



City of Richmond

Report to Committee



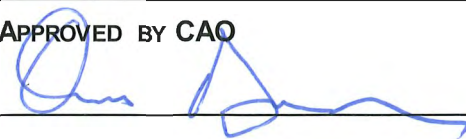
To: Finance Committee **Date:** April 16, 2021
From: Ivy Wong **File:** 03-0905-01/2021-Vol
Acting Director, Finance, CPA, CMA 01
Re: **2020 Consolidated Financial Statements**

Staff Recommendation

1. That the staff report titled, "2020 Consolidated Financial Statements", dated April 16, 2021 from the Acting Director, Finance be received for information; and
2. That the 2020 City of Richmond Consolidated Financial Statements as presented in Attachment 2 be approved.

Ivy Wong
Acting Director, Finance, CPA, CMA
(604-276-4046)

Att. 3

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER	
 Acting GM, F&CS	
SENIOR STAFF REPORT REVIEW	INITIALS: 
APPROVED BY CAO 	

Staff Report

Origin

Sections 98 and 167 of the *Community Charter* require that the City of Richmond (the City) prepare annual audited financial statements. The City's audited consolidated financial statements for 2019 have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

This report supports Council's Strategic Plan 2018-2022 Strategy #8 An Engaged and Informed Community:

Ensure that the citizenry of Richmond is well-informed and engaged about City business and decision-making.

8.2 Ensure citizens are well-informed with timely, accurate and easily accessible communication using a variety of methods and tools.

Analysis

KPMG LLP (KPMG) has been appointed by City Council to independently audit the City's consolidated financial statements. They have expressed an opinion, that the City's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2020, and its consolidated results of operation, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards. The complete Audit Findings Report is attached as Appendix 1.

The annual financial statements and the auditor's report for the year ended December 31, 2020 are attached as Appendix 2.

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. Further information about the basis of consolidation is listed in Note 2 to the consolidated financial statements.

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 3. 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 2020 audited consolidated financial statements.

Financial Impact

None.

Conclusion

The City's audited consolidated financial statements for 2020 have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. As noted in the Auditors' Report, it is the Auditors' opinion that these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2020, and its consolidated results of operation, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.



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

CG:cg

- Att. 1: Audit Findings Report for the year ended December 31, 2020
- 2: 2020 City of Richmond Consolidated Financial Statements
- 3: 2020 Financial Statement Discussion and Analysis



City of Richmond

Audit Findings Report for the year ended
December 31, 2020

CNCL - 228



Dated April 15, 2021 for the Finance Committee meeting
on May 3, 2021

kpmg.ca/audit

Table of contents

Executive summary	3
What's new in 2020 impacting financial reporting	5
Areas of audit focus	7
Audit risks	10
Data & Analytics in the audit	11
Significant accounting policies and practices	12
Control and other observations	13
Appendices	14

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



The contacts at KPMG in connection with this report are:

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Executive summary

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Richmond City Council ("Council") in your review of the results of our audit of the consolidated financial statements (hereinafter referred to as the "financial statements") of the City of Richmond (the "City") as at and for the year ended December 31, 2020. This Audit Findings Report builds on the Audit Plan we provided dated November 4, 2020.

What's new in fiscal 2020 impacting financial reporting

There have been significant changes in fiscal 2020 which impacted financial reporting and our audit:

- COVID-19 pandemic; and
- New auditing standard for estimates.

See pages 5 to 6 further details

Changes from the audit plan

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

Finalizing the audit

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- Completing our discussions with Council;
- Obtaining the signed management representation letter;
- Obtaining evidence of Council's acceptance of the financial statements; and,
- Completing subsequent event review procedures up to the date of Council's acceptance of the financial statements.

We will update Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report, a draft of which is attached to the draft financial statements, will be dated upon the completion of any remaining procedures.

Executive summary (continued)

Areas of audit focus

Our audit is risk-focused. We have not identified any significant risks. However, as part of our audit, we identified areas of audit focus which include:

- Tangible capital assets;
- Deferred revenue and development cost charges;
- Valuation of post-employment benefits; and
- Management override of controls.

See pages 7 to 10 for further details.

Adjustments and differences

Adjustments and differences include disclosure and presentation items. Professional standards require that we request of management and Council that all identified differences be corrected.

Uncorrected differences

We did not identify differences that remain uncorrected.

Corrected adjustments

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

Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

See page 12 for further details.

Control and other observations

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

See page 13 for further details.

Independence

We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2020 up to the date of this report.

Current developments

There have been no significant updates to the current developments materials which were provided to you in our Audit Planning Report.

What's new in 2020 impacting financial reporting

COVID-19 pandemic

Area of impact

Key observations

Risk assessment - We performed a thorough risk assessment specifically targeted at the impacts of the COVID-19 pandemic as described in our audit plan, which also, included an assessment of fraud risk factors. No issues or additional areas were identified.

Working remotely

- We used virtual work rooms, video conferencing, and internally-shared team sites to collaborate in real-time, both amongst the audit team as well as with management.
- We used secure technologies to conduct walkthroughs, perform tests of controls and substantive tests.

Financial reporting

- We obtained an understanding of any changes to process activities and controls that have been implemented due to remote working arrangements. We noted that there were no significant changes to financial processes or controls of the City with respect to financial reporting.
- We reviewed management's assessment of the implications of COVID-19 to the City's operations and the financial effects. The impacts on financial reporting included: reductions in sales of services revenue, investment income, gaming revenue, other revenues, community services expenses, general government expenses, and planning and development expenses. These impacts have been reflected in the financial statements. We noted that there were no other items of significant impact to the financial statements.
- We inquired with management about the performance of the investments held by the City and evaluated whether any indicators of permanent impairment have been identified. We noted there were no indicators of permanent impairment identified. We reviewed investment statements and other information received from the investment manager to determine the impact on portfolio values.
- We reviewed the accounting treatment for the COVID-19 Safe Restart grant received by the City and noted that it was appropriately recognized as revenue. We agreed the amount received to the cash received and the grant letter from the Province of BC.
- Management has included additional disclosure in the notes to the financial statements (within note 1) with respect to the effect of the COVID-19 pandemic for fiscal year 2020 and the nature of any potential future impact to the City. We reviewed the note disclosure and concur that management has appropriately disclosed the impact of COVID-19 on the City's operations.

What's new in 2020 impacting financial reporting (continued)

New auditing standard

Standard	Key observations
CAS 540, Auditing Accounting Estimates and Related Disclosures	<ul style="list-style-type: none">- This new audit standard was applied on all estimates within the financial statements that had a risk of material misstatement due to estimation uncertainty and not just “key estimates”, “critical accounting estimates”, or “estimates with significant risk”.- The granularity and complexity of the new standard along with our interpretation of the application of that standard necessitated more planning and discussion and increased involvement of more senior members of the engagement team.- We performed more granular risk assessments based on the elements making up each accounting estimate such as the method, the assumptions used, the data used and the application of the method.- We considered the potential for management bias.- We assessed the degree of uncertainty, complexity, and subjectivity involved in making each accounting estimate to determine the level of audit response. The higher the level of response, the more persuasive the audit evidence was needed.- We performed a retrospective review of the estimate used to determine the prior year valuation of post-employment benefits balance to assess whether the estimation methodology remains appropriate for the 2020 year-end. There were no issues noted in our audit of the estimate of the valuation of post-employment benefits.

Areas of audit focus

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Tangible capital assets	No	Yes – the established useful lives of tangible capital assets for purposes of depreciation and valuation of contributed assets. No estimation uncertainty with a risk of material misstatement that was more than remote was identified.
Our audit approach		
We performed the following procedures:		
<ul style="list-style-type: none">- We updated our understanding of the process activities and controls over tangible capital assets, including the year-end process around identifying assets for impairment.- We obtained the tangible capital assets continuity schedule, verified its mathematical accuracy, and performed substantive procedures over additions, disposals, reclassifications, and other adjustments.- We tested asset additions including inspection of supporting documentation to determine if additions are capital in nature and amounts recorded are accurate.- We selected a sample of contributed assets and agreed the fair value on the date the assets were received recorded on the financial statements to supporting documentation.- We tested asset dispositions including inspection of supporting documentation and assessed appropriateness of the gain or loss recorded.- We reviewed the reasonableness of estimated useful lives and amortization recognized.- We reviewed the financial statement note disclosure to ensure it is complete and accurate.		
Significant findings		
<ul style="list-style-type: none">- No issues were noted in the audit testing completed.		

Areas of audit focus (continued)

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Deferred revenue and development cost charges	No	No
Our audit approach		
Our procedures included:		
<ul style="list-style-type: none"> - We updated our understanding of the process activities and controls over deferred revenue and development cost charges. - We reconciled a sample of permits to new development cost charges recorded in the year and inspected bylaws showing appropriation for the specified purpose. - We inspected specific contracts to determine whether there are stipulations or restrictions impacting revenue recognition. We assessed whether revenue was appropriately recognized or the amount was appropriately deferred. - We assessed whether the appropriate stipulations have been met by inspecting and recalculating expenses incurred for certain projects. 		
Significant findings		
<ul style="list-style-type: none"> - No issues were noted in the audit testing completed. 		

Areas of audit focus (continued)

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Valuation of post-employment benefits	No	Yes – the actuarial valuation of post-employment benefits. Estimation uncertainty with a risk of material misstatement that was more than remote was identified.

Our audit approach

In addition to the additional procedures noted in the section “What’s new in 2020 impacting financial reporting”, we performed the following procedures:

- We obtained the actuarial report prepared by Mercer (Canada) Limited and agreed the amount recorded in the general ledger to the actuarial report.
- We performed an analytical review over the amounts recorded.
- We assessed the reasonableness of the significant assumptions used in the valuation, including changes in assumptions from the prior year.
- We reviewed the financial statement note disclosure for accuracy and completeness.

Significant findings

- No issues were noted in the audit testing completed.

Audit risks

Professional requirements

Fraud risk from management override of controls

Why is this significant?

This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our audit approach

Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- Testing of journal entries and other adjustments.
- Performing a retrospective review of significant estimates.
- Evaluating the business rationale of significant unusual transactions.

Significant findings

There were no significant issues noted in our testing.

Data & Analytics in the audit

We have integrated Data & Analytics (“D&A”) into our audit approach. Use of innovative D&A allows us to analyze greater quantities of data, dig deeper and deliver more value from our audit. We believe that D&A improves both the quality and effectiveness of our audit by allowing us to analyze large volumes of financial information quickly, enhancing our understanding of your business as well as enabling us to design procedures that better target risks. We have summarized our use of D&A in the audit as follows:

Area of audit focus	D&A tools and routines	Our results
Duplicate payroll testing	<ul style="list-style-type: none"> - We used KPMG data analytics software (IDEA) to identify any duplicate payroll payments that may have been made during the year. 	We did not identify any instances of duplicate payments in 2020.
Payroll payments processed on weekends	<ul style="list-style-type: none"> - We used KPMG data analytics software (IDEA) to identify payroll payments processed on weekends. 	We did not identify any instances of payroll payments processed on the weekends in 2020.
Journal entry testing	<ul style="list-style-type: none"> - We used KPMG data analytics software (IDEA) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing. 	There were no issues noted in our testing.

Significant accounting policies and practices



Significant accounting policies

- There were no initial selections of or changes to the new significant accounting policies and practices.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the City's transactions in relation to the period in which they were recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.



