



City of Richmond

Report to Committee

To: Finance Committee
From: Andrew Nazareth
General Manager, Business and Financial
Services

Date: April 15, 2011

File:

Re: 2010 City of Richmond Audited Consolidated Financial Statements

Staff Recommendation

That the City's audited consolidated financial statements for the year ended December 31, 2010 be approved.

Andrew Nazareth
General Manager, Business and Financial Services
(4095)

Attach.

FOR ORIGINATING DIVISION USE ONLY		
CONCURRENCE OF GENERAL MANAGER 		
REVIEWED BY TAG	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
REVIEWED BY CAO	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

Staff Report

Origin

The purpose of this report is to present to Council the City's audited consolidated financial statements for the year ended December 31, 2010 as required by Sections 98 and 167 of the Community Charter. These financial statements are the responsibility of the City of Richmond's management and have been prepared in accordance with generally accepted accounting principles as established by the Public Sector Accounting Board (PSAB).

Analysis

The primary purpose of the City's financial statements is to provide relevant information to meet the needs of taxpayers, donors, members of Council and other users as well as to satisfy any external reporting requirements. The interests of the external users of financial statements include assessing the cost of services the City provides and its ability to continue to provide those services, how the City discharges its custodial and stewardship responsibilities and measuring the financial health of the City.

The consolidated financial statements include the City's General Revenue, General Capital and Loan, Waterworks, Sewerworks and Reserve funds, consolidated with the Richmond Public Library and Richmond Olympic Oval.

The statements provided are in draft form due to the new Canadian Auditing Standard, which requires the auditor to have obtained sufficient appropriate audit evidence to support their opinion before final sign off and dating of the report. Sufficient appropriate audit evidence includes approval of the final financial statements by Council.

Following is a summary of the financial statements results for the year ended December 31, 2010.

Statement of Financial Position:

➤ Financial Assets

The City's cash and investments at \$521.4M have decreased marginally over 2009 largely due to the completion of capital projects and acquisition of properties.

➤ Financial Liabilities

Deposits and holdbacks have increased due to the improved market conditions in development activity. The increase of \$22.0M over 2009 was mainly due to activity of major developer projects.

Deferred revenue increased by \$3.8M in 2010 over 2009 due to increased building permits being issued for work to be done in 2011.

Development cost charges have increased by \$9.0M from 2009 due to the increase in development applications in 2010.

➤ Non Financial Assets

These represent the net book value of the tangible capital assets, value of the inventory of supplies and prepaid expenses such as insurance.

The net book value of the City's tangible capital assets at year end was \$1.70B, \$110.5M higher than 2009. During the year, net additions to tangible capital assets totalled \$159.7M while amortization expense was \$47.7M.

➤ Accumulated Surplus

This is an indicator of the City's relative wealth, in other words, it reflects that the City owns more than it owes. It is the difference between the combined financial assets and non financial assets as compared to its liabilities. The accumulated surplus also represents the investments in tangible capital assets (capital equity), total reserves (restricted funds), appropriated surplus (internally appropriated funds/provisions) and general or unrestricted surplus. At the end of 2010, the accumulated surplus of the City is \$2.08B compared to \$2.00B in 2009. The composition is as follows.

<u>(In billions)</u>	<u>2010</u>	<u>2009</u>
Investment in tangible capital assets	\$ 1.701	\$ 1.588
Reserves	0.247	0.273
Appropriated surplus	0.112	0.099
Surplus/Other equity	<u>0.022</u>	<u>0.045</u>
Total accumulated surplus	\$ <u>2.082</u>	\$ <u>2.005</u>

Statement of Operations:

- The City ended the year with a consolidated surplus of \$2.57M or 1% of the total budget, net of \$3.7M in Council appropriations. The surplus is mainly due to the following:

- The RCMP realized a total savings of \$3.06M in 2010. This includes \$1.6M generated from the RCMP contract and an additional \$0.324M in municipal support costs. Due to the timing of fiscal year ends between E division and the City, an additional \$1.14M in savings is attributed to 2009 RCMP contract year end adjustments. \$1.2M of this surplus was approved by Council to be appropriated and used to offset the 2011 RCMP contract costs.
- Planning and Development has a surplus of \$2.9M as building permit revenues and development application revenues were higher than anticipated due to favourable development conditions in the City and the developers' desire to avoid increased development cost charges after September.

