BC Assessment.

Utility fees has a favourable variance of \$1.8M mainly due to unbudgeted construction flat rate utility prepayments and fire hydrant usage revenue.

Sales of service had a favourable variance of \$3.9M mainly due to higher than expected lease revenue for properties at River Road and Triangle Road.

Payments in lieu of taxes had a favourable variance due to conservative estimates of assessment values.

Provincial and federal grants were favourable by \$1.7M mainly due to sustainability and risk management initiatives, gas and carbon tax.

Development cost charges had an unfavourable variance of \$3.2M due to the timing of capital expenditures. DCC revenue is recognized when the amounts are spent, while the budget represents the 2017 allocation of DCC's towards capital projects that can be spent over multiple years.

The other capital funding favourable variance is due to higher than anticipated amounts relating to contributed assets received through development.

Investment income had a favourable variance due to use of a higher yield investment strategy and timing of capital expenditures that resulted in a higher than expected investment balance throughout the year.



## Revenues

Gaming revenue had an unfavourable variance of \$1.3M which resulted in a reduced transfer to the capital building infrastructure reserve based on the allocation model approved by Council on March 23, 2015.

Licences and permits had a favourable variance of \$3.5M mainly due to building permits, other permits and business licences.

Other revenue had a favourable variance of \$21.5M due to \$13.0M of developer community amenity contributions received in 2017 and \$4.2M gain on the disposal of land that was not budgeted.

Equity income relates to the City's investment in LIEC and represents LIEC's net income for the period \$1.0M in 2017 (2016 – nil). 2016 and prior, LIEC was considered a government organization and was consolidated in the City's financial statements.





# Revenues

## 2017 to 2016 Actual Comparison

Total 2017 consolidated revenues were \$523.2M compared to \$492.6M in 2016.

Revenues (\$000's)	2017 Actual	2016 Actual (recast)	Change
Taxation and levies	\$206,901	\$198,612	8,289
Utility fees	99,493	97,819	1,674
Sales of services	39,430	38,231	1,199
Payments-in-lieu of taxes	14,647	14,770	(123)
Provincial and federal grants	9,276	9,101	175
Development cost charges	15,710	16,632	(922)
Other capital funding sources	57,570	34,283	23,287
Investment income	17,832	17,614	218
Gaming revenue	16,753	17,559	(806)
Licences and permits	13,011	12,422	589
Other	31,502	35,543	(4,041)
Equity income	1,042	-	1,042
<b>Total</b>	<b>\$523,167</b>	<b>\$492,586</b>	<b>30,581</b>

Taxation and levies increased by \$8.3M due to the 2.95% tax rate increase and new growth.

Utility fees increased by \$1.7M due to the Council approved rate increases, consumption activity and increased recycling activity.

Sales of services increased by \$1.2M due to increase in lease revenue from properties at River Road and Triangle Road.

Payments-in-lieu of taxes and provincial and federal grants are consistent with 2016.

Development cost charges decreased by \$0.9M due to timing of capital expenditures. DCC revenue is recognized when the amounts are spent. There was a \$1.9M increase in revenue recognized relating to road and sewer and \$2.8M decrease in revenue recognized in 2017 in other areas including park and drainage.

Other capital funding sources increased by \$23.3M due to the timing of developer contributed assets. This increase is primarily due to contributed land where there was an increase of \$21.3M from 2016 to \$36.1M received by the City.

Investment income is consistent with 2016.

Gaming revenue for the City decreased by \$0.8M due to decreased revenues at River Rock Casino.

Licences and permits increased by \$0.6M mainly due to increase in building permit revenue.

Other revenue decreased by \$4.0M due to reduced gain on sale of land of \$9.7M, offset by smaller increases in developer community amenity contributions and taxes and fines.

Equity income relates to the City's investment in LIEC and represents LIEC's net income \$1.0M in 2017 (2016 – nil).

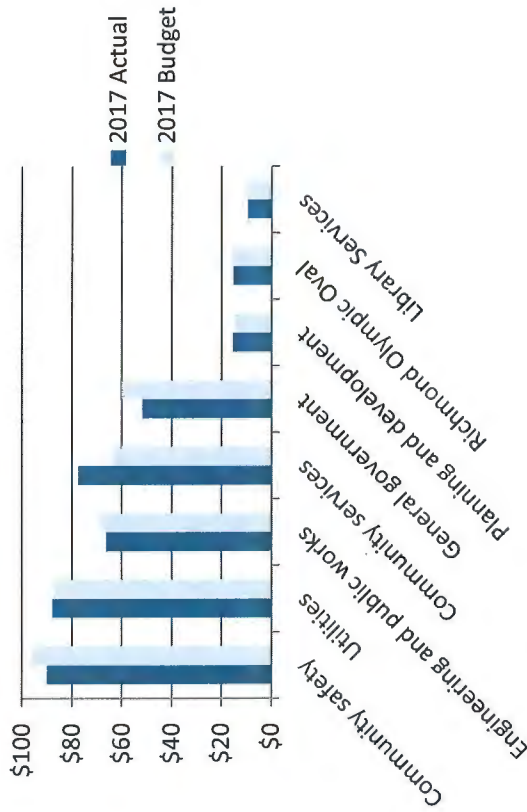
# Expenses

## 2017 Budget to Actual Comparison

Total consolidated expenses were \$413.3M compared to the budget of \$414.7M.

Included in the \$413.3M actual expenses are \$25.7M of expenses that were budgeted in the Capital Budget that did not meet the capitalization eligibility criteria. This includes \$17.0M in contributions toward the Storeys affordable housing project. This amount does not impact the operating surplus.

## 2017 Expenses by Function



The following comparisons are before transfers to provisions and/or reserves:

Community safety had a favourable variance of \$6.0M mainly due to RCMP contract savings from lower than budgeted complement and salary savings due to municipal employee vacancies.

Utilities had an unfavourable variance of \$0.7M due mainly to expenses re-classified to operating from capital.

Engineering and public works had a favourable variance of \$2.1M mainly due to timing of programs scheduled to be completed in 2018.

Community services had an unfavourable variance of \$14.0M mainly due to a \$17.0M disbursement towards the Storeys affordable housing project that was budgeted for in capital.

General government had a favourable variance of \$8.5M due to vacancies and programs that were delayed.

Planning and development had an unfavourable variance of \$1.1M due to the contribution for the Canada Line Capstan Station that was budgeted in the capital budget.

Richmond Olympic Oval was consistent with budget.

Library services were consistent with budget.

# Expenses

## 2017 to 2016 Actual Comparison

Total 2017 consolidated expenses were \$413.3M compared to \$379.5M in 2016.

Expenses (\$000's)	2017 Actual	2016 Actual (recast)	Change
Community safety	\$ 89,933	\$ 88,702	\$ 1,231
Utilities: water, sewer and sanitation	87,757	84,183	3,574
Engineering, public works and project development	66,120	61,243	4,877
Community services	77,387	59,618	17,769
General government	51,720	45,634	6,086
Planning and development	15,417	14,233	1,184
Richmond Olympic Oval	15,331	15,120	211
Library services	9,619	9,788	(169)
Lulu Island Energy Company	-	943	(943)
<b>Total</b>	<b>\$ 413,284</b>	<b>\$ 379,464</b>	<b>\$ 33,820</b>

Community safety expenses increased by \$1.2M due to the increase in the RCMP contract and higher repair and maintenance costs for Fire vehicles and equipment.

Utilities expenses increased by \$3.6M mainly due to water purchase costs as well as contract costs related to recycling.

Engineering, public works and project development increase of \$4.9M is mainly due to increased activities in roads, drainage, and facilities departments.

Community services increased by \$17.8M mainly due to affordable housing contributions for Storeys disbursed in 2017.

General government expenses increased by \$6.1M mainly due to the accounting treatment of LIEC where contributions were previously eliminated.

Planning and development costs increased by \$1.2M mainly due to the contribution for the Canada Line Capstan Station.

The expenses for the Oval increased by \$0.2M due to an increase in operational costs, amortization, and costs required to meet the growth in Oval's memberships, admissions, and program revenues. These increases were offset by a decrease in marketing expenses in 2017.

Library services decreased by \$0.2M due to decrease in contracts and a reduction of loss on TCA compared to 2016.

Effective January 1, 2017, LIEC became a GBE and LIEC's financial information is no longer consolidated with the City's financial information and is accounted for under the modified equity method. See note 5 of the consolidated financial statements for more details.



