



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** April 17, 2012

**From:** Andrew Nazareth  
General Manager, Business and Financial  
Services

**File:** 03-0905-01/2012-Vol  
01

**Re:** 2011 Consolidated Financial Statements

### Staff Recommendation

That the City's audited consolidated financial statements for the year ended December 31, 2011 be approved.

Andrew Nazareth  
General Manager, Business and Financial Services  
(604-276-4095)

FOR ORIGINATING DEPARTMENT 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 objective of the report is to present to Council the Consolidated Financial Statements of City of Richmond for the fiscal year 2011 (FY11) as required by sections 98 and 167 of the Community Charter, and to present the discussion and analysis within which to interpret the financial position, financial performance and cash flows. The Financial Statements are prepared in the accordance with Canadian public sector accounting standards.

### Analysis

The City's financial statements serve the interests of a variety of users interested in the state of City's finances, the financial viability both in the short and long term, the revenues and financing sources, the allocation and use of economic resources, the nature and extent of economic activities and the quality of financial management.

The Management Discussion and Analysis communicates the financial results and analyzes the trends experienced by the City. This analysis is intended to be read in conjunction with the 2011 Consolidated Financial Statements.

### Financial Impact

There is no financial impact associated with this report.

### Conclusion

The City has maintained its strong financial position in 2011, which enables the City to maintain the necessary flexibility and sustainability for the future.



Nashater Sanghera  
Manager, Budgets & Accounting  
(604-247-4628)



# Management Discussion and Analysis

2011 Financial Results

A low-angle photograph of the Richmond City Hall building, a modern structure with a glass and metal facade. The building is set against a clear blue sky with a few wispy clouds. A flag is visible on a tall pole at the top of the building. The text 'Richmond City Hall' is overlaid in white at the bottom of the image.

Richmond City Hall



## Executive Summary

The City of Richmond is required by sections 98 and 167 of the Community Charter to prepare annual financial statements in accordance with Canadian public sector accounting standards. The City's auditors have issued an unqualified audit opinion for the 2011 consolidated financial statements that they fairly present the consolidated financial position of the City of Richmond at December 31, 2011.

### 2011 Financial Statements

These statements, in conjunction with the Management Discussion and Analysis contained in this report illustrate the current state of the City's finances, the financial viability in the short and long term, the nature and extent of economic activities and the stewardship of Council.

Council set goals and objectives that direct the CAO and Senior Management to develop and implement the City's programs and services.

Development and economic projections suggest continued moderate growth that should result in continued business activity and investment in Richmond. The population forecasts also predict continued growth, placing increased demands on City services.

Richmond was able to maintain a moderate tax increase of 2.95% in 2011, fourth lowest in the lower mainland. Future rates over the next five years are projected to approximate 3% based on the current financial plan.

For fiscal year 2011, the City's financial position remained strong with:

- \$415.7 million of net financial assets
- Net debt in the amount of \$5.8 million and debt free by 2014
- \$110.8 million annual surplus
- \$275.4 million reserve balance
- Net book value of assets of \$1.8 billion

Future trends in the short term remain positive based on the current Five Year Financial Plan. The long term financial position will be influenced by growth, service levels, strategic decisions and capital investments. The Long Term Financial Management Strategy incorporates these factors and aids decision makers, and an update will be presented to Council on May 7<sup>th</sup>, 2012.

### Our Vision:

*For the City of Richmond to be the most appealing, livable, and well-managed community in Canada.*

## Introduction

The objective of the report is to present to Council the consolidated financial statements of the City of Richmond for the fiscal year 2011 as required by sections 98 and 167 of the Community Charter. The following report provides discussion and analysis within which interpret the financial position, financial performance and cash flows. The financial statements are prepared in the accordance with Canadian public sector accounting standards, prescribed by the Public Sector Accounting Board, and are the responsibility of the Management of the City of Richmond (the City).

## Objectives

The 2011 budget was prepared utilizing the Council approved 2008-2011 Term Goals. These goals direct the development and implementation of the City's work programs. The CAO and the Senior Management Team then used these goals to develop strategic, operational work plans and budgets.

The following are the 2008-2011 Council Term Goals:

1. Ensure Richmond remains a safe and desirable community to live, work and play in through an interdisciplinary approach to community safety and a term strategy.
2. Ensure the City has the capacity to meet the financial challenges of today and in the future, while maintaining appropriate levels of service.
3. Ensure effective growth management for the City.
4. Improve the effectiveness of the delivery of social services in the City through the development and implementation of a Social and Community Service Strategy.
5. Advance the City's destination status and ensure our continued development as a vibrant cultural city with well established festivals and the arts.
6. Improve City transportation and mobility elements.
7. Demonstrate leadership in and significant advancement of the City's agenda for sustainability through the development and implementation of a comprehensive strategy.
8. Effectively manage local economic development issues and opportunities through the creation of clearly articulated economic development objectives for this term of office.
9. The City will have a stable, effective, and knowledgeable workforce to serve Council and the community now and in the future.