Statement of Changes in Net Financial Assets

This statement indicates that the City is in a healthy financial condition as the financial assets are \$367.8M in excess of the financial liabilities.

Financial Impact

None.

Conclusion

The City's financial statements are in full compliance with PSAB. The financial results for 2010 were favourable and the City continues to maintain its strong financial position.

 for

Lisa Skippen
Manager, Finance Systems Support
(8660)

Consolidated Financial Statements of

CITY OF RICHMOND

Year ended December 31, 2010

DRAFT - April 28, 2011

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council

We have audited the accompanying consolidated financial statements of the City of Richmond, which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Chartered Accountants

May 11, 2011

Burnaby, Canada

CITY OF RICHMOND

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

December 31, 2010, with comparative figures for 2009

	2010	2009
Financial Assets		
Cash and cash equivalents	\$ 19,058	\$ 7,744
Investments (note 3)	502,375	526,303
Accrued interest receivable	3,418	4,381
Accounts receivable (note 4)	29,651	27,289
Taxes receivable	7,708	7,156
Development fees receivable	21,189	4,940
Debt reserve fund - deposits (note 5)	449	449
	583,848	578,262
Financial Liabilities		
Accounts payable and accrued liabilities (note 6)	73,963	67,676
Deposits and holdbacks (note 7)	45,447	23,432
Deferred revenue (note 8)	43,946	40,112
Development cost charges (note 9)	42,211	33,208
Obligations under capital leases (note 10)	1,168	1,315
Debt, net of MFA sinking fund deposits (note 11)	9,274	11,808
	216,009	177,551
Net financial assets	367,839	400,711
Non-Financial Assets		
Tangible capital assets (note 12)	1,711,178	1,600,691
Inventory of materials and supplies	1,745	2,253
Prepaid expenses	1,734	1,594
	1,714,657	1,604,538
Accumulated surplus (note 13)	\$ 2,082,496	\$ 2,005,249

Commitments and contingencies (note 17)

See accompanying notes to consolidated financial statements.



General Manager Business and Financial Services

CITY OF RICHMOND

Consolidated Statement of Operations
(Expressed in thousands of dollars)

Year ended December 31, 2010, with comparative figures for 2009

	Budget 2010	Actual 2010	Actual 2009
	(unaudited - notes 2(m) and 21)		
Revenue:			
Taxation and levies	\$ 154,777	\$ 156,071	\$ 148,503
User fees	67,560	68,365	63,150
Sales of services	31,148	37,403	33,528
Development cost charges	13,646	17,804	22,932
Provincial and federal grants	4,332	6,353	6,397
Other capital funding sources	13,349	32,414	26,878
Payments-in-lieu of taxes	11,277	13,203	13,018
Other revenues:			
Gaming revenue	11,080	12,563	11,857
Investment income	11,822	16,864	22,147
Licenses and permits	5,224	7,328	5,844
Other	11,502	10,335	14,673
	335,717	378,703	368,927
Expenses:			
Community safety	75,240	70,838	68,294
Engineering, public works and project development	60,013	56,365	56,451
Parks, recreation and community services	45,293	43,647	41,474
General government	43,622	35,130	39,295
Utilities:			
Sanitation and recycling services	8,635	9,163	7,896
Water supply and distribution	31,064	30,277	29,087
Sewerage collection and disposal	23,291	23,772	22,315
Planning and development	10,147	11,427	9,898
Library services	7,386	8,221	7,742
Interest and finance charges	6,496	6,002	7,182
Richmond Olympic Oval	6,213	6,614	7,007
	317,400	301,456	296,641
Annual surplus	18,317	77,247	72,286
Accumulated surplus, beginning of year	2,005,249	2,005,249	1,932,963
Accumulated surplus, end of year	\$ 2,023,566	\$ 2,082,496	\$ 2,005,249

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, 2010, with comparative figures for 2009