Significant accounting estimates

- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.
- There were no significant factors affecting the City's asset and liability carrying values.



Financial statement presentation and disclosure

- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.
- As requested by the Ministry of Municipal Affairs and Housing, the supplementary information contained within the 2020 Annual Financial Report includes an unaudited schedule for the COVID-19 Safe Restart Grant received by the City in 2020. The schedule shows the amount of funding received, the eligible costs incurred, and the remaining grant balance at December 31, 2020.

Control and other observations

In accordance with professional standards, we are required to communicate to Council significant deficiencies in internal control over financial reporting ("ICFR") that we identified during our audit.

The purpose of our audit is to express an opinion on the financial statements. Our audit included consideration of ICFR 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 ICFR.

The matters being reported are limited to those deficiencies that we have identified during our audit and that we have concluded are of sufficient importance to merit being reported to Council and to meet professional standards.

We did not note any significant deficiencies in internal controls.

Appendices

Appendix 1: Required communications

Appendix 2: Management representation letter

CNCL – 241



Appendix 1: Required communications

Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter provided to management.

Draft auditors' report

The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.

Independence

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

Management representation letter

In accordance with professional standards, a copy of the management representation letter is included in Appendix 2.

Audit findings report

Represented by this report.

Appendix 2: Management representation letter

CNCL – 243

MANAGEMENT REPRESENTATION LETTER

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC, V57Y 1K3
Canada

May __, 2021

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the City of Richmond ("the Entity") as at and for the period ended December 31, 2020.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 26, 2017, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.

- e) providing you with additional information that you may request from us for the purpose of the engagement.
- f) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
- g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

Internal control over financial reporting:

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

Fraud & non-compliance with laws and regulations:

- 3) We have disclosed to you:
 - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - b) all information in relation to fraud or suspected fraud that we are aware of that involves:
 - management;
 - employees who have significant roles in internal control over financial reporting; or
 - others
 where such fraud or suspected fraud could have a material effect on the financial statements.
 - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
 - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the Entity's ability to continue as a going concern.

Other information:

- 11) We confirm that the final version of the 2020 annual report will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your audit procedures in accordance with professional standards.

Non-SEC registrants or non-reporting issuers:

- 12) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).
- 13) We also confirm that the financial statements of the Entity will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Employee future benefits:

- 14) The employee future benefits costs, assets and obligation have been determined, accounted for and disclosed in accordance with the financial reporting framework.

- 15) The information provided by us to Mercer (Canada) Limited (the "Expert") and used in the work and findings of the Expert are complete and accurate. We agree with the findings of the Expert in evaluating post-employment future benefits and have adequately considered the qualifications of the Expert in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give nor cause any instructions to be given to the Expert with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence and objectivity of the Expert.

Yours very truly,

Mr. Jerry Chong, Director of Finance

Ms. Cindy Gilfillan, Manager, Financial Reporting

cc: Richmond City Council

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and, the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Fraud & error

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.



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KPMG member firms around the world have 227,000 professionals, in 146 countries.



Consolidated Financial Statements of

CITY OF RICHMOND

And Independent Auditors' Report thereon

Year ended December 31, 2020



KPMG LLP
PO Box 10426 777 Dunsmuir Street
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Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Richmond

Opinion

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

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in net financial assets for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2020, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants

Vancouver, Canada

May __, 2021

CITY OF RICHMOND

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

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 530,034	\$ 389,564
Investments (note 3)	834,010	830,896
Investment in Lulu Island Energy Company ("LIEC") (note 4)	32,736	31,414
Accrued interest receivable	9,697	7,781
Accounts receivable (note 5)	21,521	28,407
Taxes receivable	14,419	11,033
Development fees receivable	28,517	21,144
Debt reserve fund - deposits (note 6)	508	508
	<u>1,471,442</u>	<u>1,320,747</u>
Liabilities		
Accounts payable and accrued liabilities (note 7)	192,096	107,590
Development cost charges (note 8)	221,151	197,671
Deposits and holdbacks (note 9)	97,445	117,364
Deferred revenue (note 10)	49,024	64,362
Debt, net of MFA sinking fund deposits (note 11)	22,741	27,891
	<u>582,457</u>	<u>514,878</u>
Net financial assets	888,985	805,869
Non-Financial Assets		
Tangible capital assets (note 12)	2,488,139	2,427,798
Inventory of materials and supplies	4,285	2,961
Prepaid expenses	2,797	2,714
	<u>2,495,221</u>	<u>2,433,473</u>
Accumulated surplus (note 13)	<u>\$ 3,384,206</u>	<u>\$ 3,239,342</u>

Contingent demand notes (note 6)

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, 2020, with comparative information for 2019

	2020 Budget (notes 2(p) and 24)	2020	2019
Revenue:			
Taxation and levies (note 20)	\$ 239,357	\$ 239,991	\$ 230,198
Utility fees	115,210	114,335	111,472
Sales of services	43,876	29,090	42,747
Payments-in-lieu of taxes	14,841	16,820	16,277
Provincial and federal grants	9,988	16,953	10,687
Development cost charges (note 8)	29,111	16,737	13,802
Other capital funding sources	66,274	71,051	39,028
Other revenue:			
Investment income	18,562	20,175	25,142
Gaming revenue	14,500	2,705	15,140
Licenses and permits	11,435	19,407	13,030
Other (note 21)	12,764	30,466	62,785
Equity income in LIEC (note 4)	1,311	1,322	1,634
	577,229	579,052	581,942
Expenses:			
Community safety	118,205	112,895	106,209
Utilities: water, sewer and sanitation	104,763	102,824	98,653
Engineering, public works and project development	78,618	75,314	80,940
Community services	71,936	50,833	67,522
General government	63,786	51,495	55,689
Planning and development	24,342	19,201	48,104
Richmond Olympic Oval	17,120	12,586	15,972
Richmond Public Library	11,095	9,040	10,601
	489,865	434,188	483,690
Annual surplus	87,364	144,864	98,252
Accumulated surplus, beginning of year	3,239,342	3,239,342	3,141,090
Accumulated surplus, end of year	\$ 3,326,706	\$ 3,384,206	\$ 3,239,342

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, 2020, with comparative information for 2019

	2020 Budget (notes 2(p) and 24)	2020	2019
Annual surplus for the year	\$ 87,364	\$ 144,864	\$ 98,252
Acquisition of tangible capital assets	(169,105)	(70,726)	(93,154)
Contributed tangible capital assets	(50,000)	(58,240)	(28,867)
Amortization of tangible capital assets	63,236	66,254	64,228
Net gain on disposal of tangible capital assets	-	(6,136)	(17,637)
Proceeds on sale of tangible capital assets	-	8,507	19,326
	(68,505)	84,523	42,148
Acquisition of inventory of materials and supplies	-	(4,285)	(2,961)
Acquisition of prepaid expenses	-	(2,797)	(2,714)
Consumption of inventory of materials and supplies	-	2,961	3,602
Use of prepaid expenses	-	2,714	2,673
Change in net financial assets	(68,505)	83,116	42,748
Net financial assets, beginning of year	805,869	805,869	763,121
Net financial assets, end of year	\$ 737,364	\$ 888,985	\$ 805,869

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 144,864	\$ 98,252
Items not involving cash:		
Amortization of tangible capital assets	66,254	64,228
Net gain on disposal of tangible capital assets	(6,136)	(17,637)
Contributions of tangible capital assets	(58,240)	(28,867)
Equity income in LIEC	(1,322)	(1,634)
Change in non-cash operating working capital:		
Accrued interest receivable	(1,916)	(338)
Accounts receivable	6,886	744
Taxes receivable	(3,386)	811
Development fees receivable	(7,373)	4,401
Inventory of materials and supplies	(1,324)	641
Prepaid expenses	(83)	(41)
Accounts payable and accrued liabilities	84,506	12,359
Development cost charges	23,480	38,789
Deposits and holdbacks	(19,919)	3,744
Deferred revenue	(15,338)	(3,002)
Net change in cash from operating activities	210,953	172,450
Capital activities:		
Cash used to acquire tangible capital assets	(70,726)	(93,154)
Proceeds on disposal of tangible capital assets	8,507	19,326
Net change in cash from capital activities	(62,219)	(73,828)
Financing activities:		
Repayments of debt	(5,150)	(4,951)
Investing activities:		
Net sale (purchase) of investments	(3,114)	174,032
Net change in cash	140,470	267,703
Cash and cash equivalents, beginning of year	389,564	121,861
Cash and cash equivalents, end of year	\$ 530,034	\$ 389,564

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, 2020

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.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian federal and provincial governments enacting emergency measures to combat the spread of the virus. The economic conditions and the City's response to the pandemic had a material impact on the City's operating results and financial position in 2020. The City temporarily closed civic facilities, including recreation and community centres, managed workforce challenges, including the implementation of systems and processes to facilitate remote work, and workforce adjustments, such as delayed hiring, reallocation of staff resources and temporary layoffs. This affected both revenues and expenses for the City and included mitigation measures to reduce the overall financial impact. The primary impact was on parks, recreation and facilities as well as corporate services, bylaw enforcement and fire/rescue. The situation is still dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the City is not known at this time.

2. Significant accounting policies:

The consolidated financial statements of the City have been prepared in accordance with Canadian public sector accounting standards 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. 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.

(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 debt.

CITY OF RICHMOND

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

Year ended December 31, 2020

2. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(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 tangible capital assets and debt.

(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 revenue and expenses. Revenue is recognized in the year in which it is 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.

(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, 2020

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

Asset	Useful life - years
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, 2020

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(iii) Natural resources, works of art, and cultural and historic assets:

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

(iv) Interest capitalization:

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

(v) Labour capitalization:

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

(vi) 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.

(vii) 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.

(viii) 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.

(k) Revenue recognition:

Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. All revenue is 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 revenue.

CITY OF RICHMOND

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

Year ended December 31, 2020

2. Significant accounting policies (continued):

(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 1st of each year. The City records taxation revenue at the time the property tax bills are issued. 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, other related expenses are incurred or services are provided.

Deferred revenue also represents funds received from external parties for specified purposes. This revenue is 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 expenses are incurred, deposits are recognized as revenue at amounts equal to the qualifying expenses.

(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 Consolidated 5 Year Financial Plan (2020-2024) ("Consolidated Financial Plan") and was adopted through Bylaw No. 10183 on May 11, 2020.

(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;

CITY OF RICHMOND

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

Year ended December 31, 2020

2. Significant accounting policies (continued):

(q) Contaminated sites:

- (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 consolidated 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 consolidated financial statements and the reported amount of revenue and expenditures during the reporting period. Areas requiring the use of management estimates relate to performing the actuarial valuation of employee future benefits, the value of contributed tangible capital assets, value of developer contributions, useful lives for amortization, determination of provisions for accrued liabilities, performing the 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 consolidated 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.

3. Investments:

	2020		2019	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 339,607	\$ 339,695	\$ 409,759	\$ 409,874
Government and government guaranteed bonds	326,838	334,579	192,314	194,229
Municipal Finance Authority pooled investment fund	-	-	47,306	46,123
Other bonds	167,565	171,729	181,517	182,039
	<u>\$ 834,010</u>	<u>\$ 846,003</u>	<u>\$ 830,896</u>	<u>\$ 832,265</u>

CITY OF RICHMOND

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

Year ended December 31, 2020

4. 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 Business Corporations Act on August 19, 2013. LIEC develops, manages and operates district energy utilities in the City of Richmond, on the City's behalf, including but not limited to energy production, generation or exchange, transmission, distribution, maintenance, marketing and sales to customers, customer service, profit generation, financial management and advisory services for energy and infrastructure.