# Expenses

## Expenses by Object

Expenses (\$000's)	2017 Actual	2016 Actual (recast)	Change
Wages and salaries	\$159,576	\$152,286	\$7,290
Public works maintenance	14,973	14,368	605
Contract services	64,912	63,583	1,329
Supplies and materials	65,959	60,227	5,732
Interest and finance	23,216	22,602	614
Transfer from (to) capital for tangible capital assets	25,712	9,417	16,295
Amortization of tangible capital assets	58,012	55,960	2,052
Loss on disposal of tangible capital assets	924	1,021	(97)
<b>Total</b>	<b>\$413,284</b>	<b>\$379,464</b>	<b>\$33,820</b>

Wages and salaries increased by \$7.3M primarily due to retroactive adjustment for collective agreements, salary increases, and post-employment benefits.

Public works maintenance increased by \$0.6M mainly due to equipment repair and maintenance.

Contract services increased by \$1.3M mainly due to increases in policing and E-Comm 911 charges.

Supplies and materials increased by \$5.7M due to increase in City hosted festivities and events and Metro Vancouver water purchases.

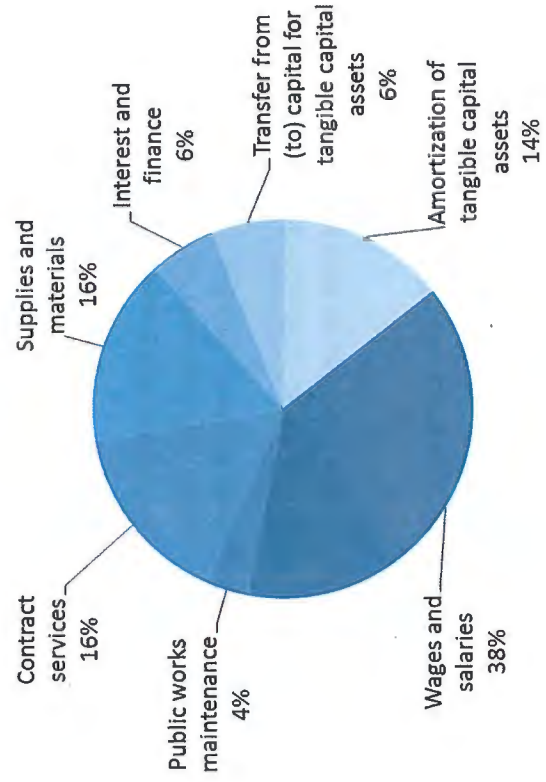
Interest and finance increased by \$0.6M primarily due to increased debt payment to the Greater Vancouver Sewage and Drainage District.

Transfer from (to) capital for tangible capital assets increased by \$16.3M mainly due to non-capital costs relating to the contribution towards Storey Development project.

Amortization of tangible capital assets increased by \$2.1M due to new asset additions.

Loss on the disposal of tangible capital assets decreased by less than \$0.1M.

## 2017 Expenses by Object



# Annual Surplus

The 2017 consolidated annual surplus of \$109.9M is calculated as the difference between revenues and expenses and is reflected in the change in the accumulated surplus (net of the opening adjustment for the accounting changes due to LIEC's transition to a GBE).

The City's 2017 operating surplus of \$8.1M is one component of the 2017 annual surplus of \$109.9M.

## Annual Surplus Distribution

The largest driver of the \$109.9M annual surplus is the change in investment in capital assets of \$57.2M. This is the net activity of asset additions \$163.0M offset by amortization expense of \$58.0M, disposals and debt reduction.

Investment in LIEC increased by \$28.3M as 2017 is the first year LIEC is presented as an investment.

Appropriated surplus increased by \$4.0M relating to future commitments and potential liabilities.

Reserves increased by \$13.0M due to the timing of capital expenditures. Included in the total reserve balance is \$178.1M committed towards active capital projects.

Surplus increased by \$4.6M due to the net impact of operating surplus transactions and repayments for internal borrowing.

Other surplus increased by \$0.5M due to increased inventory.





# Consolidated Statement of Changes in Net Financial Assets

The Consolidated Statement of Changes in Net Financial Assets is unique to governments. This statement focuses on the net assets of the City, adjusting the annual surplus for the impact of tangible capital assets: mainly deducting the costs to acquire assets, and adding back amortization charged during the year.

An important measure of any government's financial condition is its net financial assets: calculated as financial assets (e.g. cash, receivables, and investments) less liabilities (e.g. trade and employment payables, deposits and debt).

The City's net financial assets as at December 31, 2017 increased by \$35.3M to \$698.1M (2016 recast - \$662.7M).



# Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows is a summary of how the City's cash position changed during the year, highlighting sources and uses of cash, including the use of cash to acquire capital assets.

The City's cash and cash equivalents increased by \$29.5M to \$47.9M while investments decreased by \$5.9M to \$972.8M.

In 2017, cash provided by operating activities was \$137.9M, compared to \$174.0M in 2016.

Cash used in capital activities was \$105.4M, compared to \$124.0M in 2016.

Cash used in financing activities was \$4.6M compared to \$4.4M in 2016, and was used to pay down MFA debentures.

Cash provided by investing activities was \$1.6M, compared to cash spent of \$49.0M in 2016.

## Ratio Analysis

The Public Sector Accounting Board (PSAB) encourages the Government sector to conduct ratio analysis as per the Statement of Recommended Practice (SORP) 4: Indicators of Financial Condition. The analysis enables the readers of financial reports to use the indicators to assess the City's ability to respond to changes in the economic climate. It also allows them to interpret the financial reports and assess the quality of financial management.

Based on best practice, the conducted analysis addresses the following three key areas:

- **Assessment of sustainability** measures and demonstrates the ability of a government entity to carry out its service commitments, settles financial commitments to creditors, employees and others without increasing the debt or tax burden in the economy that it operates.
- **Assessment of flexibility** measures and demonstrates the degree to which a government entity can change the level of debt and tax burden in order to meet its service commitments or settle financial commitments.
- **Assessment of vulnerability** measures and demonstrates the degree by which a government entity is dependent on sources of funding outside its control or influence or is exposed to risk that could impair its ability to meet its service and financial commitments.

The following table presents the ratio analysis for the three-year period 2015-2017:

**Assessment of sustainability**

	2017	2016 (recast)	2015	
<b>Sustainability ratios:</b>				
Assets to liabilities (times)	8.1	8.2	8.7	• Assets to liabilities, indicates sustainability by the extent to which the government entity finances its operations by issuing debt. A higher ratio indicates a greater ability to cover liabilities.
Financial assets to liabilities (times)	2.7	2.7	2.9	
Net debt to total revenues	7.2%	8.6%	8.8%	• Financial assets to liabilities, indicates sustainability by the degree that future revenues are required to pay for past transactions and events. A higher ratio indicates a greater ability to cover liabilities.
Net debt to the total assessment	0.04%	0.06%	0.10%	
Expenses to the total assessment	0.5%	0.6%	0.6%	
<b>Flexibility ratios:</b>				
	2017	2016 (recast)	2015	
Debt charges to revenues	0.3%	0.3%	0.3%	• Net debt to total revenue, indicates the financial burden over the earning capacity and also indicates how future revenues will be needed for financing of past transactions and events. A lower percentage indicates a lesser reliance on future revenues to finance existing debt.
Net book value of capital assets to cost	68.3%	68.7%	68.7%	
Net book value of capital assets (excluding land) to cost	56.3%	57.1%	57.2%	
Own source revenue to the assessment	0.5%	0.7%	0.7%	
<b>Vulnerability ratios:</b>				
	2017	2016 (recast)	2015	
Government transfers to total revenues	5.0%	5.4%	5.4%	• Net debt to total assessment, indicates the relationship between the level of debt and the state of the local economy. A lower percentage indicates a lesser reliance on the current assessment base to finance existing debt.
Government transfers (excluding gaming revenue) to total revenues	1.8%	1.8%	1.6%	• Expenses to total assessment, indicates the trend of the government spending in connection to the state of the local economy. A lower percentage indicates a

An explanation of each of the ratios is provided below.



lesser reliance on the current assessment base to finance existing expenses.

### **Assessment of flexibility**

- Debt charges to revenues, indicates the extent to which past borrowing decisions present a constraint on a government's ability to meet its financial commitments. A lower ratio indicates a lesser reliance on existing revenues to finance debt charges.
- Net book value of capital assets to cost, indicates the estimated useful life of the capital assets to provide services. A higher ratio indicates a newer asset inventory.
- Net book value of capital assets (excluding land) to cost, indicates the estimated useful life remaining of depreciable capital assets. Land is not a depreciable asset and its inclusion can distort the net book value to cost ratio. A higher ratio indicates a newer asset inventory.
- Own source revenue to assessment, indicates the degree to which represents the percentage of taxes taken from its own tax base. A lower ratio indicates a lesser proportion of existing revenues from own sources on the current assessment base.