	2010 budget (unaudited - notes 2(m) and 21)	2010	2009
Surplus for the year	\$ 18,317	\$ 77,247	\$ 72,286
Acquisition of tangible capital assets in cash and financed by capital leases	(18,317)	(149,088)	(88,620)
Acquired tangible capital assets from developers		(10,651)	(9,668)
Amortization of tangible capital assets		47,725	43,823
Loss (gain) on disposal of tangible capital assets		(3,897)	947
Proceeds on sale of tangible capital assets		5,424	2,126
	-	(33,240)	20,894
Acquisition of inventories of supplies		(1,745)	(2,253)
Acquisition of prepaid expenses		(1,734)	(1,594)
Consumption of inventories of supplies		2,253	2,412
Use of prepaid expenses		1,594	1,390
Change in net financial assets		(32,872)	20,849
Net financial assets, beginning of year	400,711	400,711	379,862
Net financial assets, end of year	\$ 400,711	\$ 367,839	\$ 400,711

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 77,247	\$ 72,286
Items not involving cash:		
Amortization	47,725	43,823
Loss (gain) on disposal of tangible capital assets	(3,897)	947
Developer contributions of tangible capital assets	(10,651)	(9,668)
Change in non-cash operating working capital:		
Decrease (increase) in accrued interest receivable	963	(329)
Increase in accounts receivable	(2,362)	(5,198)
Increase in taxes receivable	(552)	(254)
Decrease (increase) in development fees receivable	(16,249)	4,792
Increase in prepaid expenses	(140)	(204)
Decrease in inventories of supplies	508	159
Increase (decrease) in accounts payable and accrued liabilities	6,287	(8,259)
Increase (decrease) in deposits and holdbacks	22,015	(18,269)
Increase in deferred revenue	3,834	5,241
Increase (decrease) in development cost charges	9,003	(15,649)
Net change in cash from operating activities	133,731	69,418
Capital activities:		
Cash used to acquire tangible capital assets	(148,414)	(87,892)
Proceeds on disposal of tangible capital assets	5,424	2,126
Net change in cash from capital activities	(142,990)	(85,766)
Financing activities:		
Principal payments on debt	(2,534)	(6,509)
Principal payments on obligations under capital leases	(821)	(614)
Net change in cash from financing activities	(3,355)	(7,123)
Investing activities:		
Change in investments	23,928	23,835
Net change in cash and cash equivalents	11,314	364
Cash and cash equivalents, beginning of year	7,744	7,380
Cash and cash equivalents, end of year	\$ 19,058	\$ 7,744
Supplementary Information:		
Non-cash transactions:		
Tangible capital assets financed by capital leases	\$ 674	\$ 728

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

Year ended December 31, 2010

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, environmental, recreational, water and sewer.

2. Significant accounting policies:

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

(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 0827805 B.C. Ltd. (doing business as the Richmond Olympic Oval) (the "Oval"). The Library is consolidated as the Library Board is appointed by the City. The Oval is consolidated as it is a wholly owned municipal corporation of the City and operates as another government organization. Interfund transactions, fund balances and activities have been eliminated on consolidation.

(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 capital assets and work-in-progress, including engineering structures such as roads and bridges, and the related long-term debt.

(iii) Water works and Sewer works Funds:

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

(iv) Reserve Funds:

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

CITY OF RICHMOND

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

Year ended December 31, 2010

2. Significant accounting policies (continued):

(b) Basis of accounting:

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

(c) Government transfers:

Government transfers are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

(d) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(e) Investments:

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

(f) Accounts receivable:

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

(g) 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.

(h) 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.

CITY OF RICHMOND

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

Year ended December 31, 2010

2. Significant accounting policies (continued):

(i) Non-financial assets:

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

(i) Tangible capital assets:

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

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.

(iii) Natural resources:

Natural resources that have been purchased are not recognized as assets in the financial statements.

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

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

(v) Interest capitalization:

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

CITY OF RICHMOND

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

Year ended December 31, 2010

2. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(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) 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.

(j) Deferred revenue:

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

Development cost charges, collected to pay for capital costs due to development, are recorded as deferred revenue upon receipt. Development cost charges are recognized as revenue when the related development capital costs are incurred.

(k) Deposits:

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

(l) Debt:

Debt is recorded net of related sinking fund balances.

(m) Budget information:

Unaudited budget information, presented on a basis consistent with that used for actual results, was included in the City of Richmond's Five Year Financial Plan and was adopted through Bylaw #8568 on March 18, 2010.