Summarized financial information relating to LIEC is as follows:

	2020	2019
Cash, cash equivalents, and investments	\$ 12,619	\$ 11,826
Accounts receivable	3,034	1,303
Tangible capital assets	37,360	33,412
Total assets	53,013	46,541
Accounts payable and accrued liabilities	1,792	778
Deferred contributions	7,352	6,183
Concession liability	11,133	8,166
Total liabilities	20,277	15,127
Shareholder's equity	\$ 32,736	\$ 31,414
Total revenue	\$ 5,591	\$ 5,295
Total expenses	4,269	3,661
Net income	\$ 1,322	\$ 1,634

Included in accounts payable and accrued liabilities in the City's consolidated statement of financial position are payables to LIEC in the amount of \$323,020 (2019 - \$136,168).

On October 30, 2014, LIEC and the Oval Village district energy utility developer ("the Concessionaire") entered into a 30-year Concession Agreement, which is a public-private partnership project ("P3"), where the Concessionaire will design, construct, finance, operate, and maintain the infrastructure for the district energy utility at the Oval Village community. As part of the Agreement, the infrastructure will be owned by LIEC.

On October 30, 2014, the Concessionaire and the City entered into a Limited Guarantee Agreement. The City is the Guarantor and guarantees the performance of some of LIEC's obligations under the Concession Agreement to a maximum of \$18.2 million (2019 - \$18.2 million).

CITY OF RICHMOND

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

Year ended December 31, 2020

5. Accounts receivable:

	2020	2019
Water and sewer utilities	\$ 11,760	\$ 13,671
Casino revenue	-	3,903
Capital grants	4,278	1,291
Other trade receivables	5,483	9,542
	\$ 21,521	\$ 28,407

6. 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, 2020 are as follows:

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

7. Accounts payable and accrued liabilities:

	2020	2019
Trade and other liabilities	\$ 156,975	\$ 73,403
Post-employment benefits (note 15)	35,121	34,187
	\$ 192,096	\$ 107,590

CITY OF RICHMOND

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

Year ended December 31, 2020

8. Development cost charges:

	2020	2019
Balance, beginning of year	\$ 197,671	\$ 158,882
Contributions	36,800	48,740
Interest	3,417	3,851
Revenue recognized	(16,737)	(13,802)
Balance, end of year	\$ 221,151	\$ 197,671

9. Deposits and holdbacks:

	Balance December 31, 2019	Deposit contributions/ interest earned	Refund/ expenditures	Balance December 31, 2020
Security deposits	\$ 94,164	\$ 16,981	\$ (36,168)	\$ 74,977
Developer contributions	7,535	262	-	7,797
Contract holdbacks	5,417	2,525	(2,675)	5,267
Other	10,248	5,049	(5,893)	9,404
	\$ 117,364	\$ 24,817	\$ (44,736)	\$ 97,445

10. Deferred revenue:

	Balance December 31, 2019	Externally restricted inflows	Revenue earned	Balance December 31, 2020
Taxes and utilities	\$ 22,836	\$ 23,221	\$ (22,836)	\$ 23,221
Building permits/development	19,845	6,879	(12,607)	14,117
Oval	1,434	4,868	(5,086)	1,216
Capital grants	10,852	4,489	(13,122)	2,219
Business licenses	2,651	2,211	(2,259)	2,603
Parking easement/leased land	2,441	43	(53)	2,431
Other	4,303	2,267	(3,353)	3,217
	\$ 64,362	\$ 43,978	\$ (59,316)	\$ 49,024

CITY OF RICHMOND

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

Year ended December 31, 2020

11. Debt, net of MFA sinking fund deposits:

The interest rate for the year ended December 31, 2020 on the principal amount of the MFA debenture was 3.30% (2019 - 3.30%) per annum. Interest expense incurred for the year on the long-term debt was \$1,676,895 (2019 - \$1,676,895). The maturity date of the MFA debt is April 7, 2024.

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 2020	Net debt 2019
General Fund	\$ 50,815	\$ 28,074	\$ 22,741	\$ 27,891

Repayments on net outstanding debt over the next four years are as follows:

2021	\$ 5,355
2022	5,570
2023	5,792
2024	6,024
	<hr/>
	\$ 22,741

CITY OF RICHMOND

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

Year ended December 31, 2020

12. Tangible capital assets:

Cost	Balance December 31, 2019	Additions and transfers	Disposals	Balance December 31, 2020
Land	\$ 1,017,563	\$ 44,263	\$ (1,646)	\$ 1,060,180
Building and building improvements	487,241	68,925	(3,542)	552,624
Infrastructure	1,800,891	36,128	(2,531)	1,834,488
Vehicles, machinery and equipment	149,885	10,742	(2,463)	158,164
Library's collections, furniture and equipment	9,938	748	(741)	9,945
Assets under construction	115,432	(31,840)	-	83,592
	\$ 3,580,950	\$ 128,966	\$ (10,923)	\$ 3,698,993

Accumulated amortization	Balance December 31, 2019	Disposals	Amortization expense	Balance December 31, 2020
Building and building improvements	\$ 202,309	\$ (3,039)	\$ 18,072	\$ 217,342
Infrastructure	849,992	(2,417)	36,694	884,269
Vehicles, machinery and equipment	94,088	(2,355)	10,426	102,159
Library's collections, furniture and equipment	6,763	(741)	1,062	7,084
	\$ 1,153,152	\$ (8,552)	\$ 66,254	\$ 1,210,854

Net book value	December 31, 2020	December 31, 2019
Land	\$ 1,060,180	\$ 1,017,563
Buildings and building improvements	335,282	284,932
Infrastructure	950,219	950,899
Vehicles, machinery and equipment	56,005	55,797
Library's collection, furniture and equipment	2,861	3,175
Assets under construction	83,592	115,432
Balance, end of year	\$ 2,488,139	\$ 2,427,798

CITY OF RICHMOND

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

Year ended December 31, 2020

12. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$83,592,534 (2019 - \$115,432,086) 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 \$58,239,544 (2019 - \$28,866,769) comprised of land in the amount of \$38,682,057 (2019 - \$14,665,393), infrastructure in the amount of \$16,979,272 (2019 - \$14,191,349), buildings in the amount of \$2,578,215 (2019 - nil), and no library collections in 2020 (2019 - \$10,027).

(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-down of tangible capital assets in 2020 (2019 - \$1,754,513).

13. Accumulated surplus:

	General and Reserve Funds	Waterworks Utility Fund	Sewerworks Utility Fund	Richmond Olympic Oval	Library	2020 Total	2019 Total
Investment in tangible capital assets	\$ 2,450,559	\$ -	\$ -	\$ 8,621	\$ 2,862	\$ 2,462,042	\$ 2,397,476
Reserves (note 14)	601,723	-	-	7,810	-	609,533	557,576
Appropriated surplus	222,156	18,800	10,182	1,617	1,035	253,790	224,052
Investment in LIEC	32,736	-	-	-	-	32,736	31,414
Surplus	12,529	407	6,293	605	2,140	21,974	25,994
Other equity	4,131	-	-	-	-	4,131	2,830
Balance, end of year	\$ 3,323,834	\$19,207	\$16,475	\$ 18,653	\$ 6,037	\$ 3,384,206	\$ 3,239,342

CITY OF RICHMOND

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

Year ended December 31, 2020

14. Reserves:

	Balance, December 31, 2019	Change during year	Balance, December 31, 2020
Affordable housing	\$ 11,705	\$ 545	\$ 12,250
Arts, culture and heritage	3,726	(5)	3,721
Capital building and infrastructure	100,686	10,842	111,528
Capital reserve	171,976	50,802	222,778
Capstan station	32,318	(20,841)	11,477
Child care development	8,922	1,133	10,055
Community legacy and land replacement	1,310	77	1,387
Drainage improvement	55,645	4,952	60,597
Equipment replacement	20,203	2,374	22,577
Hamilton area plan community amenity	1,720	1,042	2,762
Leisure facilities	17,676	421	18,097
Local improvements	7,327	132	7,459
Neighborhood improvement	7,860	59	7,919
Oval	8,856	(1,046)	7,810
Public art program	4,858	(276)	4,582
Sanitary sewer	47,731	1,172	48,903
Steveston off-street parking	325	6	331
Steveston road ends	150	3	153
Waterfront improvement	202	(7)	195
Watermain replacement	54,380	572	54,952
	\$ 557,576	\$ 51,957	\$ 609,533

15. Post-employment benefits:

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

	2020	2019
Accrued benefit obligation, beginning of year	\$ 35,184	\$ 28,423
Current service cost	2,446	1,881
Interest cost	853	954
Past service cost	-	3,155
Benefits paid	(2,262)	(1,953)
Actuarial loss (gain)	(807)	2,724
Accrued benefit obligation, end of year	\$ 35,414	\$ 35,184

CITY OF RICHMOND

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

Year ended December 31, 2020

15. Post-employment benefits (continued):

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2019 and has been extrapolated by the actuary to December 31, 2020. This actuarial loss is being amortized over a period equal to the employees' expected average remaining service lifetime of 10 years.

	2020	2019
Accrued benefit obligation, end of year	\$ 35,414	\$ 35,184
Unamortized net actuarial loss	(293)	(997)
Accrued benefit liability, end of year	\$ 35,121	\$ 34,187

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

	2020	2019
Discount rate	2.00%	2.40%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary range increases	2.50% to 3.00%	2.50% to 3.00%

16. 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, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 contributors from local governments.

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

CITY OF RICHMOND

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

Year ended December 31, 2020

16. Pension plan (continued):

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a \$2,866 million funding surplus for basic pension benefits on a going concern basis.

The City paid \$13,343,310 (2019 - \$13,251,994) for employer contributions while employees contributed \$11,199,779 (2019 - \$11,120,458) to the plan in fiscal 2020.

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

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

17. Contingent assets and contractual rights:

(a) Contingent assets:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the City's control occurs or fails to occur.

The City has legal claims, service agreements, and land dedications that may qualify as contingent assets. Amounts cannot be estimated as of December 31, 2020. Contingent assets are not recorded in the consolidated financial statements.

In 2019, the City had requested payment from the Office of the Minister of Public Services and Procurement Canada, for outstanding payments-in-lieu of taxes in the amount of \$11,139,593. As of December 31, 2020 and 2019, collectability of the requested amount is not determinable and has not been accrued for in the City's consolidated financial statements.

(b) Contractual rights:

The City has entered into contracts or agreements in the normal course of operations that it expects will result in revenue and assets in future fiscal years. The City's contractual rights are comprised of leases, licenses, grants and various other agreements, including the provision of police services with the Vancouver Airport Authority. The following table summarizes the expected revenue from the City's contractual rights:

2021	\$ 16,229
2022	12,957
2023	4,613
2024	3,639
2025	2,335
Thereafter	8,325

CITY OF RICHMOND

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

Year ended December 31, 2020

17. Contingent assets and contractual rights (continued):

(b) Contractual rights (continued):

The City is entitled to receive revenue from certain other agreements. The revenue from these agreements cannot be quantified and has not been included in the amounts noted above.