### **Assessment of vulnerability**

- Government transfers to total revenue, indicates the degree to which the local government is dependent on provincial or federal grants. A higher ratio indicates a higher proportion of grants.



# Environmental Analysis

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The City provides a wide array of services to residents, businesses and visitors. The Council Term Goals help guide the development and implementation of the City's work programs and operations.

The following section highlights:

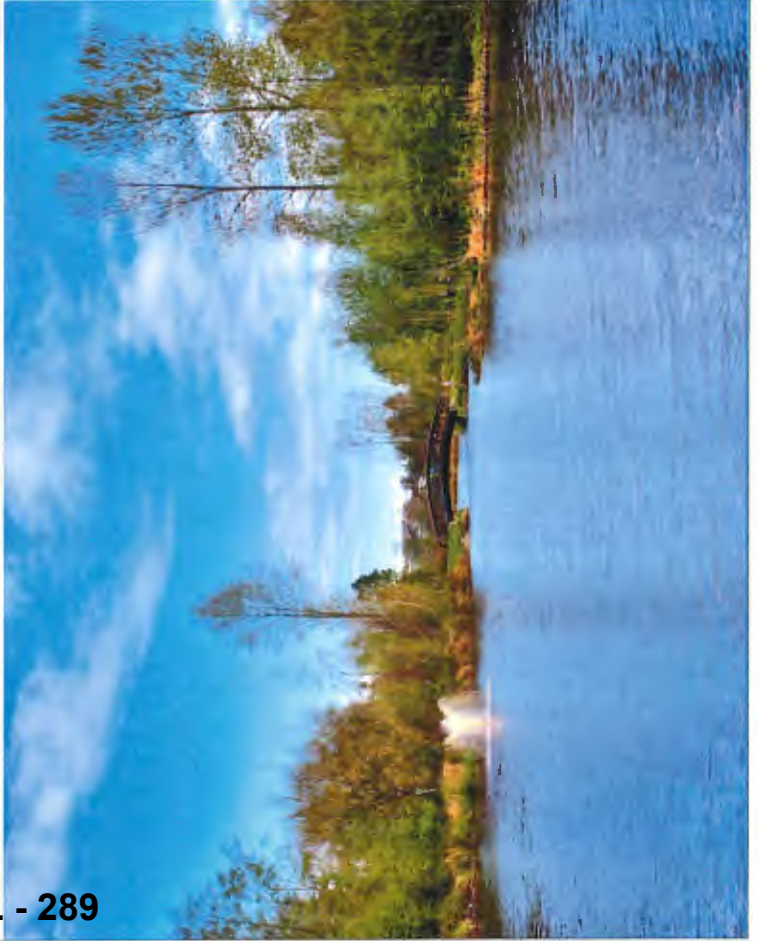
- Council Term Goals
- Environment
  - Business Licences
  - Housing Activity
  - Population
- City Services



# Term Goals

Council decisions guide and influence the City's social and physical development, the quality of life and lifestyle choices available to residents, the relative safety and protection of residents and businesses, and the role the City plays within the region. To help Council manage this important agenda, a "Term Goal Setting" process is undertaken at the start of each new term of office to determine Council's desired focus and priorities in order to ensure City work programs are appropriately aligned. This process forms an integral part of City operations, and helps to ensure a focused and productive workforce that makes the most effective use of public resources. In alphabetical order, the nine goal areas for the 2014-2018 term of Council include:

- 1. A Safe Community**  
Maintain emphasis on community safety to ensure Richmond continues to be a safe community.
- 2. A Vibrant, Active, and Connected City**  
Continue the development and implementation of an excellent and accessible system of programs, services, and public spaces that reflect Richmond's demographics, rich heritage, diverse needs, and unique opportunities, and that facilitate active, caring, and connected communities.
- 3. A Well-Planned Community**  
Adhere to effective planning and growth management practices to maintain and enhance the livability, sustainability and desirability of our City and its neighbourhoods, and to ensure the results match the intentions of our policies and bylaws.
- 4. Leadership in Sustainability**  
Continue advancement of the City's sustainability framework and initiatives to improve the short and long term livability of our City, and that maintain Richmond's position as a leader in sustainable programs, practices and innovations.
- 5. Partnerships and Collaboration**  
Continue development and utilization of collaborative approaches and partnerships with intergovernmental and other agencies to help meet the needs of the Richmond community.





# Term Goals

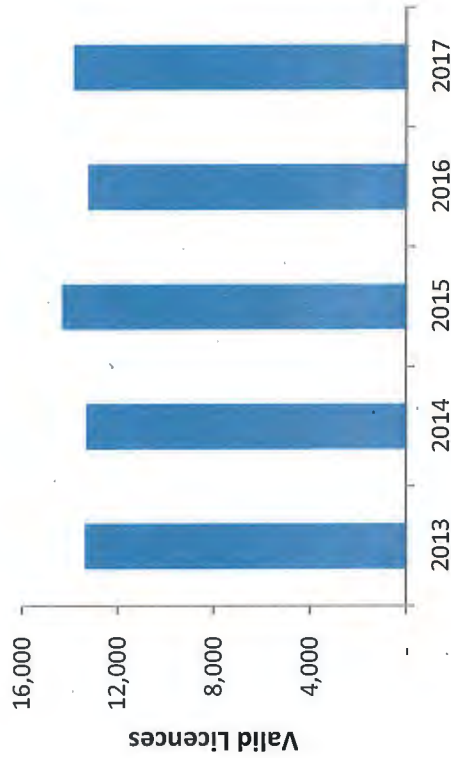
- 6. Quality Infrastructure Networks**  
Continue diligence towards the development of infrastructure networks that are safe, sustainable, and address the challenges associated with aging systems, population growth, and environmental impact.
- 7. Strong Financial Stewardship**  
Maintain the City's strong financial position through effective budget processes, the efficient and effective use of financial resources, and the prudent leveraging of economic and financial opportunities to increase current and long-term financial sustainability.
- 8. Supportive Economic Development Environment**  
Review, develop and implement plans, policies, programs and practices to increase business and visitor appeal and promote local economic growth and resiliency.
- 9. Well-Informed Citizenry**  
Continue to develop and provide programs and services that ensure the Richmond community is well-informed and engaged on City business and decision making.



## Business Licences

The total number of business licences issued increased to 13,870 in 2017 compared to 13,253 licences issued in 2016.

**Business Licences 2013-2017**



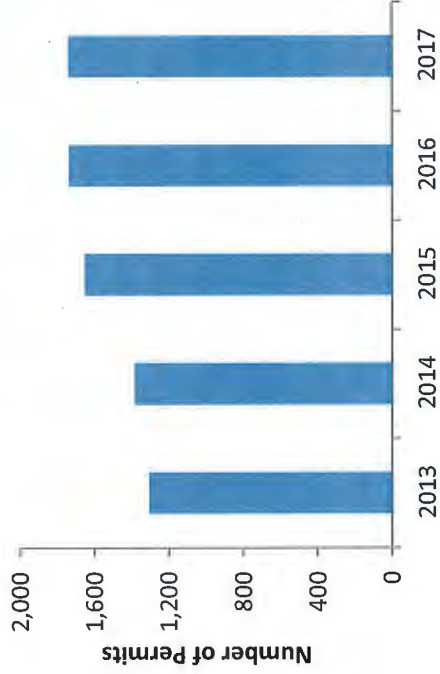
## Housing Activity

Richmond house prices increased by 2.4%, with a 2017 detached median house price of \$1,892,000. The total number of sales decreased year-over-year by 5.9% to 4,951.

In 2017, the total number of building permits issued was 1,744 which was a 0.2% increase from 2016. Overall, the building permit fees collected increased by 33.0% since 2013, a sign of

increasing development activity in Richmond. The actual permit fees collected for 2017 was \$9.6M.

**Building Permits 2013-2017**



The construction value of permits issued in 2017 was \$709.1M, which increased by approximately 0.3% from 2016 of \$707.2M.

The number of development applications received in 2017 decreased 17.9% from 2016 to 193 from 235 applications. Total fees collected in 2017 decreased by 12.1%.