*Ensure the City has the capacity to meet the financial challenges of today and in the future, while maintaining appropriate levels of service*



## Analysis

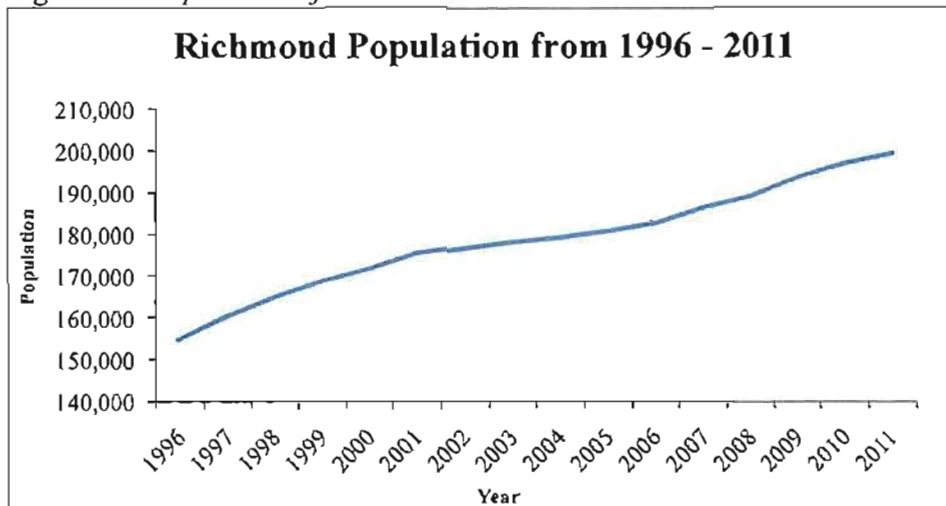
### Economic Growth

The Canadian economic momentum over the second half of 2011 has been better than expected, led by a rebound in exports. However, the weaker global economy has inevitably put a damper on Canadian exports and consumer and business confidence. Although the slow economic recovery has implications to the City, historically the main factors that revolve around the real estate market such as housing starts, median selling prices, building permits and development applications play a more important role in determining the City's economic overview.

### Population Growth

Despite the global economic challenges over the last two years, Richmond had an average population growth rate of about 1.7% per year from 1996 to 2011. It is projected that Richmond will grow to 280,000 by 2041. Richmond is expected to grow approximately the same rate as the rest of BC and will account for approximately 7% of Metro Vancouver's population. *Figure 1* below illustrates Richmond's population growth between 1996 and 2011:

*Figure 1 – Population of Richmond*



Source: BC Stats, September 2011

*Population for the  
City of Richmond  
in 2011 was  
199,141*



### Key Drivers of City Services

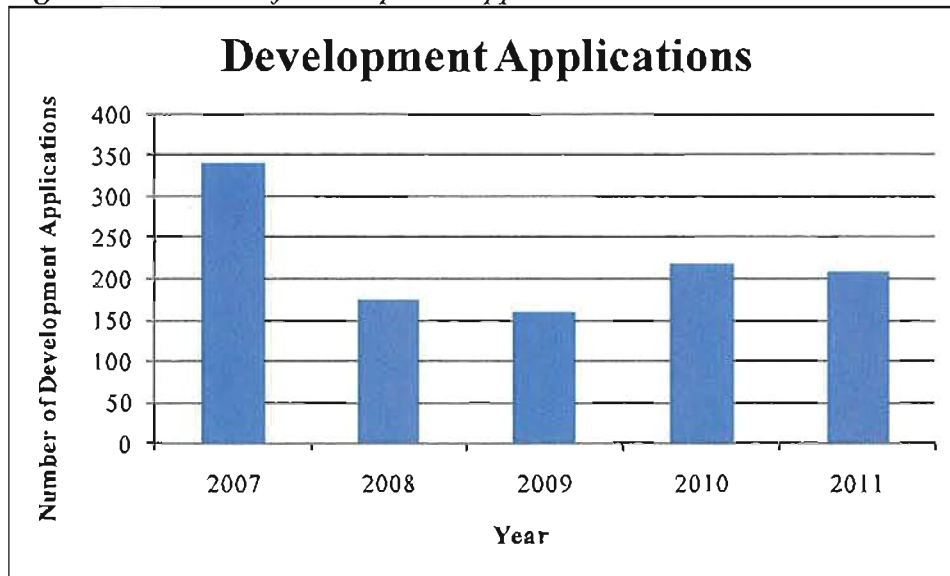
Key drivers of the City's services relate to growth and development of housing and construction as well as business. These can be measured through development applications, building permits and business licences.

### Housing Activities and Business Licences

Richmond house prices outpaced the residential average for Greater Vancouver, with detached median house prices rising to \$994,000 (19%). The number of sales has increased by 14.4% in 2011.

In 2011, the total number of building permits issued was 1,480 permits which was approximately a similar level in 2010. Overall, the building permit revenue decreased by 16.49% due to smaller construction projects in 2011 as compared to the higher value mixed-use residential and commercial building construction in 2010. The actual permit revenue for 2011 was \$4.41 million.

Figure 2 – Number of Development Applications



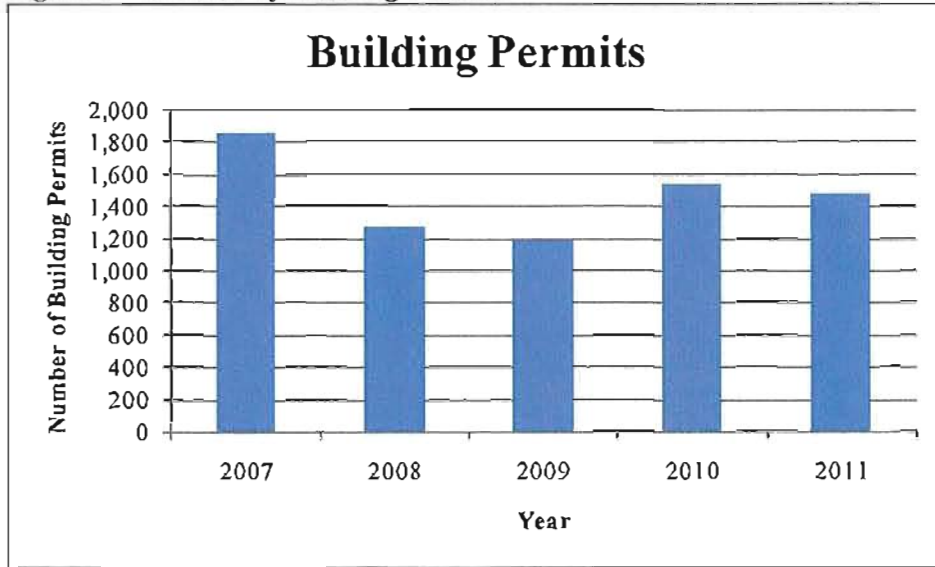
The number of development applications received in 2011 was also consistent with the levels in 2010. Total revenues collected in 2011 increased by 15.8% compared to 2010.