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:

The City is committed to operating lease payments for premises and equipment in the following approximate amounts:

2021	\$ 2,736
2022	2,587
2023	2,574
2024	2,389
2025	2,084
Thereafter	3,385

(c) Litigation:

As at December 31, 2020, 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.

(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.

CITY OF RICHMOND

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

Year ended December 31, 2020

18. Commitments and contingencies (continued):

- (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 35 Class A and 20 Class B shares issued and outstanding as at December 31, 2020). 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 agreements with the various community associations which operate the community centers throughout the City. The City generally provides the buildings and grounds, pays the operating costs of the facilities, and provides certain staff and other services such as information technology. Typically the community associations are responsible for providing programming and services to the community. The community associations retain all revenue which they receive.

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 consolidated financial statements.

	2020	2019
Richmond Community Associations	\$ 1,909	\$ 1,877

CITY OF RICHMOND

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

Year ended December 31, 2020

20. Taxation and levies:

	2020	2019
Taxes collected:		
Property taxes	\$ 413,302	\$ 463,679
Payment-in-lieu of taxes and grants	22,375	27,597
Local improvement levies	88	88
	435,765	491,364
Less transfers to other authorities:		
Province of British Columbia – School taxes	(123,333)	(190,650)
TransLink	(41,992)	(40,800)
Metro Vancouver	(7,267)	(7,224)
BC Assessment Authority	(6,286)	(6,185)
Other	(29)	(30)
	(178,907)	(244,889)
Less payment-in-lieu of taxes retained by the City	(16,867)	(16,277)
	\$ 239,991	\$ 230,198

21. Other revenue:

	2020	2019
Developer contributions	\$ 9,044	\$ 27,394
Tangible capital assets gain on sale of land	6,513	18,205
Penalties and fines	3,180	4,303
Parking program	1,204	2,091
Other	10,525	10,792
	\$ 30,466	\$ 62,785

CITY OF RICHMOND

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

Year ended December 31, 2020

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:

	2020	2019
Operating		
Province of British Columbia	\$ 17,534	\$ 20,602
TransLink	546	3,666
Government of Canada	1,579	1,560
Capital		
Province of British Columbia	9,965	3,968
TransLink	2,125	1,010
Government of Canada	-	4,056
	\$ 31,749	\$ 34,862

23. Segmented reporting:

The City 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:

- 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.
- Utilities** provide such services as planning, designing, constructing, operating, and maintaining the City's infrastructure of water, sewer, drainage and diking networks and sanitation and recycling.
- 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.

CITY OF RICHMOND

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

Year ended December 31, 2020

23. Segmented reporting (continued):

- (d) **Community Services** comprises of Parks, Recreation, Arts, and Culture and Heritage Services. 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, and community social development.
- (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, 2020

23. Segmented reporting (continued):

	Community safety	Utilities	Engineering, public works and project development	Community services	General government	Planning and development	Total City subtotal
Revenue:							
Taxation and levies	\$ -	\$ -	\$ -	\$ -	\$ 239,991	\$ -	\$ 239,991
User fees	-	101,246	13,089	-	-	-	114,335
Sales of services	6,255	1,956	2,718	4,113	8,032	2,280	25,354
Payments-in-lieu of taxes	-	-	-	-	16,820	-	16,820
Provincial and federal grants	125	-	546	100	12,717	131	13,619
Development cost charges	-	1,657	1,932	3,346	2,202	7,600	16,737
Other capital funding sources	11	3,510	22,973	162	38,682	5,713	71,051
Other revenue:							
Investment income	-	427	-	-	19,727	-	20,154
Gaming revenue	-	-	-	-	2,705	-	2,705
Licenses and permits	4,539	30	566	-	15	14,257	19,407
Other	1,812	3,555	774	488	22,114	165	28,908
Equity income	-	-	-	-	1,322	-	1,322
	12,742	112,381	42,598	8,209	364,327	30,146	570,403
Expenses:							
Wages and salaries	47,927	12,928	26,114	25,612	26,471	11,963	151,015
Public works maintenance	34	6,585	5,571	1,984	(1,453)	618	13,339
Contract services	58,771	9,658	5,086	2,339	3,798	1,619	81,271
Supplies and materials	2,943	35,076	1,096	9,827	9,665	886	59,493
Interest and finance	73	26,894	4	74	2,729	2	29,776
Transfer from (to) capital for tangible capital assets	(46)	2,612	6,990	1,864	459	1,883	13,762
Amortization of tangible capital assets	3,190	9,061	30,327	8,987	9,761	2,197	63,523
Loss (gain) on disposal of tangible capital assets	3	10	126	146	65	33	383
	112,895	102,824	75,314	50,833	51,495	19,201	412,562
Annual surplus (deficit)	\$ (100,153)	\$ 9,557	\$ (32,716)	\$ (42,624)	\$ 312,832	\$ 10,945	\$ 157,841

CITY OF RICHMOND

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

Year ended December 31, 2020

23. Segmented reporting (continued):

	Total City subtotal	Richmond Olympic Oval	Richmond Public Library	2020 Consolidated	2019 Consolidated
Revenue:					
Taxation and levies	\$ 239,991	\$ -	\$ -	\$ 239,991	\$ 230,198
User fees	114,335	-	-	114,335	111,472
Sales of services	25,354	3,724	12	29,090	42,747
Payments-in-lieu of taxes	16,820	-	-	16,820	16,277
Provincial and federal grants	13,619	2,957	377	16,953	10,687
Development cost charges	16,737	-	-	16,737	13,802
Other capital funding sources	71,051	-	-	71,051	39,028
Other revenue:					
Investment income	20,154	-	21	20,175	25,142
Gaming revenue	2,705	-	-	2,705	15,140
Licenses and permits	19,407	-	-	19,407	13,030
Other	28,908	1,475	83	30,466	62,785
Equity income	1,322	-	-	1,322	1,634
	570,403	8,156	493	579,052	581,942
Expenses:					
Wages and salaries	151,015	7,430	6,343	164,788	177,363
Public works maintenance	13,339	-	4	13,343	15,299
Contract services	81,271	-	371	81,642	79,098
Supplies and materials	59,493	3,487	1,457	64,437	68,801
Interest and finance	29,776	-	3	29,779	26,089
Transfer from (to) capital for tangible capital assets	13,762	-	(194)	13,568	52,244
Amortization of tangible capital assets	63,523	1,669	1,062	66,254	64,228
Loss (gain) on disposal of tangible capital assets	383	-	(6)	377	568
	412,562	12,586	9,040	434,188	483,690
Annual surplus (deficit)	\$ 157,841	\$ (4,430)	\$ (8,547)	\$ 144,864	\$ 98,252

CITY OF RICHMOND

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

Year ended December 31, 2020

24. Budget data:

The budget data presented in these consolidated financial statements is based on the Consolidated Financial Plan adopted by Council on May 11, 2020. The table below reconciles the adopted Consolidated Financial Plan to the budget amounts reported in these consolidated financial statements.

	Financial plan Bylaw No. 10183	Financial statement budget
Consolidated financial plan:		
Revenue	\$ 577,229	\$ 577,229
Expenses	489,865	489,865
	87,364	87,364
Annual surplus	-	-
Less:		
Acquisition of tangible capital assets	(477,714)	-
Contributed tangible capital assets	(50,000)	-
Transfer to reserves	(74,424)	-
Debt principal	(5,149)	-
Add:		
Capital funding	499,513	-
Transfer from surplus	20,410	-
Annual surplus	\$ -	\$ 87,364

CITY OF RICHMOND

Unaudited Statement of Safe Restart Grant
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2020

The Safe Restart Grant was received November 2020 from the Province of British Columbia. A requirement of the Safe Restart Grant is to include a schedule to the financial statements presenting the amount of funding received, use of funds and year end balance of unused funds. A schedule will continue to be reported annually until funds are fully drawn down.

	2020
Safe Restart Grant received	\$ 9,331
Total eligible costs incurred	-
Balance December 31, 2020	\$ 9,331

2020 | City of Richmond

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

Prepared by Management

To be read in conjunction with the 2020
Financial Statements



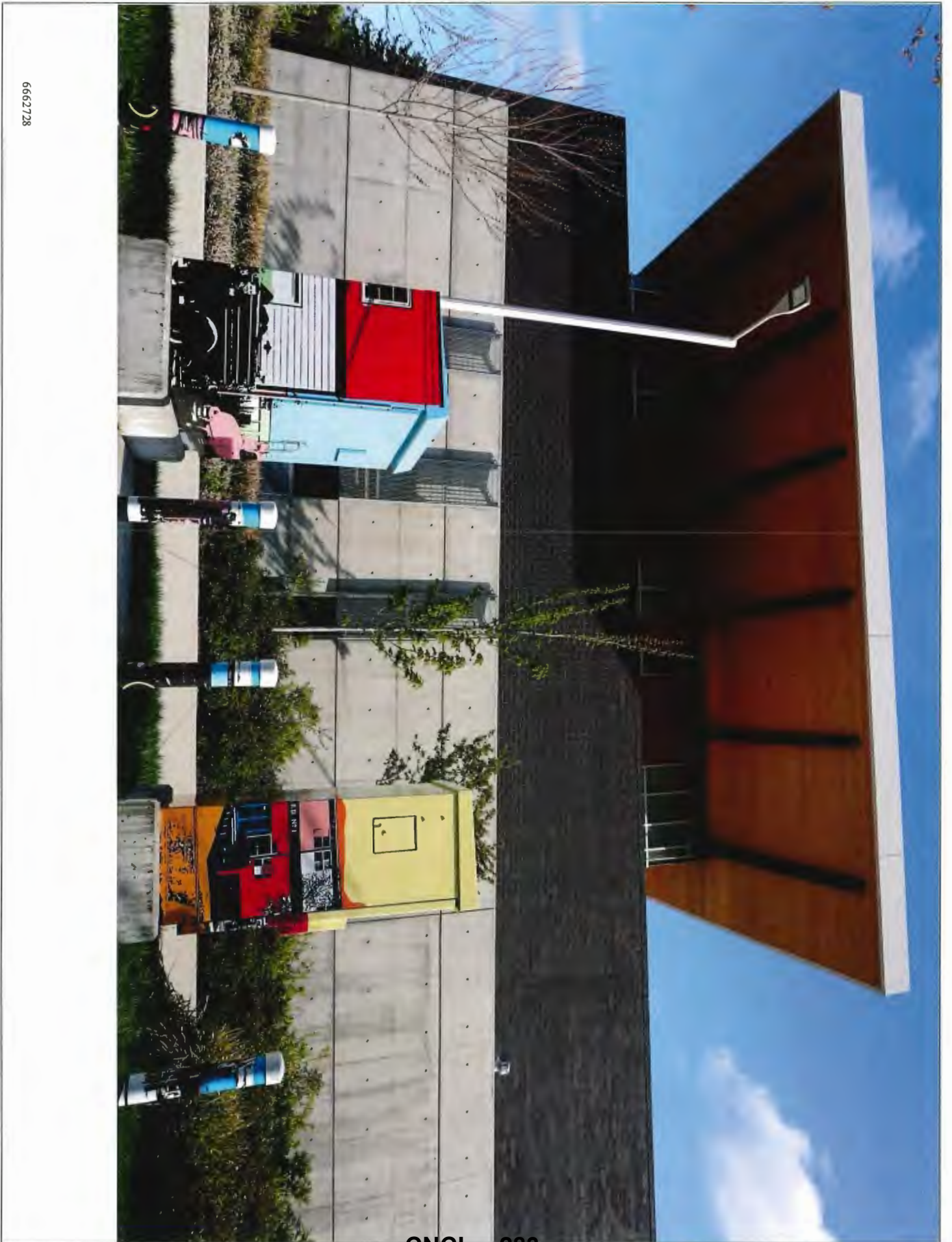


Table of Contents

Contents	
INTRODUCTION	1
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
FINANCIAL ASSETS	3
LIABILITIES	5
NON-FINANCIAL ASSETS	7
ACCUMULATED SURPLUS	9
CONSOLIDATED STATEMENT OF OPERATIONS	11
REVENUES	12
EXPENSES	16
ANNUAL SURPLUS	19
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS	20
CONSOLIDATED STATEMENT OF CASH FLOWS	21
RATIO ANALYSIS	22
ENVIRONMENTAL ANALYSIS	25
STRATEGIC PLANS	26
ENVIRONMENT	28
SERVICES	30
CONCLUSION	31

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 31st, 2020 have been prepared in accordance with Canadian public sector accounting standards.