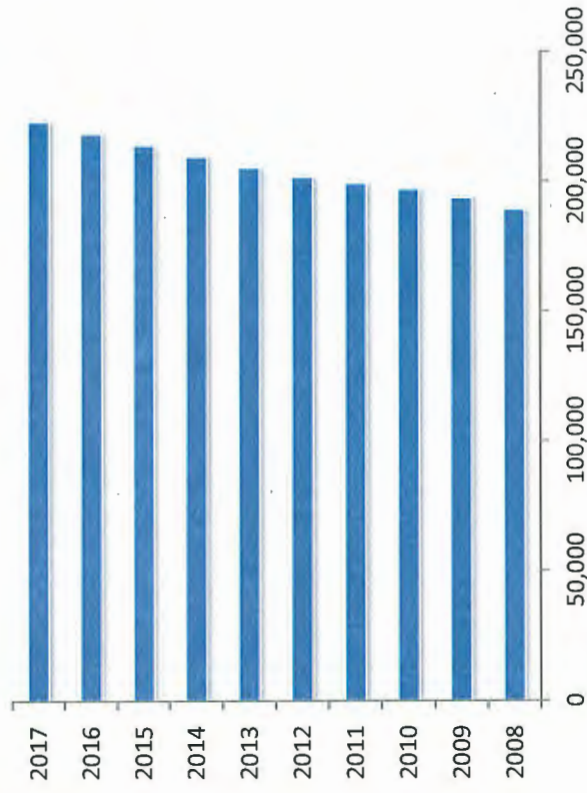


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## Population

Richmond's current population is estimated at 222,945<sup>1</sup>, which is a 2.12% increase from 2016. Richmond is the fourth most populous municipality in the Greater Vancouver region.

**Richmond Population 2008-2017**



<sup>1</sup>City of Richmond Policy Planning



# Services

The City of Richmond provides a wide array of services to residents, businesses and visitors. The City is responsible for delivering the following services in Richmond:

- Performing land use and transportation planning, building approvals, property use and zoning.
- Providing and maintaining roads, dykes, water and sewerage systems, drainage and irrigation systems.
- Providing sanitation and recycling services.
- Providing for the safety and protection of citizens by maintaining policing, fire-rescue services, bylaw enforcement, emergency and environmental programs.
- Providing for the recreational and cultural needs of citizens by: funding library services; building and maintaining recreational and cultural facilities, including pools, arenas, community centres, art centres, theatre and numerous heritage sites.
- Designing, constructing, and maintaining a recreational trail system and a system of parks with playing fields, playgrounds, and various amenities including tennis courts and basketball courts.
- Developing a sustainable community through: affordable housing, child care programs, wellness and outreach programs, tree protection, pesticide use restrictions, waste reduction programs, pollution prevention, district energy utility, energy management programs, purchasing policies and high performance building programs.

- Providing business licences and economic development initiatives.
- Administering property taxes and utility bills.
- Working to safeguard the financial well-being of the City through the provision of effective and reliable financial services and information to Council, staff and the public.
- Working to safeguard and enhance the livability and social, financial, and environmental sustainability of our community and surrounding environment.
- Representing the interests of our citizens on various regional bodies responsible for providing services such as transit, drinking water, waste disposal, and air quality monitoring and reporting.

These services are provided through the use of funds as approved by Council in the 2017 operating, capital and utility budgets.

	2015	2016	2017
Population growth (per annum)	2.17%	2.06%	2.12%
Capital construction costs (\$mil) <sup>1</sup>	\$159.55	\$122.9	\$94.7
City Grants Program (\$mil)	\$0.76	\$0.78	\$0.80
Other grants (\$mil) <sup>2</sup>	\$1.60	\$1.93	\$1.94
Registration in recreation programs	134,786	141,125	146,428
RCMP calls for services	67,276	69,800	66,866
Fire Rescue responses	10,326	10,947	11,216

<sup>1</sup> This is the amended capital budget excluding internal transfers, debt repayment and contributions

<sup>2</sup> Other grants are in addition to the City Grant Program and include contributions towards Gateway Theatre, Richmond Center for Disability, Richmond Therapeutic Equestrian Society and various youth grants.

# Conclusion

The City's prudent financial management has positioned Richmond well to continue to carry out and meet Council's goals and service commitments to provide a safe and desirable community to live, work and play in, while providing good value for taxpayers.

The FSD&A provides a detailed analysis of the Consolidated Financial Statements. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results.

The Consolidated Financial Statements and FSD&A provide details about past activity and the balances at December 31<sup>st</sup> of the fiscal year. This information, in conjunction with planning documents provides a comprehensive depiction of the future financial viability of the City.

In 2003, Council adopted the Long Term Financial Management Strategy (LTFMS) to ensure prudent fiscal practices while maintaining the City's high service standards and balancing current and long term financial needs. The effects of this policy can be seen in the current financial health of the organization.

The LTFMS policy forms the foundation for the City's financial planning, including the preparation of the Five Year Financial Plan Bylaws.

The 2018 – 2022 Five Year Financial Plan combines the Operating, Utility and Capital Budgets. It provides details on the services provided, anticipated revenues and expenses, and planned capital projects.

Additional information about the current financial plan can be found at:

<http://www.richmond.ca/cityhall/finance/reporting/fiveyear.htm>



Consolidated Financial Statements of

**CITY OF RICHMOND**

Year ended December 31, 2017



## INDEPENDENT AUDITORS' REPORT

To the Mayor and Council

We have audited the accompanying consolidated financial statements of the City of Richmond, which comprise the consolidated statement of financial position as at December 31, 2017 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of 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.

### *Auditors' 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 our 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, we consider 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 overall 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 consolidated financial position of the City of Richmond as at December 31, 2017, and its consolidated results of operations, its changes in net consolidated financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

DRAFT FOR DISCUSSION

Chartered Professional Accountants

DATE  
Burnaby, Canada

# CITY OF RICHMOND

Consolidated Statement of Financial Position  
(Expressed in thousands of dollars)

December 31, 2017, with comparative figures for 2016

	2017	2016
		(recast – note 3)
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 47,867	\$ 18,335
Investments (note 4)	972,783	978,638
Investment in Lulu Island Energy Company (note 5)	28,289	-
Accrued interest receivable	6,651	6,972
Accounts receivable (note 6)	27,036	27,766
Taxes receivable	8,976	9,422
Development fees receivable	22,376	16,712
Debt reserve fund - deposits (note 7)	508	508
	<u>1,114,486</u>	<u>1,058,353</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 8)	99,036	96,720
Development cost charges (note 9)	130,684	117,597
Deposits and holdbacks (note 10)	82,786	72,796
Deferred revenue (note 11)	66,287	66,320
Debt, net of MFA sinking fund deposits (note 12)	37,603	42,181
	<u>416,396</u>	<u>395,614</u>
Net financial assets	698,090	662,739
<b>Non-Financial Assets</b>		
Tangible capital assets (note 13)	2,251,901	2,180,026
Inventory of materials and supplies	3,762	3,138
Prepaid expenses	2,376	2,525
	<u>2,258,039</u>	<u>2,185,689</u>
Accumulated surplus (note 14)	<u>\$ 2,956,129</u>	<u>\$ 2,848,428</u>

Commitments and contingencies (note 18)

See accompanying notes to consolidated financial statements.



General Manager, Finance and Corporate Services



# CITY OF RICHMOND

Consolidated Statement of Operations  
(Expressed in thousands of dollars)

Year ended December 31, 2017, with comparative figures for 2016

	2017 Budget (notes 2(p) and 24)	2017	2016 (recast - note 3)
<b>Revenue:</b>			
Taxation and levies (note 20)	\$ 206,490	\$ 206,901	\$ 198,612
Utility fees	97,678	99,493	97,819
Sales of services	35,576	39,430	38,231
Payments-in-lieu of taxes	13,860	14,647	14,770
Provincial and federal grants	7,592	9,276	9,101
Development cost charges	18,933	15,710	16,632
Other capital funding sources	45,429	57,570	34,283
Other revenues:			
Investment income	14,694	17,832	17,614
Gaming revenue	18,088	16,753	17,559
Licenses and permits	9,548	13,011	12,422
Other (note 21)	9,985	31,502	35,543
Equity income (note 5)	-	1,042	-
	<u>477,873</u>	<u>523,167</u>	<u>492,586</u>
<b>Expenses:</b>			
Community safety	95,910	89,933	88,702
Utilities: water, sewer and sanitation	87,097	87,757	84,183
Engineering, public works and project development	68,171	66,120	61,243
Community services	63,361	77,387	59,618
General government	60,204	51,720	45,634
Planning and development	14,275	15,417	14,233
Richmond Olympic Oval	15,652	15,331	15,120
Library services	9,983	9,619	9,788
Lulu Island Energy Company (note 2(a))	-	-	943
	<u>414,653</u>	<u>413,284</u>	<u>379,464</u>
Annual surplus	63,220	109,883	113,122
Accumulated surplus, beginning of year (note 5)	2,846,246	2,846,246	2,735,306
Accumulated surplus, end of year	<u>\$ 2,909,466</u>	<u>\$ 2,956,129</u>	<u>\$ 2,848,428</u>

See accompanying notes to consolidated financial statements.