CITY OF RICHMOND

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

Year ended December 31, 2010

2. Significant accounting policies (continued):

(n) Use of accounting estimates:

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

3. Investments:

	2010		2009	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 136,309	\$ 136,309	\$ 124,543	\$ 124,543
Government and government guaranteed bonds	305,113	315,332	354,831	360,217
Municipal Finance Authority Pooled Investment	20,723	20,723	20,237	20,237
Other Bonds	40,230	42,283	26,692	28,497
	\$ 502,375	\$ 514,647	\$ 526,303	\$ 533,494

4. Accounts receivable:

	2010	2009
Water and sewer utilities	\$ 6,467	\$ 5,642
Casino revenues	3,146	3,091
Capital grant	12,980	13,661
Other trade receivables	7,058	4,895
	\$ 29,651	\$ 27,289

CITY OF RICHMOND

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

Year ended December 31, 2010

5. Debt reserve fund deposits and 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 as 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 accounts. The details of the cash deposits and contingent demand notes at December 31, 2010 are as follows:

	Cash deposits	Demand notes	Total
General Revenue Fund	\$ 439	\$ 2,007	\$ 2,446
Sewerworks Revenue Fund	10	48	58
Total	\$ 449	\$ 2,055	\$ 2,504

6. Accounts payable and accrued liabilities:

	2010	2009
Trade and other liabilities	\$ 48,892	\$ 44,413
Post-employment benefits (note 15)	25,071	23,263
	\$ 73,963	\$ 67,676

7. Deposits and Holdbacks:

	Balance December 31, 2009	Deposits contributions	Refunds expenditures	Balance December 31, 2010
Security deposits	\$ 11,322	\$ 26,085	\$ 4,348	\$ 33,059
Contract holdbacks	3,473	4,027	5,425	2,075
Developer contribution	4,731	630	164	5,197
Transit Oriented Development Fund	1,523	-	-	1,523
Other	2,383	2,472	1,262	3,593
	\$ 23,432	\$ 33,214	\$ 11,199	\$ 45,447

CITY OF RICHMOND

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

Year ended December 31, 2010

8. Deferred revenue:

Deferred revenue represents revenues that 1) are collected but not earned as of December 31, 2010. These revenues will be recognized in future periods as they are earned. 2) Funds received from external parties for specified purposes. These revenues are recognized in the period in which the related expenses are incurred.

	2010	2009
Parking easement and leased land revenues	\$ 14,723	\$ 14,121
Prepaid taxes	11,737	11,671
Capital grants	6,151	7,134
Business license revenues	1,882	1,696
Firm price billing revenues	3,375	2,174
Other	6,078	3,316
Balance, end of year	\$ 43,946	\$ 40,112

9. Development cost charges:

	2010	2009
Balance, beginning of year	\$ 33,208	\$ 48,857
Contributions	26,101	6,649
Interest	706	635
Revenue recognized	(17,804)	(22,933)
Balance, end of year	\$ 42,211	\$ 33,208

10. Obligations under capital leases:

The City has entered into capital lease agreements to finance certain equipment at an estimated cost of borrowing ranging from 1.2% to 5.0% per year.

Future minimum lease payments relating to obligations under capital leases expiring on various dates as follows:

Year ending December 31:	
2011	\$ 478
2012	422
2013	158
2014	126
2015 and thereafter	20
Total future minimum lease payments	1,204
Less amount representing interest	(36)
Present value of capital lease payments	\$ 1,168

CITY OF RICHMOND

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

Year ended December 31, 2010

11. Debt, net of MFA sinking fund deposits:

The rates of interest on the principal amount of the MFA debentures vary between 3.15% and 8.50% per annum. The average rate of interest for the year ended December 31, 2010 approximates 5.96%.

The City issues debt instruments through the MFA pursuant to security issuing bylaws under authority of the Community Charter to finance certain capital expenditures. Sinking fund balances managed by the MFA are netted against related debt.