*208 Development applications were received in 2011 generating \$904,467 in revenues for the City*



*1,480 Building permits were issued in 2011 with a construction value of \$424,366,713*

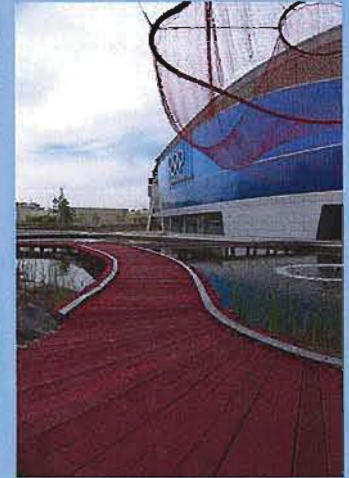
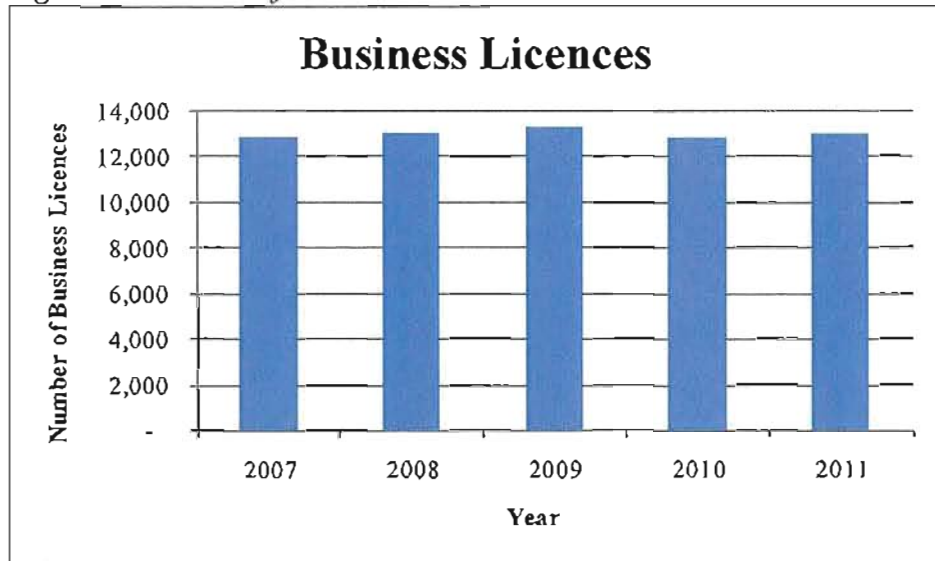
Figure 3 – Number of Building Permits



### Business Licences

The number of new business licences issued in Richmond increased from 2010 by 13.5% or 1,823. The total number of business licences issued in 2011 was comparable to 2010, with 12,988 and 12,832 licences issued in 2011 and 2010 respectively. The revenue from licences was \$3.0 million.

Figure 4 – Number of Business Licences



*1,823 new  
Business Licences  
issued in 2011*

*\$3.0 million in  
Business Licence  
revenue*

*\$13.7 million in  
Gaming revenue*



**Service Demand**

With the increase in population, the residents have greater expectation of the City services with respect to community safety, social and recreational services which in turn also impacts administrative services. The City budgeted over \$75 million in capital construction annually to ensure all the infrastructure and facilities are safe and accessible. Below are some examples of the demand for City Services:

*Figure 5 – Demand for services*

	2009	2010	2011
Population Growth (per annum) <sup>1</sup>	2.30%	1.70%	1.10%
Capital Construction Costs (\$mil)	\$63.90	\$152.95	\$75.16
City Grants	\$511,500	\$518,000	\$541,507
Registration in Recreation Programs <sup>2</sup>	113,396	128,622	122,784
RCMP Calls for Services	82,767	84,658	72,423
Fire Rescue Responses	9,240	9,048	9,141
Public Works Calls for Services	12,554	13,664	13,332

<sup>1</sup>Calculated Percentage Change, City of Richmond

<sup>2</sup>Year over year drop due to a change in recording facility rental uses with the conversion to new software



*122,784 recreation  
program  
registrations*

*13,332 public works  
calls for service*

*\$541,507 in City  
grants*



## 2011 Financial Statements

The City's financial statements serve the interests of a variety of users interested in the state of City's finances, the financial viability both in the short and long term, the revenues and financing sources, the allocation and use of economic resources, the nature and extent of economic activities and the quality of financial management.

During 2011, the City's financial position remained very strong, as supported by the following results:

- The annual surplus amounted to \$110.8 million, which was an increase of 13.0% in comparison with 2010, while the total accumulated surplus amounted to \$2,221.1 million as at December 31.
- Increased investment in capital in the amount of \$64.1 million and an additional \$60.8 million in the investment portfolio.
- The financial position of the City remained good with \$415.7 million of net financial assets (the excess of financial assets over financial liabilities) which indicates strong short term stability.
- Long-term financing is at minimal levels with the net debt amounting to \$5.8 million which is only 1.6% of related revenues indicating capacity and flexibility in financing future capital and operational undertakings. The City will be debt free by 2014. The outstanding net debt per capita is \$29.
- Prudent and effective financial management was achieved through the management of financial assets and liabilities and securities portfolio management

Detailed analysis of the consolidated financial statements is located in the Appendices 1 through 4. Ratio analysis is provided in Appendix 5.