# CITY OF RICHMOND

## Consolidated Statement of Changes in Net Financial Assets (Expressed in thousands of dollars)

Year ended December 31, 2017, with comparative figures for 2016

	2017 Budget (notes 2(p) and 24)	2017	2016 (recast - note 3)
Surplus for the year	\$ 63,220	\$ 109,883	\$ 113,122
Acquisition of tangible capital assets	(116,714)	(110,742)	(139,781)
Contributed tangible capital assets	(30,610)	(52,249)	(32,123)
Amortization of tangible capital assets	55,892	58,012	55,960
Net gain on disposal of tangible capital assets	-	(3,293)	(12,859)
Proceeds on sale of tangible capital assets	-	5,361	15,784
Reclassification of assets to LIEC as GBE	-	31,036	-
Classification of LIEC as GBE (note 5)	-	(2,182)	-
	(28,212)	35,826	103
Acquisition of inventories of supplies	-	(3,762)	(3,138)
Acquisition of prepaid expenses	-	(2,376)	(2,525)
Consumption of inventories of supplies	-	3,138	2,359
Use of prepaid expenses	-	2,525	1,930
Change in net financial assets	(28,212)	35,351	(1,271)
Net financial assets, beginning of year	662,739	662,739	664,010
Net financial assets, end of year	\$ 634,527	\$ 698,090	\$ 662,739

See accompanying notes to consolidated financial statements.

# CITY OF RICHMOND

Consolidated Statement of Cash Flows  
(Expressed in thousands of dollars)

Year ended December 31, 2017, with comparative figures for 2016

	2017	2016
		(recast – note 3)
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 109,883	\$ 113,122
Items not involving cash:		
Amortization	58,012	55,960
Gain on disposal of tangible capital assets	(3,293)	(12,859)
Contributions of tangible capital assets	(52,249)	(32,123)
Accounting adjustments upon transition of LIEC to a GBE	5,846	-
Increase in investment in GBE	(1,042)	-
Change in non-cash operating working capital:		
Accrued interest receivable	321	(685)
Accounts receivable	730	2,396
Taxes receivable	446	(1,412)
Development fees receivable	(5,664)	4,423
Prepaid expenses	149	(595)
Inventories of supplies	(624)	(779)
Accounts payable and accrued liabilities	2,316	9,019
Deposits and holdbacks	9,990	13,900
Deferred revenue	(33)	17,609
Development cost charges	13,087	6,006
Net change in cash from operating activities	137,875	173,982
Capital activities:		
Cash used to acquire tangible capital assets	(110,742)	(139,781)
Proceeds on disposal of tangible capital assets	5,361	15,784
Net change in cash from capital activities	(105,381)	(123,997)
Financing activities:		
Decrease in debt	(4,578)	(4,402)
Investing activities:		
Sale (purchase) of investments	5,855	(49,048)
Contribution to LIEC	(4,239)	-
Net change in cash from investing activities	1,616	(49,048)
Net change in cash and cash equivalents	29,532	(3,465)
Cash and cash equivalents, beginning of year	18,335	21,800
Cash and cash equivalents, end of year	\$ 47,867	\$ 18,335

See accompanying notes to consolidated financial statements.



# CITY OF RICHMOND

Notes to Consolidated Financial Statements  
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

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## 1. Operations:

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

## 2. Significant accounting policies:

The consolidated financial statements of the City are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada.

### (a) Basis of consolidation:

The consolidated financial statements reflect a combination of the City's General Revenue, General Capital and Loan, Waterworks and Sewerworks, and Reserve Funds consolidated with the Richmond Public Library (the "Library") and the Richmond Olympic Oval (the "Oval"). The Library is consolidated as the Library Board is appointed by the City. The Oval is consolidated as they are a wholly owned municipal corporation of the City and operate as an other government organization. Interfund transactions, fund balances and activities have been eliminated on consolidation. The City's investment in Lulu Island Energy Company ("LIEC"), a wholly owned government business enterprise ("GBE"), is accounted for using the modified equity method effective for fiscal 2017. For fiscal 2016 and prior, LIEC was consolidated into the City's financial statements as it was classified as a government organization (note 5).

### (i) General Revenue Fund:

This fund is used to account for the current operations of the City as provided for in the Annual Budget, including collection of taxes, administering operations, policing, and servicing general debt.

### (ii) General Capital and Loan Fund:

This fund is used to record the City's tangible capital assets and work-in-progress, including engineering structures such as roads and bridges, and the related long-term debt.

### (iii) Waterworks and Sewerworks Funds:

These funds have been established to cover the costs of operating these utilities, with related capital and loan funds to record the related capital assets and long-term debt.

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

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## 2. Significant accounting policies (continued):

### (a) Basis of consolidation (continued):

#### (iv) Reserve Funds:

Certain funds are established by bylaws for specific purposes. They are funded primarily by budgeted contributions from the General Revenue Fund and developer contributions plus interest earned on fund balances.

### (b) Basis of accounting:

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

### (c) Government transfers:

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

### (d) Cash and cash equivalents:

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

### (e) Investments:

Investments are recorded at cost, adjusted for amortization of premiums or discounts. Provisions for losses are recorded when they are considered to be other than temporary. At various times during the term of each individual investment, market value may be less than cost. Such declines in value are considered temporary for investments with known maturity dates as they generally reverse as the investments mature and therefore an adjustment to market value for these market declines is not recorded.

### (f) Investment in government business enterprises:

Government business enterprises are recorded using the modified equity method of accounting. The City's investment in the GBE is recorded as the value of the GBE's shareholder's equity. The investment's income or loss is recognized by the City when it is earned by the GBE. Inter-organizational transactions and balances are not eliminated, except for any gains or losses on assets remaining within the City.

### (g) Accounts receivable:

Accounts receivable are net of an allowance for doubtful accounts and therefore represent amounts expected to be collected.

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

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## 2. Significant accounting policies (continued):

(h) Development cost charges:

Development cost charges are restricted by legislation to expenditures on capital infrastructure. These amounts are deferred upon receipt and recognized as revenue when the expenditures are incurred in accordance with the restrictions.

(i) Post-employment benefits:

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

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

(j) Non-financial assets:

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

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of the assets. The cost, less the residual value, of the tangible capital assets, excluding land are amortized on a straight line basis over their estimated useful lives as follows:

<b>Asset</b>	<b>Useful life - years</b>
Buildings and building improvements	10 - 75
Infrastructure	5 - 100
Vehicles, machinery and equipment	3 - 40
Library's collections, furniture and equipment	4 - 20

Amortization is charged over the asset's useful life commencing when the asset is acquired. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets:

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



# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

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## 2. Significant accounting policies (continued):

### (j) Non-financial assets (continued):

#### (iii) Natural resources:

Natural resources are not recognized as assets in the financial statements.

#### (iv) Works of art and cultural and historic assets:

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

#### (v) Interest capitalization:

The City does not capitalize interest costs associated with the construction of a tangible capital asset.

#### (vi) Labour capitalization:

Internal labour directly attributable to the construction, development or implementation of a tangible capital asset is capitalized.

#### (vii) Leased tangible capital assets:

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

#### (viii) Impairment of tangible capital assets:

Tangible capital assets are written down when conditions indicate that they no longer contribute to the City's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

#### (ix) Inventory of materials and supplies:

Inventory is recorded at cost, net of an allowance for obsolete stock. Cost is determined on a weighted average basis.

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

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## 2. Significant accounting policies (continued):

### (k) Revenue recognition:

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.

The City is required to act as the agent for the collection of certain taxes and fees imposed by other authorities. Collections for other authorities are excluded from the City's taxation revenues.

### (l) Property taxes:

The City establishes property tax rates based on assessed market values provided by the British Columbia Assessment Authority (BCA). Market values are determined as of July 1<sup>st</sup> of each year. The City records taxation revenue at the time the property tax bills are issued and the City is entitled to collect interest and penalties on overdue taxes.

### (m) Deferred revenue:

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

Deferred revenue also represents funds received from external parties for specified purposes. These revenues are recognized in the period in which the related expenses are incurred.