Gross amount for the debt and the amount for the sinking funds assets available to retire the debt are as follows:

	Gross debt	Sinking fund asset	Net debt 2010	Net debt 2009
General Fund	\$ 46,863	\$ 37,808	\$ 9,055	\$ 11,524
Sewerworks Fund	1,087	868	219	284
	\$ 47,950	\$ 38,676	\$ 9,274	\$ 11,808

Repayments of debt required in the next five years and thereafter are as follows:

	General	Sewerworks	Total
2011	\$ 2,588	\$ 69	\$ 2,657
2012	2,713	73	2,786
2013	2,698	77	2,775
2014	1,056	-	1,056
2015	-	-	-
	\$ 9,055	\$ 219	\$ 9,274

CITY OF RICHMOND

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

Year ended December 31, 2010

12. Tangible capital assets:

Cost	Balance at December 31, 2009	Additions	Disposals	Balance at December 31, 2010
Land	\$ 447,946	\$ 95,333	\$ 181	\$ 543,098
Buildings and building improvements	305,788	7,279	-	313,067
Infrastructure	1,424,329	34,573	3,263	1,455,639
Vehicles, machinery and equipment	77,222	5,611	1,335	81,498
Library's collections, furniture and equipment	7,994	1,441	1,232	8,203
Assets under construction	18,877	15,502	-	34,379
	\$ 2,282,156	\$ 159,739	\$ 6,011	\$ 2,435,884

Accumulated amortization	Balance at December 31, 2009	Disposals	Amortization expense	Balance at December 31, 2010
Buildings and building improvements	\$ 69,103	\$ -	\$ 11,386	\$ 80,489
Infrastructure	563,979	2,056	29,338	591,261
Vehicles, machinery and equipment	43,184	1,197	5,832	47,819
Library's collections, furniture and equipment	5,199	1,231	1,169	5,137
	\$ 681,465	\$ 4,484	\$ 47,725	\$ 724,706

CITY OF RICHMOND

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

Year ended December 31, 2010

12. Tangible capital assets (continued):

	Net book value December 31, 2009	Net book value December 31, 2010
Land	\$ 447,946	\$ 543,098
Buildings and building improvements	236,685	232,578
Infrastructure	860,350	864,378
Vehicles, machinery and equipment	34,038	33,679
Library's collection, furniture and equipment	2,795	3,066
Assets under construction	18,877	34,379
Balance, end of year	\$ 1,600,691	\$ 1,711,178

(a) Assets under construction:

Assets under construction having a value of approximately \$ 34,378,144 (2009 - \$18,877,000) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is approximately \$10,651,353 (2009 - \$9,668,000) comprised of infrastructure in the amount of approximately \$10,060,983 (2009 - \$6,468,000), land in the amount of approximately \$590,370 (2009 - \$0) and building and building improvements in the amount of approximately \$nil (2009 - \$3,200,000).

(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 writedowns of tangible capital assets during the year (2009-\$nil).

CITY OF RICHMOND

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

Year ended December 31, 2010

13. Accumulated surplus

	General Fund	Water Utility Fund	Sanitary Sewer Utility Fund	Capital and Loan Fund	Reserves Fund	Library Services	Richmond Oval	2010 Total	2009 Total
Investment in tangible assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,700,736	\$ 1,587,568
Reserves	-	-	-	-	247,123	-	-	247,123	273,664
Appropriated surplus	86,406	10,261	5,042	10,186	-	-	-	111,895	98,872
Obligations to be funded	-	-	-	-	-	(101)	-	(101)	(147)
Surplus (deficit)	(1,370)	15,024	9,161	(1,858)	-	464	(323)	21,098	43,041
Other equity	1,745	-	-	-	-	-	-	1,745	2,251
Balance, end of year	\$ 86,781	\$ 25,285	\$ 14,203	\$ 1,705,611	\$ 247,123	\$ 3,429	\$ 64	\$ 2,082,496	\$ 2,005,249

CITY OF RICHMOND

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

Year ended December 31, 2010

14. Reserves:

	2009	Change during year	2010
Reserve funds:			
Affordable housing	\$ 10,537	\$ 191	\$ 10,728
Capital building and infrastructure	22,655	3,583	26,238
Capital reserve	70,799	5,430	76,229
Child care development	879	910	1,789
Community legacy and land replacement	57,298	(51,580)	5,718
Drainage improvement	13,493	4,720	18,213
Equipment replacement	13,823	1,089	14,912
Leisure facilities	2,294	228	2,522
Local improvements	5,750	367	6,117
Neighbourhood improvement	6,276	(627)	5,649
Public art program	1,105	173	1,278
Sanitary sewer	24,332	3,329	27,661
Steveston off-street parking	256	10	266
Steveston road ends	204	2,726	2,930
Waterfront improvement	1,344	(848)	496
Watermain replacement	42,619	3,758	46,377
	\$ 273,664	\$ (26,541)	\$ 247,123