## Key Finance Facts:



- *\$415.7 million net financial assets*
- *\$5.8 million net debt*
- *\$275.4 million reserve balance*
- *\$574.9 million 2011 value of cash and investments*



### Consolidation

The consolidated financial statements consist of the City entity financials, which comprise the following combined funds: General Revenue, General Capital and Loan, Waterworks Fund, Sewerage Funds and Reserve Funds, and are consolidated with the two wholly-owned government entities: Richmond Public Library Board and Richmond Olympic Oval Corporation.

### Richmond Public Library

The libraries provide access to informational, educational, cultural and recreational library materials and services in a variety of formats and technologies. The 2011 operating expenditures were \$8.6 million and the net book value of assets is \$4.5 million. Analysis of the Library figures is provided in Appendix 6.

### Richmond Olympic Oval

The Richmond Olympic Oval is a premier facility that provides an inspiring community environment, high performance sport development and wellness. The 2011 operating expenditures were \$8.6 million. Analysis of the Oval figures is provided in Appendix 6.



### Library Stats:

- 122,886 registered library card users
- 4,368,408 circulation
- 1,838,157 people who visited the library



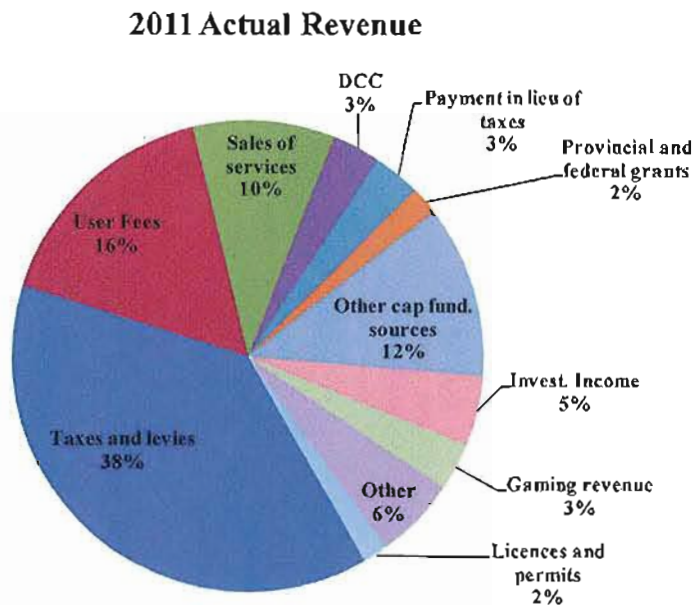
### Oval Stats:

- 4,168 members
- 162 programs
- 512,000 sq. ft.

### 2011 Revenue Sources

Figure 6 shows the actual 2011 revenue distribution. 38% of the revenue is for property tax and levies. 16% of the revenue is the user fees which include the utility charges for water supply, sewer collection, and drainage and garbage collection.

Figure 6 - 2011 Revenue Distribution



The above figure represents the consolidated total of all revenues including revenues from: operations, capital sources, utilities and the Oval. Analysis shows that the taxes comprise 56% of the operating revenues.

The distribution of revenues is consistent with prior years.

The Long Term Financial Management Strategy (LTFMS) suggests identification of alternative revenues to decrease the reliance on taxes. This would mitigate the costs downloaded from other levels of government and insulate the taxpayers.

However, new revenues may not be feasible due to various constraints. Additionally, during the current economic times, it would be difficult to increase user fees beyond CPI.

*\$161.3 million  
taxes and levies  
collected in 2011*

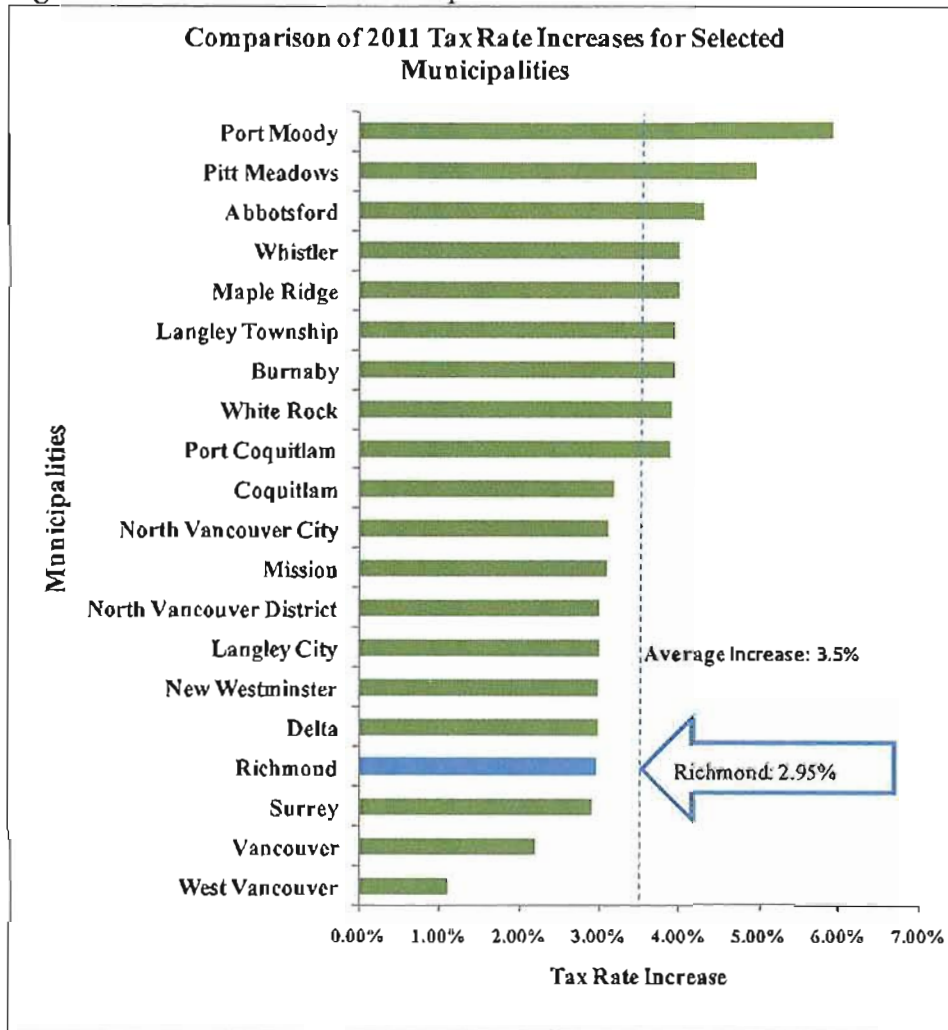
*Taxes comprise  
38% of overall  
revenues*