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 2020 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.

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.

Further information about the basis of consolidation is listed in Note 2 to the Consolidated Financial Statements.

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 31st, 2020 and 2019.
- **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 general, utility, capital, and reserve funds for the City and its consolidated entities.
- **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

The Consolidated Statement of Financial Position shows the City's assets (financial and non-financial), liabilities and accumulated surplus. 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 2020 allowing for flexibility and financial sustainability into the future.

- Financial Assets increased by \$150.7M to \$1.5B
- Liabilities increased by \$67.6M to \$582.5M
- Net financial assets increased by \$83.1M to \$889.0M
- Non-financial assets increased by \$61.7M to \$2.5B
- Accumulated surplus increased by \$144.9M to \$3.4B

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

Financial Assets

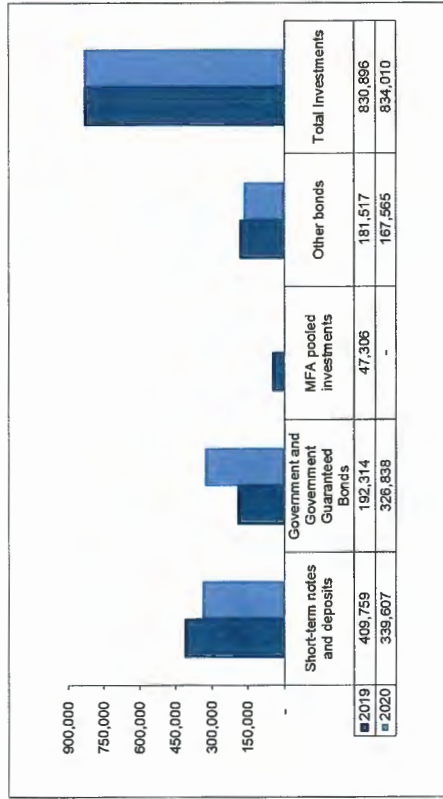
Cash and cash equivalents

Cash increased by \$140.5M to \$530.0M mainly due to the increased balances in liabilities and reserves. The residual in cash was invested in short-term products to optimize the overall interest yields due to the inversion of the yield curve.

Investments

Investments increased slightly by \$3.1M to \$834.0M due to the City's yield enhancement strategy by investing in short-term products, which are classified as cash and cash equivalents.

Investment Portfolio by Type (\$000's)



Investment in LIEC

Effective January 1, 2017, LIEC was classified as a GBE. The City uses the modified equity method to account for this investment of \$32.7M (2019 – \$31.4M).

Accrued interest receivable

Accrued interest receivable increased by \$1.9M to \$9.7M due to the increase in the City's cash and investment balances.

Accounts receivable

Accounts receivable decreased by \$6.9M to \$21.5M primarily due to reduced casino revenues and reduced Public Works receivable activity.

Accounts Receivable (\$000's)	2020	2019	Change
Water and sewer utilities	\$ 11,760	\$ 13,671	\$(1,911)
Casino revenues	0	3,903	(3,903)
Capital grants	4,277	1,291	2,986
Other trade receivables	5,484	9,542	(4,058)
Total	\$ 21,521	\$ 28,407	\$ (6,886)

Taxes receivable

Taxes receivable increased by \$3.3M to \$14.4M due to the timing of collections, likely impacted by the COVID-19 pandemic.

Financial Assets

Development fees receivable

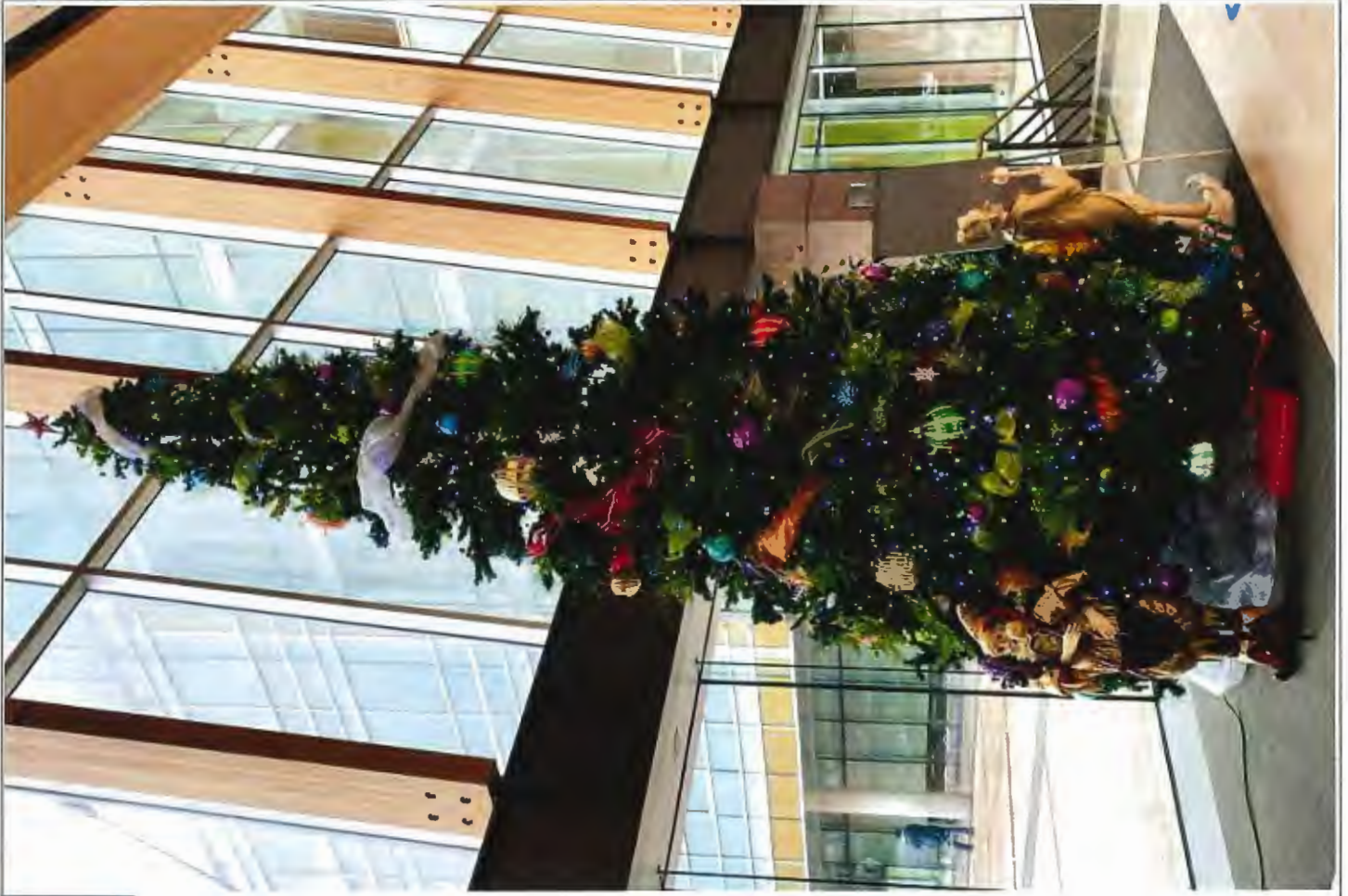
Development fees receivable increased by \$7.4M to \$28.5M due to development activity and the timing of collection during the year.

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 DCC is paid upfront, the next 1/3 installment is paid one year after the originating date, and the final 1/3 installment is paid at the 2 year anniversary date. The second and third payment amounts are secured by a letter of credit.

The net DCC contributions received by the City in 2020 was \$11.9M less than 2019. The increase in 2019 was a result of large multi-family developments.

Debt reserve fund - deposits

The debt reserve fund balance of \$0.5M did not change from 2019, as the City did not receive payments from the Municipal Finance Authority (MFA) during 2020.



Liabilities

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by \$84.5M to \$192.1M. The increase is mainly attributable to the timing of the payment for the RCMP contract and the extension granted by the Province for the school tax remittance.

Development cost charges

The DCC balance of \$221.1M (2019 - \$197.7M) is restricted by Section 559 of the *Local Government Act* and may only be used on authorized capital expenditures.

Net contributions of \$36.8M and interest earned of \$3.4M were received in 2020. The balance was offset by \$12.8M for capital project expenses funded by DCC during the year.

Development Cost Charges (\$000's)	2020	2019	Change
Balance, beginning of year	\$ 197,671	\$ 158,882	\$ 38,789
Contributions	36,800	48,740	(11,940)
Interest	3,417	3,851	(434)
Revenue recognized	(16,737)	(13,802)	(2,935)
Balance, end of year	\$ 221,151	\$ 197,671	\$ 23,480

The \$221.1M balance includes amounts that have been allocated to active capital projects but that remain unspent. At December 31st, 2020 there is \$63.7M (2019 - \$55.4M) committed to active capital projects. Additional DCC funding of \$24.7M was approved as part of the 2021 Capital Budget included in the Consolidated 5 Year Financial Plan (2021-2025) Bylaw No. 10239.

Deposits and holdbacks

Deposits and holdbacks decreased by \$19.9M to \$97.4M mainly due to a decrease in security deposits for development related servicing agreements of \$19.2M.

Deposits and Holdbacks (\$000's)	2020	2019	Change
Security deposits	\$ 74,976	\$ 94,164	\$(19,188)
Developer contribution	7,797	7,535	262
Contract holdbacks	5,267	5,417	(150)
Other	9,405	10,248	(843)
Total deposits and holdbacks	\$ 97,445	\$ 117,364	\$(19,919)

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)	2020	2019	Change
Taxes and utilities	\$ 23,221	\$ 22,836	\$ 385
Building permits / development	14,117	19,845	(5,728)
Oval	1,216	1,434	(218)
Capital grants	2,219	10,852	(8,633)
Other	8,251	9,395	(1,144)
Total deferred revenue	\$ 49,024	\$ 64,362	\$(15,338)

Liabilities

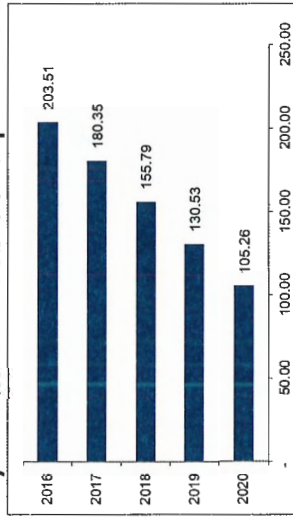
Deferred revenues decreased due to capital grants, building permits/developments and other revenues, resulting in an overall \$15.3M decrease compared to 2019.