15. Post employment future benefits:

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

	2010	2009
Balance, beginning of year	\$ 23,263	\$ 22,005
Current service cost	1,696	1,372
Interest cost	1,320	1,267
Amortization of actuarial loss	545	358
Benefits paid	(1,753)	(1,739)
Balance, end of year	\$ 25,071	\$ 23,263

An actuarial valuation for these benefits was performed to determine The City's accrued benefit obligation as at December 31, 2009 and the results are extrapolated to December 31, 2010. The difference between the actuarially determined accrued benefit obligation of approximately \$26,713,000 and the liability of approximately \$25,071,000 as at December 31, 2010 is an unamortized actuarial loss of \$1,642,000. This actuarial loss is being amortized over a period equal to the employees' average remaining service life of 10 years.

CITY OF RICHMOND

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

Year ended December 31, 2010

15. Post employment future benefits (continued):

	2010	2009
Actuarial benefit obligation:		
Liability, end of year	\$ 25,071	\$ 23,263
Unamortized actuarial loss	1,642	3,395
Balance, end of year	\$ 26,713	\$ 26,658

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

	2010	2009
Discount rate	4.50%	5.00%
Expected future inflation rate	2.50%	2.50%
Expected wage and salary range increases	3.50%	3.50%

16. Pension plan:

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

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next actuarial valuation will be performed as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the unfunded liability to individual employers. The City paid \$ 8,831,614 (2009 - \$8,240,819) for employer contributions to the Plan in fiscal 2010. Employees paid \$7,169,547 (2009 - \$6,750,671) for employee contributions to the Plan in fiscal 2010.

17. 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.

CITY OF RICHMOND

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

Year ended December 31, 2010

17. Commitments and contingencies (continued):

(b) Lease payments:

In addition to the obligations under capital leases, at December 31, 2010, the City was committed to operating lease payments for premises and equipment in the following approximate amounts:

2011	\$ 4,389
2012	4,180
2013	4,054
2014	4,050
2015 and thereafter	32,526

(c) Litigation:

As at December 31, 2010, there were a number of legal claims in various stages of litigation. The City has made no specific provision for those where the outcome is presently not determinable.

(d) Municipal Insurance Association of British Columbia:

The City is a participant in the Municipal Insurance Association of British Columbia (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.

(e) Contractual obligation:

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

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

The City is a shareholder of the Emergency Communications for Southwest British Columbia Incorporated (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 25 Class A and 24 Class B shares issued and outstanding as at December 31, 2010). 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.

CITY OF RICHMOND

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

Year ended December 31, 2010

18. Trust funds:

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

	2010	2009
Richmond Community Associations	\$ 994	\$ 1,195

19. Collections for other governments:

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

	2010	2009
Province of British Columbia - Schools	\$ 118,391	\$ 115,122
Greater Vancouver Regional District and others	35,715	34,340
	\$ 154,106	\$ 149,462

20. Segmented reporting:

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

Community Safety brings together the City's public safety providers such as Police (RCMP), Fire-Rescue, Emergency Programs and Community Bylaws along with sections responsible for legal and regulatory matters. 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.

Engineering, Public Works and Project Development comprises of General Public Works, Roads and Construction, Storm Drainage, Fleet Operations, Engineering Planning, Project Development and Facility Management. The services provided are construction and maintenance of the City's infrastructure and all City owned buildings, maintenance of City's road network, 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 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, 2010

20. Segmented reporting (continued):

Parks, Recreation and Community Services comprises of Parks, Recreation and Community 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.

General Government comprises of Mayor and Council, Corporate Administration, Corporate Services and Business and Financial Services. It is responsible for adopting bylaws, effectively administering city operations, levying taxes, providing sound management of human resources, information technology and City finance and ensuring high quality services to Richmond residents.