### (n) Deposits:

Receipts restricted by the legislation of senior governments or by agreement with external parties are deferred and reported as deposits and are refundable under certain circumstances. When qualifying expenditures are incurred, deposits are recognized as revenue at amounts equal to the qualifying expenditures.

### (o) Debt:

Debt is recorded net of related sinking fund balances.

### (p) Budget information:

Budget information, presented on a basis consistent with that used for actual results, was included in the City's 5 Year Consolidated Financial Plan (2017-2021) ("Consolidated Financial Plan") and was adopted through Bylaw No. 9663 on February 14, 2017.

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

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## 2. Significant accounting policies (continued):

### (q) Contaminated sites:

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

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

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental 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.

### (r) Use of accounting estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the value of contributed tangible capital assets, value of developer contributions, useful lives for amortization, determination of provisions for accrued liabilities, performing actuarial valuation of employee future benefits, allowance for doubtful accounts, and provision for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in the financial statements in the period that the change in estimate is made, as well as in the period of settlement if the amount is different.

### (s) Segment disclosures:

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The City has provided definitions of segments as well as presented financial information in segment format.



# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
 (Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

### 3. Recast of comparative figures:

Tangible capital assets:

During the year, the City determined that certain tangible capital assets had been omitted from its asset registers.

The impact of these immaterial errors has been recorded retrospectively and prior periods have been recast as follows:

#### Accumulated surplus at January 1, 2016:

Accumulated surplus, as previously reported	\$ 2,731,194
Net book value of tangible capital assets not previously recorded	4,112
<b>Accumulated surplus, as recast</b>	<b>\$ 2,735,306</b>

#### Annual surplus for 2016:

Annual surplus, as previously reported	\$ 105,467
Recognition of contributed capital assets, net of amortization expense	7,655
<b>Annual surplus, as recast</b>	<b>\$ 113,122</b>

#### Tangible capital assets at December 31, 2016:

Tangible capital assets, as previously reported	\$ 2,168,259
Net book value of tangible capital assets not previously recorded	11,767
<b>Tangible capital assets, as recast</b>	<b>\$ 2,180,026</b>

### 4. Investments:

	2017		2016	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 499,541	\$ 488,215	\$ 473,721	\$ 473,409
Government and government guaranteed bonds	177,648	178,246	213,542	216,895
Municipal Finance Authority Pooled Investment	45,065	43,943	44,172	43,834
Other Bonds	250,529	249,120	247,203	249,235
	<b>\$ 972,783</b>	<b>\$ 959,524</b>	<b>\$ 978,638</b>	<b>\$ 983,373</b>

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

## 5. Investment in Lulu Island Energy Company Ltd:

The City owns 100% of the issued and outstanding shares of LIEC, which was incorporated under the British Columbia Company Act on August 19, 2013. LIEC develops, manages and operates district energy utilities in the City of Richmond on the City's behalf.

Summarized financial information relating to LIEC is as follows:

	2017	2016
Cash, cash equivalents, and investments	\$ 6,227	\$ 170
Accounts receivable	1,488	696
Tangible capital assets	32,033	31,256
Total assets	39,748	32,122
Accounts payable and accrued liabilities	1,550	1,194
Deferred contributions	3,522	2,686
Concession liability	6,387	5,234
Total liabilities	11,459	9,114
Shareholder's equity	\$ 28,289	\$ 23,008
Total revenue	\$ 4,224	\$ 800
Total expenses	3,182	822
Net income (loss)	\$ 1,042	\$ (22)

Included in the City's consolidated statement of financial position are payables to LIEC in the amount of \$360,766 (2016 - nil).

During 2016, LIEC was considered a government organization and was accounted for in accordance with Canadian generally accepted accounting principles as prescribed by the PSAB of the Chartered Professional Accountants of Canada, and consolidated in the financial statements of the City.

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
 (Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

## 5. Investment in Lulu Island Energy Company Ltd.(continued):

Effective January 1, 2017, LIEC is classified as a GBE and its financial information is no longer consolidated with the City's financial information. The City's investment in LIEC as a GBE is accounted for using the modified equity method. The adjustments to opening 2017 accumulated surplus are as follows:

### Accumulated surplus at January 1, 2017:

Accumulated surplus, as at December 31, 2016	\$ 2,848,428
Accounting changes to opening accumulated surplus due to LIEC's transition to GBE	(2,182)
<b>Adjusted opening accumulated surplus, as at January 1, 2017</b>	<b>\$ 2,846,246</b>

## 6. Accounts receivable:

	2017	2016
Water and sewer utilities	\$ 12,661	\$ 12,541
Casino revenues	4,025	3,951
Capital grant	2,929	2,345
Other trade receivables	7,421	8,929
	<b>\$ 27,036</b>	<b>\$ 27,766</b>

## 7. Debt reserve fund deposits and contingent demand notes:

The City issues its debt instruments through the Municipal Finance Authority (the "MFA"). As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA in a Debt Reserve Fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the MFA. These demand notes are contingent in nature and are not reflected in the City's accounts. The details of the cash deposits and contingent demand notes at December 31, 2017 are as follows:

	Cash deposits	Contingent demand notes
General Revenue Fund	\$ 508	\$ 2,447



# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
 (Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

## 8. Accounts payable and accrued liabilities:

	2017	2016
Trade and other liabilities	\$ 68,618	\$ 65,417
Post-employment benefits (note 16)	30,418	31,303
	<u>\$ 99,036</u>	<u>\$ 96,720</u>

## 9. Development cost charges:

	2017	2016
Balance, beginning of year	\$ 117,597	\$ 111,591
Contributions	26,866	20,886
Interest	1,931	1,752
Revenue recognized	(15,710)	(16,632)
Balance, end of year	<u>\$ 130,684</u>	<u>\$ 117,597</u>

## 10. Deposits and holdbacks:

	Balance December 31, 2016	Deposit contributions	Refund/ expenditures	Balance December 31, 2017
Security deposits	\$ 50,970	\$ 21,932	\$ 14,819	\$ 58,083
Developer contribution	5,643	7,290	5,224	7,709
Contract holdbacks	5,764	60	-	5,824
Transit Oriented Development Fund	1,057	-	995	62
Other	9,362	11,276	9,530	11,108
	<u>\$ 72,796</u>	<u>\$ 40,558</u>	<u>\$ 30,568</u>	<u>\$ 82,786</u>

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
 (Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

## 11. Deferred revenue:

	Balance December 31, 2016	External restricted inflows	Revenue earned/ adjustments	Balance December 31, 2017
Taxes and Utilities	\$ 19,888	\$ 19,613	\$ 19,888	\$ 19,613
Building permits/development	12,767	6,928	5,969	13,726
Oval	5,819	11,056	10,360	6,515
Capital grants	21,094	4,631	5,447	20,278
Business licenses	2,485	2,109	2,084	2,510
Parking easement/leased land	2,421	47	45	2,423
Other	1,846	8,164	8,788	1,222
	\$ 66,320	\$ 52,548	\$ 52,581	\$ 66,287

## 12. Debt, net of MFA sinking fund deposits:

The interest rate for the year ended December 31, 2017 on the principal amount of the MFA debentures was 3.30% per annum. Interest expense incurred for the year on the long-term debt was \$1,676,895 (2016 - \$1,676,895).

The City obtains debt instruments through the MFA pursuant to security issuing bylaws under authority of the Community Charter to finance certain capital expenditures.