The City aims to maintain a value proposition by maintaining a relatively low tax rate while providing a high level of services and programs. *Figure 7* below shows that the City had the 4<sup>th</sup> lowest tax increase in Metro Vancouver. The City managed to keep the rate at 2.95% which is below Metro Vancouver average without reducing the level of service.

*Figure 7 – Tax Rate Increase Comparison*



*The City of Richmond had the 4<sup>th</sup> lowest tax increase in Metro Vancouver*

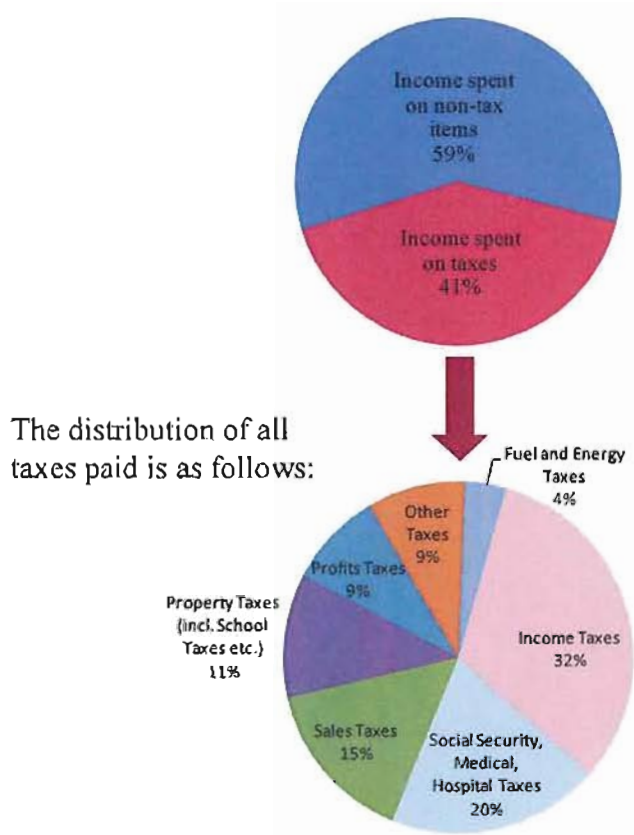
The tax burden that is faced by the average Canadian household is significant. Based on the information obtained from Fraser Institute in their “2011 Canadian Consumer Tax Index” published on April 19, 2011, the average household incurs 41.3% of their average income on taxes. However, it should be noted that only 4.75% of income relates to property tax, of which approximately more than half is for taxes collected on behalf of the School Board and TransLink. *Figure 8* illustrates the average household’s tax distribution and the taxes as a proportion of average income respectively:



*Only 4.75% of income relates to property tax, of which approximately half is collected on behalf of the School Board and TransLink*

*Figure 8 – 2011 Average Household’s Tax Distribution*

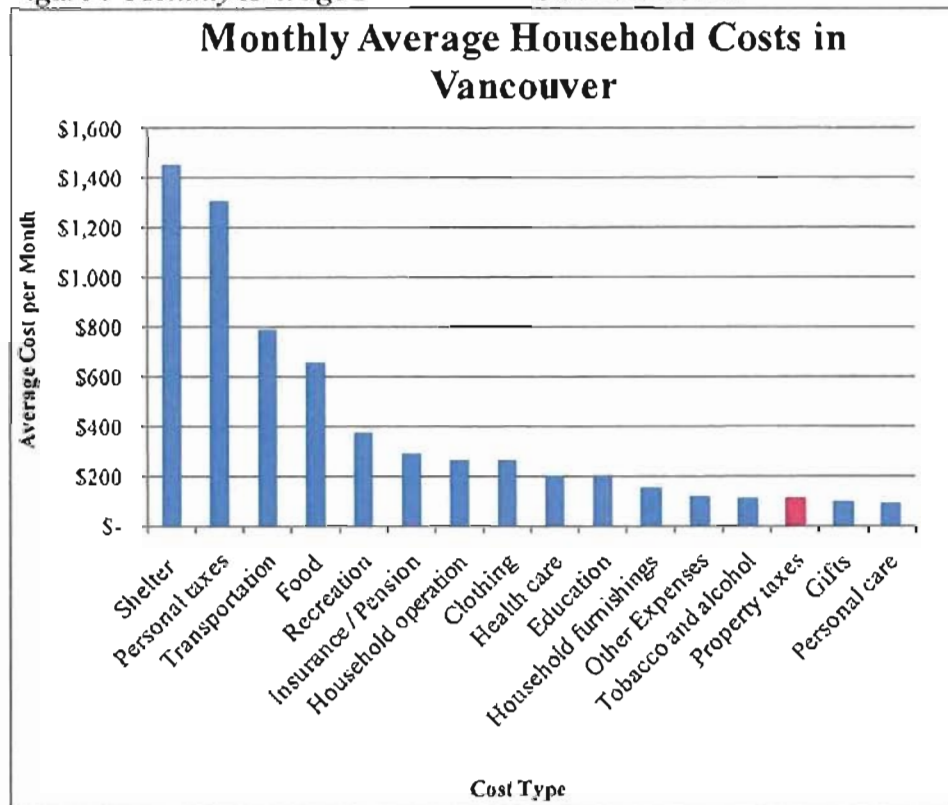
## 2011 Average Household Tax and Distribution





For under \$3.74 per day in property taxes, the average Richmond household supports a range of services such as police, firefighters, road and parks maintenance and recreation programming.