Utilities provide such services as planning, designing, constructing, operating and maintaining the City's infrastructure of water and sewer network and sanitation and recycling.

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.

Library Services provides public access to information by maintaining 5 branches throughout the City.

Richmond Olympic Oval is formed as a wholly owned subsidiary of the City. It uses the Richmond Olympic Oval facility as a venue for a wide range of sports, business and community activities.

CITY OF RICHMOND

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

Year ended December 31, 2010

20. Segmented reporting (continued):

	2010								2009	
	Community Safety	Engineering, Public Works and Project Development	Parks, Recreation and Community Services	General Government	Utilities	Planning and Development	Library Services	Richmond Olympic Oval	Consolidated	Consolidated
Revenues:										
Taxation and levies	-	-	-	156,071	-	-	-	-	156,071	148,503
User Fees	-	6,373	-	-	61,992	-	-	-	68,365	63,150
Sales of Services	4,704	-	7,325	9,030	11,049	2,068	302	1,437	37,403	33,528
Development Cost Charges	-	101	13,144	3,189	1,370	-	-	-	17,804	22,532
Provincial and Federal Grants	253	1,954	15	1,341	36	8	441	2,305	6,353	6,397
Other Capital Funding Sources	56	17,887	3,367	9,463	1,651	-	-	-	32,414	26,878
Payments-in-Lieu of taxes	-	-	-	13,203	-	-	-	-	13,203	13,018
Other revenue from own sources:										
Gaming Revenue	542	-	-	12,021	-	-	-	-	12,563	11,857
Investment Income	-	-	-	16,108	576	-	-	180	16,864	22,147
Licenses and permits	141	64	-	3,200	-	3,923	-	-	7,328	5,844
Other	1,369	170	13	6,218	2,205	48	312	-	10,335	14,673
	7,065	28,037	23,864	229,834	78,879	6,047	1,055	3,922	378,703	368,927
Expenditures:										
Wages and Salaries	33,164	19,477	23,974	17,900	8,946	8,146	5,990	3,647	121,244	115,980
PW Maintenance	32	8,718	2,035	72	5,425	64	-	-	16,346	10,697
Contract Services	33,018	4,888	1,380	2,623	4,089	368	79	137	46,582	46,994
Supplies and Materials	2,554	2,451	10,816	20,349	36,833	1,187	2,437	2,345	78,972	63,550
Interest and Finance	-	-	-	2,682	3,335	-	5	-	6,002	7,182
Transfer from/to capital for tangible capital assets	(105)	(716)	764	(11,789)	1,222	547	(1,441)	-	(11,518)	7,476
Amortization of tangible capital assets	2,178	21,019	4,547	11,123	6,125	1,079	1,169	485	47,725	43,823
Loss/(gain) on disposal of capital assets	(3)	528	131	(5,148)	572	36	(13)	-	(3,897)	939
	70,838	56,365	43,647	37,792	66,547	11,427	8,226	6,614	301,456	296,641
Annual surplus (deficit)	\$(63,773)	\$(28,328)	\$(19,783)	\$ 192,042	\$ 12,332	\$(5,380)	\$(7,171)	\$(2,692)	\$ 77,247	\$ 72,286

CITY OF RICHMOND

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

Year ended December 31, 2010

21. Budget data

The unaudited budget data presented in these consolidated financial statements is based on the 2010 operating and capital budgets approved by Council on March 18, 2010 and approved budget for Richmond Olympic Oval. Amortization of tangible capital assets was not included in the budget. Below is the reconciliation of the approved budget to the budget amount reported in these financial statements.

	Budget Amount
Revenues:	
Approved operating budget	\$ 327,381
Approved capital budget	301,227
Approved Oval budget	5,467
Less:	
Transfer from other funds	125,026
Intercity recoveries	6,517
Carried forward capital expenditures	166,815
Total revenue	335,717
Expenses:	
Approved operating budget	327,381
Approved capital budget	301,227
Approved Oval budget	6,213
Less:	
Transfer to other funds	88,221
Inter-company payments	6,517
Capital expenditures	53,333
Debt principal payments	2,535
Carried forward capital expenditures	166,815
Total expenses	317,400
Annual surplus per statement of operations	\$ 18,317