Gross amount for the debt less principal payments and actuarial adjustments to date are as follows:

	Gross amount borrowed	Repayments and actuarial adjustments	Net debt 2017	Net debt 2016
General Fund	\$ 50,815	\$ 4,578	\$ 37,603	\$ 42,181

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
 (Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

## 12. Debt, net of MFA sinking fund deposits (continued):

Repayments on net outstanding debenture debt over the next five years and thereafter are as follows:

2018	\$	4,761
2019		4,951
2020		5,149
2021		5,355
2022		5,570
Thereafter		11,817
	\$	37,603

## 13. Tangible capital assets:

	Balance, December 31, 2016	Adjustment for LIEC as GBE	Additions and transfers	Disposals	Balance December 31, 2017
Land	\$ 859,115	\$ -	\$ 47,068	\$ (1,065)	\$ 905,118
Building and building improvements	385,795	-	30,941	(707)	416,029
Infrastructure	1,688,543	(31,361)	41,265	(1,372)	1,697,075
Vehicles, machinery and equipment	116,842	-	14,333	(370)	130,805
Library's collections, furniture and equipment	8,428	-	1,109	(490)	9,047
Assets under construction	113,436	(959)	28,275	-	140,752
	\$ 3,172,159	\$ (32,320)	\$ 162,991	\$ (4,004)	\$ 3,298,826

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
 (Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

## 13. Tangible capital assets (continued):

Accumulated amortization	Balance, December 31, 2016	Adjustment for LIEC as GBE	Disposals	Amortization expense	Balance December 31, 2017
	(recast - note 3)	(note 5)			
Building and building improvements	\$ 155,999	\$ -	\$ (363)	\$ 14,943	\$ 170,579
Infrastructure	758,501	(1,284)	(783)	32,931	789,365
Vehicles, machinery and equipment	72,699	-	(326)	8,916	81,289
Library's collections, furniture and equipment	4,934	-	(464)	1,222	5,692
	\$ 992,133	\$ (1,284)	\$ (1,936)	\$ 58,012	\$ 1,046,925

	Net book value 2017	Net book value 2016
		(recast - note 3)
Land	\$ 905,118	\$ 859,115
Buildings and building improvements	245,450	229,796
Infrastructure	907,710	930,042
Vehicles, machinery and equipment	49,516	44,143
Library's collection, furniture and equipment	3,355	3,494
Assets under construction	140,752	113,436
Balance, end of year	\$ 2,251,901	\$ 2,180,026

(a) Assets under construction:

Assets under construction having a value of \$140,751,542 (2016 - \$113,435,734) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$52,248,550 (2016 - \$32,123,282 restated) comprised of infrastructure in the amount of \$13,694,410 (2016 - \$17,308,488), land in the amount of \$36,128,140 (2016 - \$14,814,794 restated), and building in the amount of \$2,426,000 (2016 - nil).



# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
 (Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

## 13. Tangible capital assets (continued):

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value.

(d) Works of art and historical treasures:

The City manages and controls various works of art and non-operational historical cultural assets including building, artifacts, paintings, and sculptures located at City sites and public display areas. The assets are not recorded as tangible capital assets and are not amortized.

(e) Write-down of tangible capital assets:

There were no write-downs of tangible capital assets during the year (2016 - nil).

## 14. Accumulated surplus:

	General Funds and Reserve	Water Utility Fund	Sanitary Sewer Utility Fund	Richmond Olympic Oval	Library Services	2017 Total	2016 Total (recast – note 3)
Investment in tangible capital assets	\$ 2,199,287	\$ -	\$ -	\$ 9,122	\$ 3,362	\$ 2,211,771	\$ 2,154,591
Reserves (note 15)	480,134	-	-	4,749	-	484,883	471,846
Appropriated surplus	155,866	31,512	15,657	1,684	291	205,010	200,966
Investment in LIEC	28,289	-	-	-	-	28,289	-
Surplus	14,644	246	6,247	546	935	22,618	18,001
Other equity	3,558	-	-	-	-	3,558	3,024
<b>Balance, end of year</b>	<b>\$ 2,881,778</b>	<b>\$ 31,758</b>	<b>\$ 21,904</b>	<b>\$ 16,101</b>	<b>\$ 4,588</b>	<b>\$ 2,956,129</b>	<b>\$ 2,848,428</b>

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
 (Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

## 15. Reserves:

	2016	Change during year	2017
Reserve funds:			
Affordable housing	\$ 23,726	\$ (13,558)	\$ 10,168
Arts, culture and heritage	4,538	(355)	4,183
Capital building and infrastructure	63,476	6,255	69,731
Capital reserve	155,672	7,927	163,599
Capstan station	14,957	4,768	19,725
Child care development	3,789	(783)	3,006
Community legacy and land replacement	8,413	210	8,623
Drainage improvement	55,903	1,053	56,956
Equipment replacement	18,571	3,597	22,168
Hamilton area plan community amenity	-	735	735
Leisure facilities	5,568	1,197	6,765
Local improvements	6,222	(175)	6,047
Neighborhood improvement	6,933	167	7,100
Oval	4,261	488	4,749
Public art program	3,108	753	3,861
Sanitary sewer	44,527	(1,618)	42,909
Steveston off-street parking	305	5	310
Steveston road ends	407	(196)	211
Waterfront improvement	615	(271)	344
Watermain replacement	50,855	2,838	53,693
	<b>\$ 471,846</b>	<b>\$ 13,037</b>	<b>\$ 484,883</b>

## 16. Post-employment benefits:

The City provides certain post-employment benefits, non-vested sick leave, compensated absences, and termination benefits to its employees.

	2017	2016
Balance, beginning of year	\$ 31,303	\$ 31,706
Current service cost	1,814	1,980
Interest cost	1,015	906
Past service cost (credit)	-	(868)
Amortization of actuarial gain	(61)	(473)
Benefits paid	(3,653)	(1,948)
Balance, end of year	<b>\$ 30,418</b>	<b>\$ 31,303</b>

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

## 16. Post-employment benefits (continued):

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2017. The difference between the actuarially determined accrued benefit obligation of approximately \$29,892,000 and the liability of approximately \$30,418,000 as at December 31, 2017 is an unamortized net actuarial gain of \$526,000. This actuarial gain is being amortized over a period equal to the employees' average remaining service lifetime of 10 years.

	2017	2016
<b>Actuarial benefit obligation:</b>		
Liability, end of year	\$ 30,418	\$ 31,303
Unamortized actuarial loss (gain)	(526)	253
Balance, end of year	\$ 29,892	\$ 31,556

Actuarial assumptions used to determine the City's accrued benefit obligation are as follows:

	2017	2016
Discount rate	2.90%	3.30%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary range increases	2.50% to 3.00%	2.50% to 3.00%

## 17. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2015, the plan has about 193,000 active members and approximately 90,000 retired members. Active members include approximately 38,000 contributors from local governments.

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

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

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## 17. Pension plan (continued):

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

The City of Richmond paid \$12,284,569 (2016 - \$11,952,478) for employer contributions while employees contributed \$10,154,394 (2016 - \$9,827,790) to the plan in fiscal 2017.

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

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

## 18. Commitments and contingencies:

### (a) Joint and several liabilities:

The City has a contingent liability with respect to debentures of the Greater Vancouver Water District, Greater Vancouver Sewerage and Drainage District and Greater Vancouver Regional District, to the extent provided for in their respective Enabling Acts, Acts of Incorporation and Amending Acts. Management does not consider payment under this contingency to be likely and therefore no amounts have been accrued.

### (b) Lease payments:

In addition to the obligations under capital leases, at December 31, 2017, the City was committed to operating lease payments for premises and equipment in the following approximate amounts:

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2018	\$ 5,185
2019	3,867
2020	2,950
2021	2,960
2022 and thereafter	14,106

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### (c) Litigation:

As at December 31, 2017, there were a number of claims or risk exposures in various stages of resolution. The City has made no specific provision for those where the outcome is presently not determinable.

*DRAFT - April 24, 2018*



# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

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## 18. Commitments and contingencies (continued):

(d) Municipal Insurance Association of British Columbia ("Association"):

The City is a participant in the Association. Should the Association pay out claims in excess of premiums received, it is possible that the City, along with other participants, would be required to contribute towards the deficit. Management does not consider external payment under this contingency to be likely and therefore, no amounts have been accrued.

(e) Contractual obligation:

The City has entered into various contracts for services and construction with periods ranging beyond one year. These commitments are in accordance with budgets passed by Council.

(f) E-Comm Emergency Communications for Southwest British Columbia Incorporated ("E-Comm"):

The City is a shareholder of the E-Comm whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City has 2 Class A shares and 1 Class B share (of a total of 29 Class A and 23 Class B shares issued and outstanding as at December 31, 2017). As a Class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.

(g) Community Associations:

The City has a close relationship with the various community associations which operate the community centers throughout the City. While they are separate legal entities, the City does generally provide the buildings and grounds for the use of the community associations as well as pay the operating costs of the facilities. Typically the community associations are responsible for providing programming and services to the community. The community associations retain all revenue which they receive. The City provides the core staff for the facilities as well as certain additional services such as information technology services.

## 19. Trust funds:

Certain assets have been conveyed or assigned to the City to be administered as directed by agreement or statute. The City holds the assets for the benefit of and stands in fiduciary relationship to the beneficiary. The following trust fund is excluded from the City's financial statements.