Figure 9 Monthly Average Household Costs in Vancouver



Source: BC Stats, Survey of Household Spending in 2009 (latest version)

*The average Richmond property taxes are under \$3.74 per day*



*Municipal services provided:*

- Fire rescue
- Policing
- Planning
- Infrastructure maintenance
- Parks programs and maintenance
- Arenas and aquatics
- Community centres
- Transportation
- Libraries

## Key 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 administration and zoning.
- providing and maintaining roads, dykes, water and sewerage systems, drainage and irrigation systems.
- providing sanitation and recycling services.
- providing for the safety and protection of its citizens by maintaining a police force, fire-rescue services, bylaw enforcement, emergency programs and environmental programs.
- providing for the recreational and cultural needs of its citizens by: funding library services; and building and maintaining recreational and cultural facilities, including pools, arenas, community centres, art centres, a 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, basketball courts.
- providing business licensing and economic development initiatives.
- administrating property taxes and utility bills.
- working to safeguard the financial well-being of the City, through the provision of effective and reliable financial advice, 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 in the 2011 operating, capital and utility budgets.



- 122,784 registrations in recreation programs
- 13,332 public works calls for service



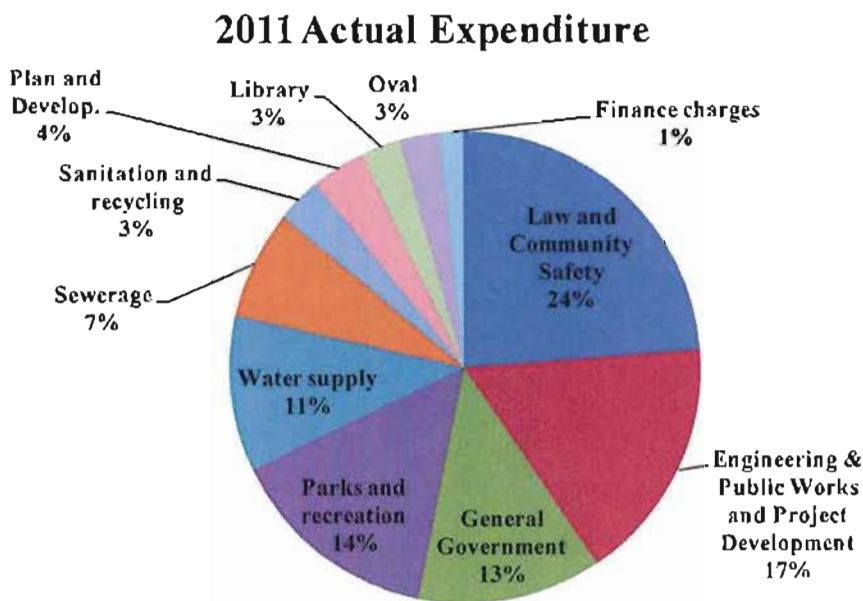


### 2011 Expenditure

Through the leadership of the CAO and the Administrators' Group (TAG), the strategic and operational work plans are aligned with Council's goals and objectives for the City. These form the basis for which expenditures are budgeted and planned.

The following chart shows the distribution of the 2011 actual expenditure. In terms of cost distribution, Law and Community Safety which includes Police and Fire Rescue continue to be the largest cost centre. The City Utilities (Water supply, Sewerage and Sanitation and recycling) is 21% of the City's total expenditure which is funded from the utility charges.

Figure 10 Consolidated Expenditure Breakdown by City Function



The above figure represents the consolidated total of all expenditures including expenditures from: operations, amortization, utilities and the Oval. Figure 11 presents the distribution of net costs for the City entity on an individual basis.