Debt, net of MFA sinking fund deposits

Debt decreased by \$5.2M to \$22.7M as a result of the annual repayment made in 2020 towards the borrowing for the construction of the Minoru Center for Active Living 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 \$105.26 per person in 2020 from \$130.53 as of December 31, 2019. The decrease in debt per capita is the combined result of principal payments reducing the outstanding balance along with an increase in population.

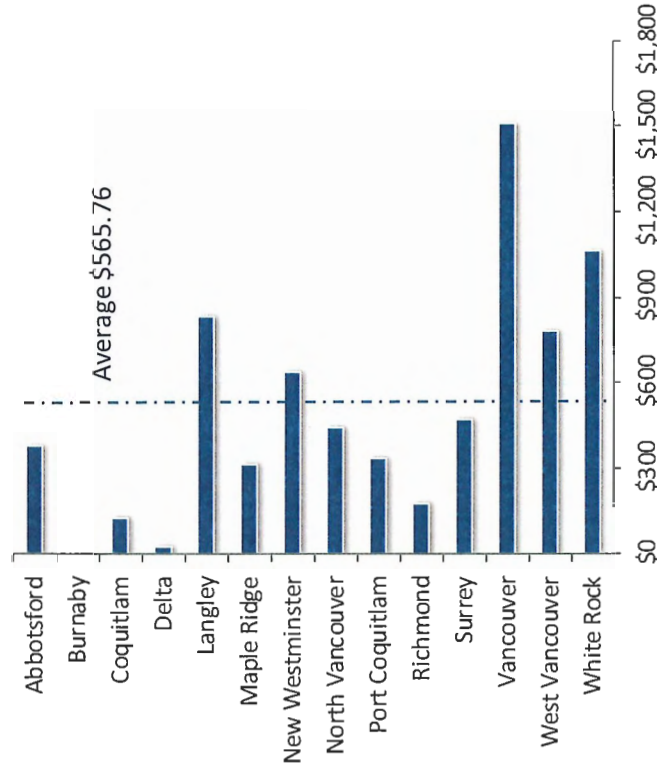
City of Richmond Debt Per Capita 2016-2020



Graph has been updated with population estimates from BC Stats, Demographic Analysis Section, Jan 2021.

The 2019 values for the other municipalities are the most current figures available from the Local Government Statistics. For comparative purposes, Richmond's 2019 debt per capita of \$130.53 is included below and is well below the 2019 regional average of \$565.76.

Debt Per Capita by City (2019)



Long-Term debt data obtained from the Ministry of Municipal Affairs and Housing - 2019 Local Government Statistics. Population estimates for 2019 obtained from BC Stats, Demographic Section, Jan 2021.

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 below. Additional information can be obtained in Note 12 of the consolidated financial statements.

TCA increased by \$60.3M to \$2.5B. The change is a result of \$129.0M of asset additions and current year amortization expense of \$66.3M.

Tangible Capital Assets (\$000's)	2020	2019	Change
Land	\$1,060,180	\$1,017,563	\$ 42,617
Buildings and building improvements	335,282	284,932	50,350
Infrastructure	950,219	950,899	(680)
Vehicles, machinery and equipment	56,005	55,797	208
Library's collections, furniture and equipment	2,861	3,175	(314)
Assets under construction	83,592	115,432	(31,840)
Total	\$2,488,139	\$2,427,798	\$ 60,341

Land increased by \$42.62M mainly due to \$44.3M increase in additions. Net disposal in 2020 was \$1.6M. The additions in 2020 included \$38.7M of contributed assets received through development.

Buildings increased by \$50.4M mainly due to \$68.9M increase in additions offset by \$18.1M of amortization expenses. Net disposal in 2020 was \$0.1M. The additions in 2020 included \$49.0M for Minoru Centre for Active Living Aquatics and Fitness Centre.

Infrastructure decreased by \$0.7M mainly due to \$36.0M increase in additions offset by \$36.7M of amortization expenses. Net disposal in 2020 was \$0.1M. The additions in 2020 included \$16.8M of contributed assets received through development and \$6.6M for dike upgrades.

Vehicles, machinery and equipment increased by \$0.2M mainly due to \$10.7M increase in additions offset by \$10.5M of amortization expenses. The additions in 2020 include \$2.8M for various vehicle purchases and \$1.6M of traffic and pedestrian signals at various locations.

Library's collections, furniture and equipment decreased by \$0.3M mainly due to \$1.0M of amortization expenses offset by \$0.7M additions.

Assets under construction decreased by \$31.8M mainly due to the completion and capitalization of Minoru Centre for Active Living.

Non-Financial Assets

Inventory of materials and supplies

Inventory increased by \$1.3M to \$4.3M based on timing of materials issued and stocking of personal protective equipment.

Prepaid expenses

Prepaid expenses increased by \$83K to \$2.8M due to timing of expense utilization and increases to insurance premium costs.



Accumulated Surplus

The accumulated surplus increased by \$144.9M to \$3.4B. The annual increase is presented on the Consolidated Statement of Operations.

Accumulated Surplus (\$000's)	2020	2019	Change
Investment in TCA	\$ 2,462,042	\$ 2,397,476	\$ 64,566
Reserves	609,533	557,576	51,957
Appropriated surplus	253,790	224,052	29,738
Investment in LIEC	32,736	31,414	1,322
Surplus	21,974	25,994	(4,020)
Other equity	4,131	2,830	1,301
Total	\$ 3,384,206	\$ 3,239,342	\$ 144,864

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).

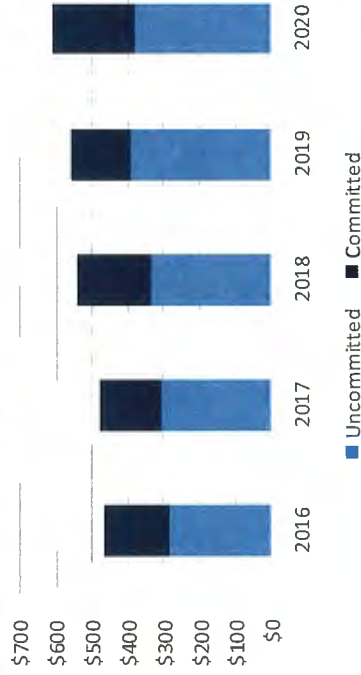
In accordance with accounting standards, this balance is accounted for using the cost method, net of accumulated amortization. It does not reflect market value or replacement value of the assets.

The investment in TCA balance increased by \$64.6M. 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 \$609.5M includes amounts that have been approved for expenditure but remain unspent as at December 31st. The uncommitted reserve balance is \$382.7M (2019 - \$391.7M).

Reserve Balance 2016-2020



The increase in the reserve balance is mainly attributable to the timing of capital expenditures. There are several facility construction projects approved including the Animal Shelter, strategic land acquisitions and the Phoenix Net Loft that have reserve funds allocated towards the project but have not been spent as of the reporting date December 31st, 2020.

From the available \$382.7M at December 31st, 2020, \$48.9M has been approved for the City's 2021 Capital Budget included in the Consolidated 5 Year Financial Plan (2021-2025) Bylaw

Accumulated Surplus

No. 10239. An additional \$392.9M is estimated for the remaining 4 years (2022-2025) of the 5 Year Capital Plan.

Appropriated Surplus

Appropriated surplus is internally restricted for future commitments and potential liabilities. The balance increased by \$29.7M to \$253.8M partially due to expected future costs with respect to contracts including the RCMP and amounts received for the COVID 19 Safe Restart Grant.

Investment in LIEC

The City's investment in LIEC is recorded under the modified equity method. The balance reflects the City's share equity in LIEC on December 31st, 2020 at \$32.7M, an increase of \$1.3M from the 2019 balance of \$31.4M.

Surplus

The consolidated surplus decreased by \$4.0M to \$22.0M in 2020. The decrease is mainly attributed to:

- (\$6.9M) transfer of the City's 2019 operating surplus to the Rate Stabilization Account
- \$0.1M 2020 operating surplus for the City
- \$2.1M internal repayments

Other Equity

Other equity relates to the City's inventory. The balance increased by \$1.3M to \$4.1M in 2020.



Consolidated Statement of Operations

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 2020 budget amounts 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 are 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

2020 Budget to Actual Comparison

Total consolidated revenues are \$579.1M compared to the budgeted revenues of \$577.2M. Certain revenues will always be difficult to accurately budget due to the unpredictability of the source, development timing and use of funds for capital. Budget to actual variance explanations are below.

	2020 Budget	2020 Actual	Variance
Revenues (\$000's)			
Taxation and levies	\$ 239,357	\$ 239,991	\$ 634
Utility fees	115,210	114,335	(875)
Sales of services	43,876	29,090	(14,786)
Payments-in-lieu of taxes	14,841	16,820	1,979
Provincial and federal grants	9,988	16,953	6,965
Development cost charges	29,111	16,737	(12,374)
Other capital funding sources	66,274	71,051	4,777
Investment income	18,562	20,175	1,613
Gaming revenue	14,500	2,705	(11,795)
Licences and permits	11,435	19,407	7,972
Other	12,764	30,466	17,702
Equity income	1,311	1,322	11
Total	\$ 577,229	\$ 579,052	\$ 1,823

Taxation and levies had a favourable variance of \$0.6M mainly due to slightly higher than expected new growth.

Utility Fees had an unfavourable variance of \$0.9M mainly due to lower than budgeted meter billings due to decline in usage

due to COVID 19 pandemic offset by higher than budgeted garbage utility and recycling revenues and unbudgeted construction flat rate utility prepayments.

Sales of services had an unfavourable variance of \$14.8M mainly due to the decrease in facility and program revenues as impacted by the COVID 19 pandemic and significantly lower receivable income.

Payments in lieu of taxes had a favourable variance of \$2.0M due to higher than expected payments from various authorities.

Provincial and federal grants were favourable by \$7.0M mainly due to one-time unbudgeted COVID-19 Safe Restart Grant for Local Government offset by temporary discontinuation of the TransLink grant for the Major Road Network due to COVID-19 pandemic.

Development cost charges had an unfavourable variance of \$12.4M due to the timing of capital expenditures. DCC revenue is recognized when the amounts are spent, while the budget represents the 2020 allocation of DCC's towards capital projects that can be spent over multiple years.

The other capital funding favourable variance of \$4.8M is due to \$8.2M higher than budgeted amounts relating to contributed assets received through development offset by the timing of the capital expenditures. The revenue recognition relating to these contributed assets is based on

Revenues

the timing of the development and when the ownership of assets are transferred to the City

Investment income had a favourable variance due to the timing of capital expenditures as committed reserves were not spent, which resulted in a higher than projected investment balance and higher than projected investment income.