	2017	2016
Richmond Community Associations	\$ 1,800	\$ 1,270

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

## 20. Collections for other authorities:

The City is obligated to collect certain taxation revenue on behalf of other government bodies. These funds are excluded from the City's financial statements since they are not revenue of the City. Such taxes collected and remitted to the government bodies during the year are as follows:

	2017	2016
Province of British Columbia - Schools	\$ 169,573	\$ 149,518
Greater Vancouver Regional District and others	46,678	42,104
	\$ 216,251	\$ 191,622

## 21. Other revenues:

	2017	2016
Developer contributions	\$ 13,014	\$ 10,098
Tangible capital assets gain on sale of land	4,217	13,880
Taxes and fines	3,247	2,944
Parking program	1,818	2,153
Other	9,206	6,468
	\$ 31,502	\$ 35,543

## 22. Government transfers:

Government transfers are received for operating and capital activities. The operating transfers consist of gaming revenue and provincial and federal grants. Capital transfers are included in other capital funding sources revenue. The source of the government transfers are as follows:

	2017	2016
Operating:		
Province of BC	\$ 21,368	\$ 22,652
TransLink	2,656	2,595
Government of Canada	1,580	1,413
Capital:		
Province of BC	746	941
TransLink	456	1,049
Government of Canada	803	104
	\$ 27,609	\$ 28,754

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

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## 23. Segmented reporting:

The City of Richmond provides a wide variety of services to its residents. For segment disclosure, these services are grouped and reported under service areas/departments that are responsible for providing such services. They are as follows:

- (a) **Community Safety** brings together the City's public safety providers such as Police (RCMP), Fire-Rescue, Emergency Programs, and Community Bylaws. It is responsible for ensuring safe communities by providing protection services with a focus on law enforcement, crime prevention, emergency response, and protection of life and properties.
- (b) **Utilities** provide such services as planning, designing, constructing, operating, and maintaining the City's infrastructure of water and sewer networks and sanitation and recycling.
- (c) **Engineering, Public Works and Project Development** comprises of General Public Works, Roads and Construction, Storm Drainage, Fleet Operations, Engineering, Project Development, and Facility Management. The services provided are construction and maintenance of the City's infrastructure and all City owned buildings, maintenance of the City's road networks, managing and operating a mixed fleet of vehicles, heavy equipment and an assortment of specialized work units for the City operations, development of current and long-range engineering planning and construction of major projects.
- (d) **Community Services** comprises of Parks, Recreation, Arts, Culture and Heritage Services and Community Social Development. These departments ensure recreation opportunities in Richmond by maintaining a variety of facilities such as arenas, community centres, pools, etc. It designs, constructs and maintains parks and sports fields to ensure there is adequate open green space and sports fields available for Richmond residents. It also addresses the economic, arts, culture, and community issues that the City encounters.
- (e) **General Government** comprises of Mayor and Council, Corporate Administration, and Finance and Corporate Services. It is responsible for adopting bylaws, effectively administering city operations, levying taxes, legal services, providing sound management of human resources, information technology, City finance, and ensuring high quality services to Richmond residents.
- (f) **Planning and Development** is responsible for land use plans, developing bylaws and policies for sustainable development in the City including the City's transportation systems.
- (g) **Richmond Olympic Oval Corporation** is formed as a wholly owned subsidiary of the City. The City uses the Richmond Olympic Oval facility as a venue for a wide range of sports, business and community activities.
- (h) **Richmond Public Library** provides public access to information by maintaining 5 branches throughout the City.

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
 (Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

## 23. Segmented reporting (continued):

	Community safety	Utilities	Engineering, public works and project development	Community services	General government	Planning and development	Total City subtotal
<b>Revenues:</b>							
Taxation and levies	\$ -	\$ -	\$ -	\$ -	\$ 206,901	\$ -	\$206,901
User fees	-	88,022	11,471	-	-	-	99,493
Sales of services	5,948	3,015	3,117	9,445	6,749	2,961	31,235
Payments-in-lieu of taxes	-	-	-	-	14,647	-	14,647
Provincial and federal grants	89	-	2,910	170	2,881	-	6,050
Development cost charges	-	2,213	2,280	5,624	2,202	3,391	15,710
Other capital funding sources	-	2,462	13,093	4,454	35,961	1,600	57,570
Other revenues:							
Investment income	-	542	-	-	17,222	-	17,764
Gaming revenue	676	-	-	-	16,077	-	16,753
Licenses and permits	4,248	-	84	-	56	8,623	13,011
Other	2,181	3,042	672	736	9,905	105	16,641
Lulu Island Energy Company income	-	-	-	-	1,042	-	1,042
	13,142	99,296	33,627	20,429	313,643	16,680	496,817
<b>Expenses:</b>							
Wages and salaries	40,570	12,549	23,786	31,200	25,772	9,950	143,827
Public works maintenance	15	6,886	7,074	1,689	(1,478)	785	14,971
Contract services	44,028	8,741	2,888	4,467	3,407	984	64,515
Supplies and Materials	2,534	29,613	1,485	14,441	11,039	596	59,708
Interest and finance	61	20,601	-	80	2,473	-	23,215
Transfer from (to) capital for tangible capital assets	40	1,131	4,776	19,154	(1,037)	1,819	25,883
Amortization of tangible capital assets	2,685	8,078	25,331	6,356	11,544	1,283	55,277
Loss (gain) on disposal of tangible capital assets	-	158	780	-	-	-	938
	89,933	87,757	66,120	77,387	51,720	15,417	388,334
<b>Annual surplus (deficit)</b>	<b>\$ (76,791)</b>	<b>\$ 11,539</b>	<b>\$ (32,493)</b>	<b>\$ (56,958)</b>	<b>\$ 261,923</b>	<b>\$ 1,263</b>	<b>\$108,483</b>



# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
 (Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

## 23. Segmented reporting (continued):

	Total City subtotal	Richmond Olympic Oval	Richmond Public Library	2017 Consolidated	2016 Consolidated (recast – note 3)
<b>Revenues:</b>					
Taxation and levies	\$ 206,901	\$ -	\$ -	\$ 206,901	\$ 198,612
User fees	99,493	-	-	99,493	97,819
Sales of services	31,235	8,100	95	39,430	38,231
Payments-in-lieu of taxes	14,647	-	-	14,647	14,770
Provincial and federal grants	6,050	2,805	421	9,276	9,101
Development cost charges	15,710	-	-	15,710	16,632
Other capital funding sources	57,570	-	-	57,570	34,283
Other revenues:					
Investment income	17,764	-	68	17,832	17,614
Gaming revenue	16,753	-	-	16,753	17,559
Licenses and permits	13,011	-	-	13,011	12,422
Other	16,641	5,629	9,232	31,502	35,543
Lulu Island Energy Company income	1,042	-	-	1,042	-
	496,817	16,534	9,816	523,167	492,586
<b>Expenses:</b>					
Wages and salaries	143,827	8,916	6,833	159,576	152,286
Public works maintenance	14,971	-	2	14,973	14,368
Contract services	64,515	-	397	64,912	63,583
Supplies and materials	59,708	4,903	1,348	65,959	60,227
Interest and finance	23,215	-	1	23,216	22,602
Transfer from (to) capital for tangible capital assets	25,883	-	(171)	25,712	9,417
Amortization of tangible capital assets	55,277	1,513	1,222	58,012	55,960
Loss (gain) on disposal of tangible capital assets	938	-	(14)	924	1,021
	388,334	15,332	9,618	413,284	379,464
<b>Annual surplus (deficit)</b>	<b>\$ 108,483</b>	<b>\$ 1,202</b>	<b>\$ 198</b>	<b>\$ 109,883</b>	<b>\$ 113,122</b>

# CITY OF RICHMOND

Notes to Consolidated Financial Statements (continued)  
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2017

## 24. Budget data:

The budget data presented in these consolidated financial statements is based on the Consolidated Financial Plan adopted by Council on February 14, 2017. The chart below reconciles the adopted Consolidated Financial Plan to the budget figures reported in these consolidated financial statements.

	Financial Plan Bylaw No. 9663	Financial Statement Budget
Revenues:		
Consolidated Financial Plan	\$ 482,467	\$ 482,467
Less: LIEC budget	-	(4,594)
Total revenue	482,467	477,873
Expenses:		
Consolidated Financial Plan	418,210	418,210
Less: LIEC budget	-	(3,557)
Total expenses	418,210	414,653
Annual surplus	\$ 64,257	\$ 63,220
Less: Acquisition of tangible capital assets	(406,199)	-
Less: Transfer to reserves	(66,824)	-
Less: Debt principal	(4,578)	-
Add: Capital funding	383,279	-
Add: Transfer from surplus	30,065	-
Annual surplus per consolidated statement of operations	\$ -	\$ 63,220

## 25. Comparative information:

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