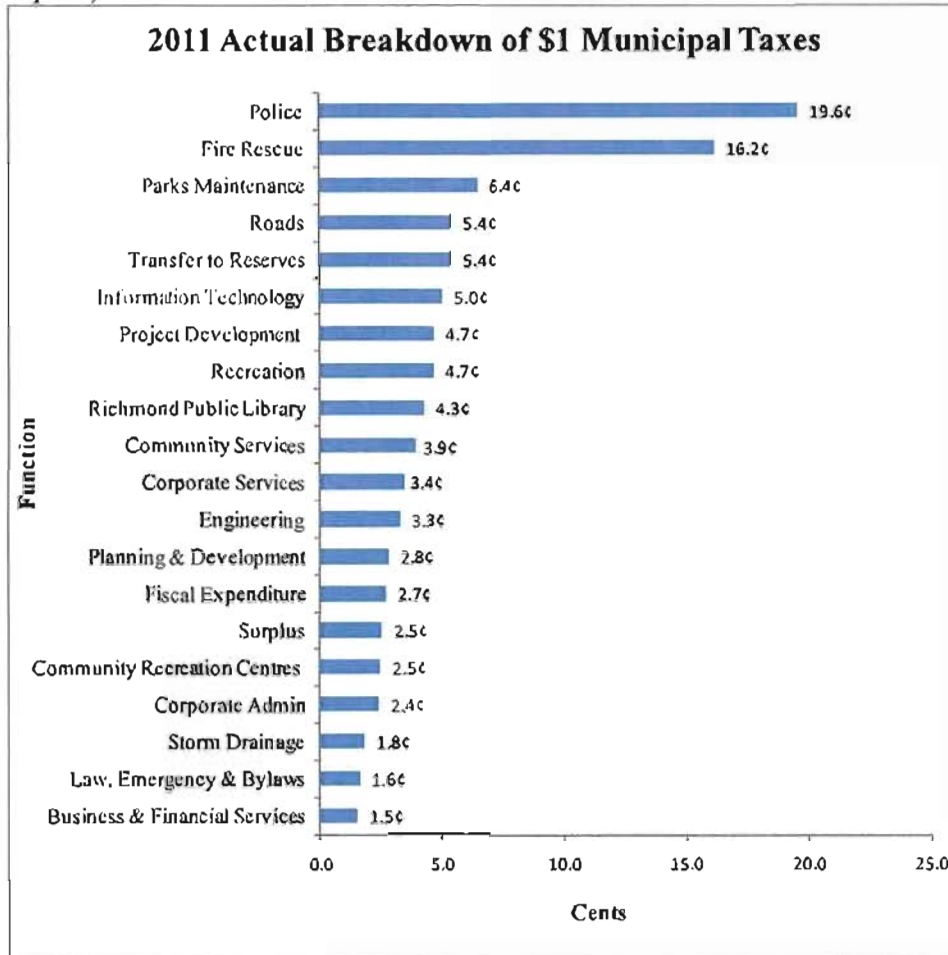


- 9,141 fire rescue responses
- 72,423 RCMP calls for service

*Utilities comprise 21% of total expenditure and includes: water, sewer and sanitation services*



Figure 11 Breakdown of \$1 of Municipal Tax (excluding utilities, oval and capital)



The chart above is based on actual net operating requirements, which is a combination of user fees, corporate revenues and expenses.

### Future Direction

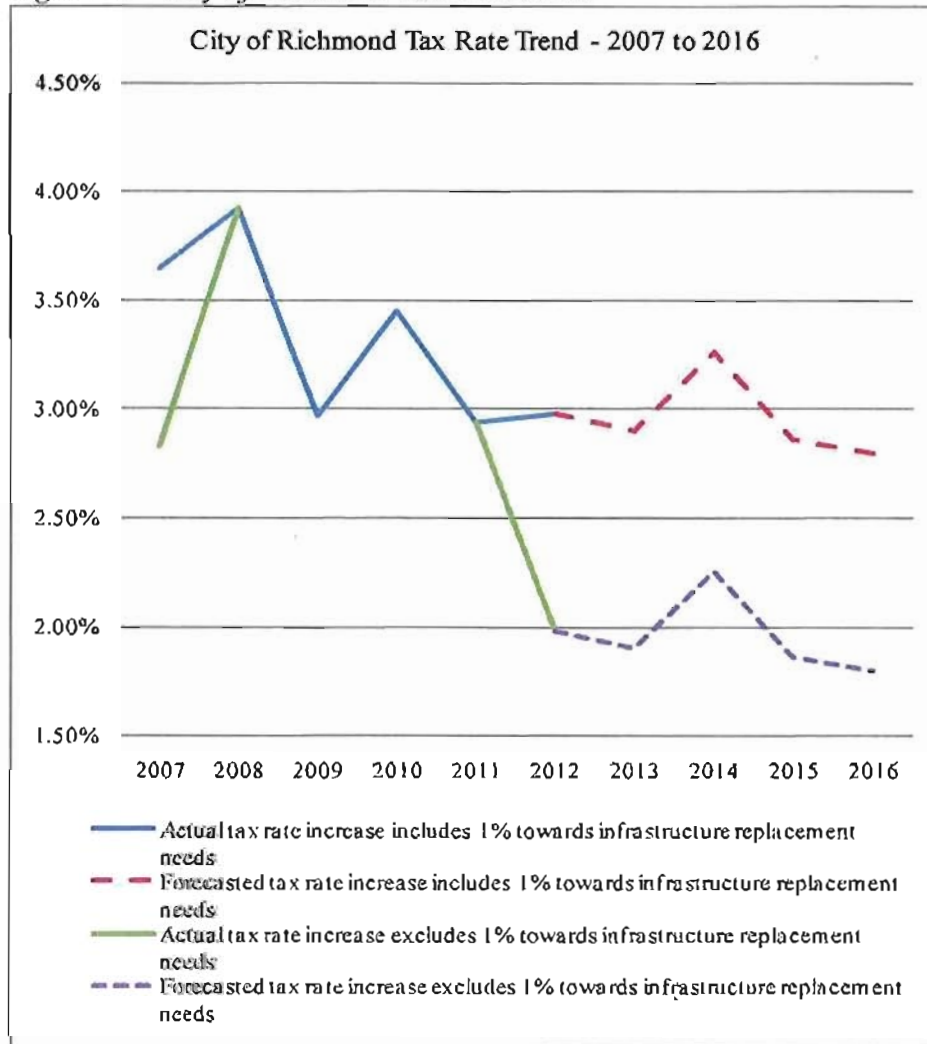
Similar to most communities, Richmond will experience an aging population which means increased demand for services to improve aging-in-place and healthy community. The City is facing cost increases that surpass the CPI. These include additional fund transfers to reserves for future infrastructure replacement, RCMP contract cost, water purchase from Metro Vancouver and operating cost of the facilities. Despite the slow economic recovery and challenges, Richmond is able to maintain a competitive tax rate. The following illustrates the actual tax rate from 2007 to 2011 and the projection of 2012 to 2016.

*The City provides many core services to residents at consistent costs despite cost increases that surpass the CPI.*





Figure 12 – City of Richmond Tax Rate Trend



The capital replacement of several City facilities is forthcoming and analysis and discussion of the financing alternatives is required.

**Conclusion**

The City has continued to maintain a strong financial position in 2011, enabling the City to maintain the necessary flexibility and sustainability in the future.