Gaming revenue had an unfavourable variance of \$11.8M due to closure of the River Rock Casino since the Attorney General ordered the temporary closure of all gambling facilities in British Columbia in consultation with and on the advice of the Provincial Health Officer in March 2020.

Licences and permits had a favourable variance of \$8.0M due to the completion of multi-phased projects, building permits, underpinning fees and engineering planning permits for municipal agreements.

Other revenue had a favourable variance of \$17.7M due to the unbudgeted external developer contributions and miscellaneous revenues.

Equity income relates to the City's investment in LIEC and represents LIEC's net income for the year. LIEC's net income for 2020 is \$1.3M (2019 - \$1.6M).



Revenues

2020 to 2019 Actual Comparison

Total 2020 consolidated revenues were \$579.1M compared to \$581.9M in 2019.

Revenues (\$000's)	2020 Actual	2019 Actual	Change
Taxation and levies	\$239,991	\$230,198	\$ 9,793
Utility fees	114,335	111,472	2,863
Sales of services	29,090	42,747	(13,657)
Payments-in-lieu of taxes	16,820	16,277	543
Provincial and federal grants	16,953	10,687	6,266
Development cost charges	16,737	13,802	2,935
Other capital funding sources	71,051	39,028	32,023
Investment income	20,175	25,142	(4,967)
Gaming revenue	2,705	15,140	(12,435)
Licences and permits	19,407	13,030	6,377
Other	30,466	62,785	(32,319)
Equity income	1,322	1,634	(312)
Total	\$579,052	\$581,942	\$(2,890)

Taxation and levies increased by \$9.8M due to the 2.97% tax rate increase and new growth.

Utility Fees increased by \$2.9M due to Council approved rate increases, higher Greater Vancouver Sewerage & Drainage District debt levy offset by decline in metered utility revenue from businesses as a result of the COVID-19 pandemic.

Sales of services decreased by \$13.7M due mainly due to the decrease in facility and program revenues due to the COVID 19 pandemic and significantly lower receivable income.

Payments in lieu of taxes increased by \$0.5M due to increases in assessment values for certain properties.

Grant revenues increased by \$6.3M mainly due to the onetime \$9.3M COVID-19 Safe Restart Grant for offset by a \$3.1M decrease in the TransLink grant for the Major Road Network due to the COVID-19 pandemic.

Development cost charges increased by \$2.9M due to timing of capital expenditures as DCC revenue is recognized when the amounts are spent.

The other capital funding increased by \$32.0M mainly due to \$29.4M increase in donated assets by developers primarily relating to a \$24.0M increase of land donated assets.

Investment income decreased by \$5.0M due to reduced market yield as a result of the decrease in the overnight interest rate relating to the Bank of Canada's fiscal policy in response to the economic impact of the Covid-19 pandemic.

Gaming revenue decreased by \$12.4M due to closure of the River Rock Casino by Provincial order in March 2020.

Revenues

Licences and permits increased by \$6.4M mainly due to building permits revenue recognized due to inspection progress made on large scale development construction.

Other revenue decreased by \$32.3M due to lower gain on sale of land and lower developer reserve contributions.

Equity income relates to the City's investment in LIEC and represents LIEC's net income for the year. LIEC's net income for 2020 decreased by \$0.3M.

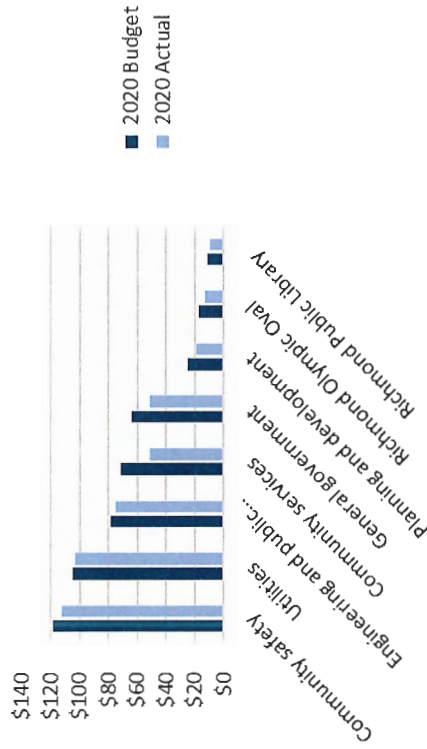


Expenses

2020 Budget to Actual Comparison

Total consolidated expenses are \$434.2M compared to the budget of \$489.9M.

2020 Expenses by Function



pandemic, offset by higher than budgeted amortization expense and non-capital expenditures.

Engineering and public works has a favourable variance of \$3.3M mainly due to uncompleted public works expenses for roads and building maintenance projects and lower operating expenses offset by higher than budgeted capital expenditures, which do not meet the criteria for capitalization.

Community Services had a favourable variance of \$21.1M mainly due to facilities closure resulting from the COVID-19 pandemic and lower than budgeted capital expenditures that do not meet criteria for capitalization.

General Government had a favourable variance of \$12.3M mainly due to unfilled vacancies and staff redeployment for the temporary Community Ambassador Program and lower supplies and materials due to decline in activities because of the COVID-19 pandemic.

Planning and Development had a favourable variance of \$5.1M mainly due to staff vacancies and lower than budgeted capital expenses not meeting the criteria for capitalization.

Richmond Olympic Oval had a favourable variance of \$4.5M mainly due to lower than expected general and administration and amortization costs.

Richmond Public Library had a favourable variance of \$2.1M mainly due to facilities closure because of the COVID 19 pandemic.

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

Community Safety had a favourable variance of \$5.3M mainly due to RCMP contract savings from lower than budgeted complement and salary savings due to vacancies and the time required to fill new fire fighters positions approved in 2020.

Utilities had a favourable variance of \$1.9M mainly due to budgeted public works maintenance projects not yet completed and less water purchases because of COVID-19

Expenses

2020 to 2019 Actual Comparison

Total 2020 consolidated expenses were \$434.2M compared to \$483.7M in 2019.

	2020 Actual	2019 Actual	Change
Expenses (\$000's)			
Community safety	\$ 112,895	\$ 106,209	\$ 6,686
Utilities: water, sewer and sanitation	102,824	98,653	4,171
Engineering, public works and project development	75,314	80,940	(5,626)
Community services	50,833	67,522	(16,689)
General government	51,495	55,689	(4,194)
Planning and development	19,201	48,104	(28,903)
Richmond Olympic Oval	12,586	15,972	(3,386)
Richmond Public Library	9,040	10,601	(1,561)
Total	\$ 434,188	\$ 483,690	(49,502)

Community Safety expenses increased by \$6.7M mainly due to the temporary Community Ambassador program in 2020, hiring of 12 new firefighters as approved by Council in 2020, and higher RCMP contract expense due to severance obligation liability, base contract costs, retroactive salary accrual.

Utilities expenses increased by \$4.2M mainly due to increased debt levy from the GVSDD and higher processing fees.

Engineering, Public Works and Project Development expenses decreased by \$5.6M mainly due to the \$3.1M in box culverts repair for the Major Road Network and \$1.8M in pool damage in the Minoru Centre for Active Living in 2019 and lower public works expenses.

Community services decreased by \$16.7M mainly due to facilities closure resulting from the COVID 19 pandemic, reduced lease expense for Richmond Ice Center acquired in 2019, and lower capital expenditures related to Parks capital projects that do not meet criteria for capitalization.

General government expenses decreased by \$4.2M mainly due to unfilled vacancies and staff redeployment for the temporary Community Ambassador Program and lower supplies and materials due to decline in activities as a result of the COVID-19 pandemic.

Planning and development costs decreased by \$28.9M mainly due to the release of funds to TransLink for the construction of the Canada Line Capstan Station in 2019.

Richmond Olympic Oval expenses decreased by \$3.4M mainly due to facility closure and subsequent limited reopening because of the COVID-19 pandemic.

Richmond Public Library services expenses decreased by \$1.6M mainly due to facilities closure in 2020 because of the COVID-19 pandemic

Expenses

Expenses by Object

	2020	2019	Change
Expenses (\$000's)	Actual	Actual	
Wages and salaries	\$164,788	\$ 177,363	\$(12,575)
Public works maintenance	\$13,343	15,299	(1,956)
Contract services	\$81,642	79,098	2,544
Supplies and materials	\$64,437	68,801	(4,364)
Interest and finance	\$29,779	26,089	3,690
Transfer from (to) capital for tangible capital assets	\$13,568	52,244	(38,676)
Amortization of tangible capital assets	\$66,254	64,228	2,026
Loss on disposal of tangible capital assets	\$377	568	(191)
Total	\$ 434,188	\$ 483,690	\$(49,502)

Wages and salaries decreased by \$12.6M mainly due to vacant positions and auxiliary staff layoffs as facilities were closed resulting from the impact of the COVID-19 pandemic.

Public Works non-salary decreased by \$2.0M mainly due to less receivable works.

Contract services increased by \$2.5M mainly due to higher policing costs offset by lower consulting and contracts expenses. Other operating expenses decreased by \$1.8M mainly due to cancellation of major events in 2020 and a decrease in lease expenses because of the acquisition of the Richmond Ice Centre in 2019.

Supplies and materials decreased by \$4.4M mainly due to lower consumption of supplies and property expenses because of facilities closure and reduced operational activities.

Interest and finance increased by \$3.7M mainly due to increased debt payment to Greater Vancouver Sewerage & Drainage District.

Transfer from (to) capital for tangible capital assets decreased by \$38.7M mainly due to non-capital costs relating to the contribution towards construction of the Canada Line Capstan Station made in 2019 and capital expenses incurred last year that did not meet the capitalization criteria.

Amortization of tangible capital assets increased by \$2.0M due to new asset additions.

Loss on disposal of tangible capital assets decreased by \$0.2M due to timing of asset disposal.

Consolidated Statement of Changes in Net Financial Assets

The Consolidated Statement of Changes in Net Financial Assets 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 31st, 2020 increased by \$83.1M to \$889.0M (2019 - \$805.9M).

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 increased by \$140.5M to \$530.0M and investments increased by \$3.1M to \$834.0M. The increases are mainly due to the increase in liabilities and reserves.

In 2020, cash provided by operating activities was \$211.0M, compared to \$172.4M in 2019.

Cash used in capital activities was \$62.2M, compared to \$73.8M in 2019.

Cash used in financing activities was \$5.2M compared to \$5.0M in 2019, and was used to pay down MFA debentures.

Cash spent on investing activities was \$3.1M, compared to cash provided from investing activities was \$174.0M in 2019.

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 readers to interpret the financial reports and assess the quality of financial management.

The 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 2018-2020:

Assessment of sustainability			
	2020	2019	2018
Sustainability ratios:			
Assets to liabilities (times)	6.8	7.3	7.7
Financial assets to liabilities (times)	2.5	2.6	2.6
Net debt to total revenues	3.9%	4.8%	5.5%
Net debt to the total assessment	0.02%	0.03%	0.03%
Expenses to the total assessment	0.6%	0.5%	0.4%
Flexibility ratios:			
Debt charges to revenues	2020 0.3%	2019 0.3%	2018 0.3%
Net book value of capital assets to cost	67.3%	67.8%	68.3%
Net book value of capital assets (excluding land) to cost	54.1%	55.0%	55.8%
Own source revenue to the assessment	0.5%	0.5%	0.5%
Vulnerability ratios:			
Government transfers to total revenues	2020 3.4%	2019 4.4%	2018 4.5%
Government transfers (excluding gaming revenue) to total revenues	2.9%	1.8%	1.7%

An explanation of each of the ratios is provided below.

- Assets to liabilities, indicates sustainability by the extent to which the government entity finances its operations by issuing debt. A ratio higher than one indicates that a government has accumulated surplus and has assets greater than liabilities. Included in the City's liabilities are DCCs and deferred revenue, which represent an obligation to perform future works.
- 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 total revenue, indicates the financial burden over the earning capacity and 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 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.

- 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 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

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

The following section highlights:

- Council Strategic Plan 2018-2022
- Environment
 - Business Licences
 - Housing Activity
 - Population
- City Services

Strategic Focus

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, the "Council Strategic Plan" 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 eight strategic focus areas for the Council Strategic Plan 2018-2022 include:

- 1. A Safe and Resilient City**
Continue enhancing and protecting the safety and well-being of Richmond.
- 2. A Supported Economic Sector**
Continue facilitation of diversified economic growth through innovative and sustainable policies, practices, and partnership.
- 3. A Sustainable and Environmentally Conscious City**
Adapt environmentally conscious decision-making that demonstrates leadership in implementing innovative, sustainable practices and supports the City's unique biodiversity and island ecology.

4. An Active and Thriving Richmond

Support an active and thriving community characterized by diverse social and wellness programs, services and spaces that foster health and well-being for all.

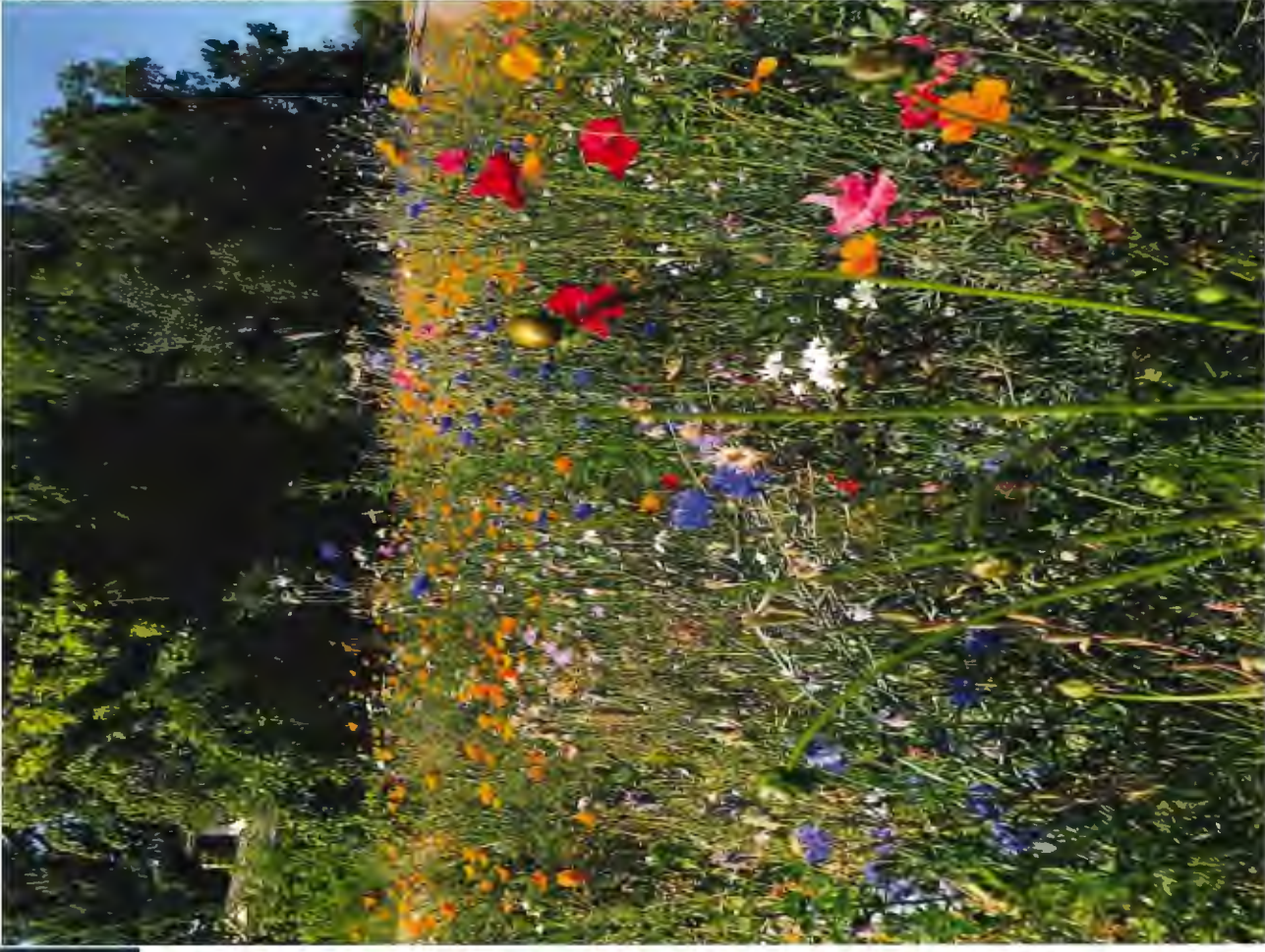
5. An Engaged and Informed Community

Ensure that the citizenry of Richmond is well-informed and engaged about City business and decision-making.



Strategic Focus

- 6. One Community Together**
Continue support on vibrant and diverse arts and cultural activities and opportunities for community engagement and connection.
- 7. Sound Financial Management**
Maintain the City's strong financial position with clear accountability through transparent budgeting practices and effective public communication that supports the needs of the community into the future.
- 8. Strategic and Well-Planned Growth**
Continue leadership in effective and sustainable growth that supports the City's physical and social needs.

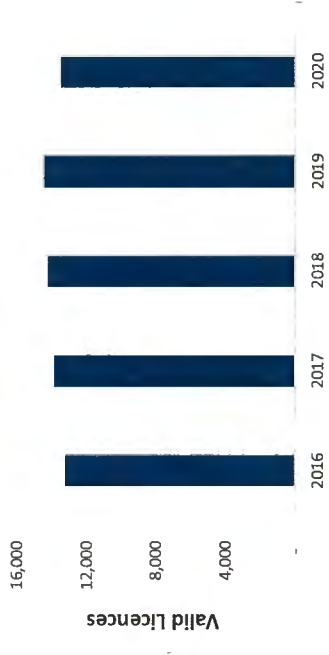


Environment

Business Licences

The total number of business licences issued decreased to 13,253 in 2020 compared to 14,487 licences issued in 2019.

Business Licences 2016-2020



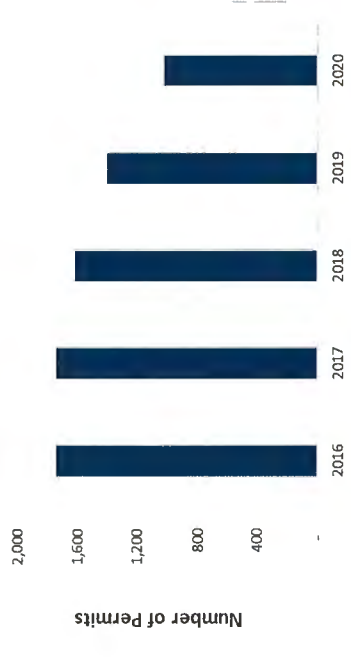
Housing Activity

Richmond house prices increased by 6.7%, with a 2020 detached median house price of \$1,575,000. The total number of sales increased year-over-year by 21.4% to 3,512.

In 2020, the total number of building permits issued was 1,024, which was a 26.9% decrease from 2019. The year over year decline is a result of decreases in all types permits issued including single family dwellings, multi-family developments,

commercial and industrial. The actual permit fees collected for 2020 was \$9.0M.

Building Permits 2016-2020



The construction value of building permits issued in 2020 was \$717M, however, the construction value approved during 2020 was approximately \$1B as approximately \$330M of large value applications ready for issuance were requested by applicants to be issued in the first quarter of 2021. 2019 at \$981M was a near record year, and years following record years tend to be much lower such as 40% less in 2016 following the record \$997M in 2015. \$717M in 2020 is the third highest for construction value on record.

The number of development applications received in 2020 decreased by 8.81% to 145 applications from 159 applications in 2019. Total fees collected in 2020 decreased by 10.9%.

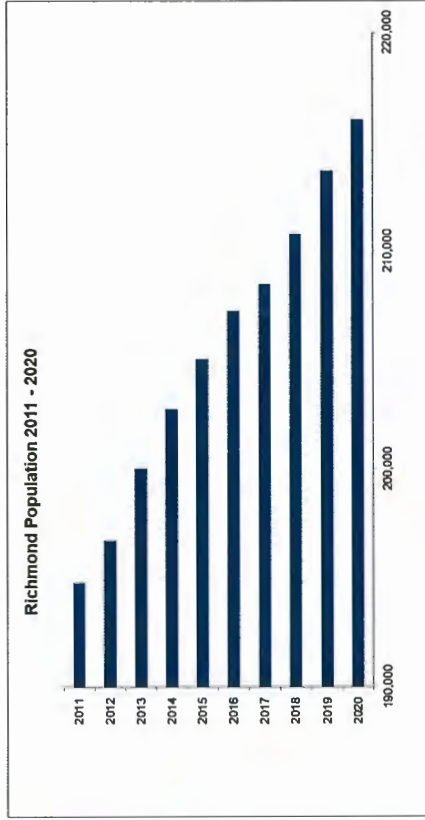


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Population

Richmond’s current population is estimated at 216,046, which is a 1.1% increase from 2019. According to the 2016 Census, Richmond is the fourth most populous municipality in the Greater Vancouver region.

Richmond Population 2011-2020



Graph has been updated with population figures from BC Stats, Demographic Analysis Section, updated Jan 2021.

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, dikes, 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 2020 operating, capital and utility budgets.

	2018	2019	2020
Population growth (per annum) ¹	1.02%	0.93%	1.10%
Capital construction costs (\$mil) ²	\$156.6	\$97.59	\$158.88
City Grants Program (\$mil)	\$0.82	\$0.84	\$0.82
Other grants (\$mil) ³	\$1.65	\$1.64	\$1.59
Registration in recreation programs	145,841	145,435	128,464
RCMP calls for services	69,312	75,573	55,085
Fire Rescue responses	9,805	9,491	6,412

¹ Annual growth based on updated population figures from BC Stats, Demographic Analysis Section, Jan 2020.

² This is the amended capital budget excluding internal transfers, debt repayment and contributions.

³ Other grants include contributions to wards Gateway Theatre, Richmond Center for Disability, Richmond Therapeutic Equestrian Society, various youth grants and Provision Transfer.

Conclusion

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

2020 saw new challenges with the COVID-19 pandemic including reduction in revenues, as well as increased cleaning and other costs incurred to prevent the spread of the coronavirus. Wherever possible, these impacts have been mitigated by senior management through reduced expenditures such as implementing a tactical hiring freeze, staff redeployments, reduced seasonal staff, cancellation of special events and projects, and general operating costs reductions

The FSD&A provides a detailed analysis of the Consolidated Financial Statements and 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 31st 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 2021 – 2025 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>