**Our Mission:**

*To protect and enhance the City's livability and economic well-being for current and future generations through:*

- *Visionary leadership and responsible decision making*
- *Accountable and sustainable fiscal practice*
- *The development of a unique and beautiful city*
- *Product and service excellence and efficiency*
- *Community consultation*



# Appendices

Appendix 1 – Statement of Financial Position Analysis

Appendix 2 – Tangible Capital Assets and Reserve Analysis

Appendix 3 – Annual Surplus Analysis

Appendix 4 – Cash Flow Statement Analysis

Appendix 5 – Indicators of Financial Condition

Appendix 6 – Richmond Olympic Oval Corporation and Richmond Public Library



## Summary of Financial Statement Position

The statement of financial position represents the City's financial assets and liabilities, investment in non-financial assets and the accumulated surplus as at December 31, 2011.

In fiscal 2011, the following changes occurred:

- financial assets have increased by \$39.8 million, while financial liabilities have decreased by \$8.1 million, which led to a combined increase of financial assets by \$47.9 million
- investment in non-financial assets increased by \$62.9 million, driven by a net increase in tangible capital assets.

As a result, the overall positive effect led to an increase of accumulated surplus of \$110.8 million.

### Net Financial Assets

Net financial assets represent the difference between the total financial assets over the financial liabilities and is an indication of the City's ability to pay for future services. The City is in good financial position since the City has been able to finance its operation without additional external financing.

Furthermore, the excess of financial assets by \$415.7 million suggests strong financial position and hence financial sustainability as well as flexibility in providing the City with the option to finance future capital investments and operating activities from its own resources.

### Summary of Financial Assets

The following table represents the breakdown of the financial assets at December 31, 2011 and 2010:

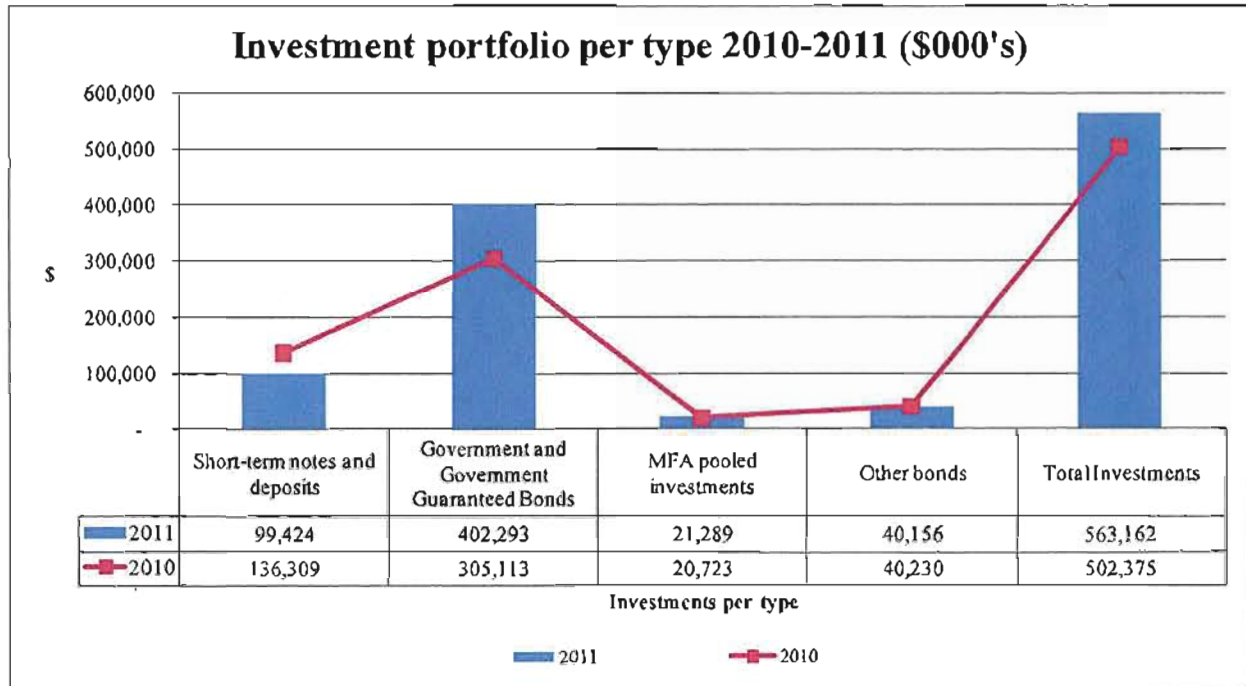
Financial Assets (\$000's)	2011	2010	Change from 2010 to 2011	% Change 2010 to 2011
Cash and cash equivalents	\$11,766	\$19,058	(\$7,292)	-38.3%
Investments	563,162	502,375	60,787	12.1%
Accrued Interest receivables	2,710	3,418	(708)	-20.7%
Accounts receivables	22,095	29,651	(7,556)	-25.5%
Taxes receivable	6,716	7,708	(992)	-12.9%
Development fees receivables	16,826	21,189	(4,363)	-20.6%
Debt reserve fund	386	449	(63)	-14.0%
<b>Total</b>	<b>\$623,661</b>	<b>\$583,848</b>	<b>\$39,813</b>	<b>6.8%</b>

As presented in the table, the financial assets have increased by \$39.8 million.

## Statement of Financial Position Analysis

During the period major changes relating to the following items occurred:

- Decrease in cash and equivalents by \$7.3 million, (see the discussion on cash flow).
- Investments increased by \$60.8 million. The following chart provides a breakdown of investments for fiscal years 2011 and 2010:



- Decrease in accounts receivable of \$7.5 million, mostly driven by collection of trade receivables related to capital grants in the amount of \$10.0 million offset by an increase in other trade receivables of \$2.0 million.



**Summary of Financial Liabilities**

The following table represents the breakdown of the financial liabilities at December 31, 2011 and 2010, respectively:

Financial liabilities (\$000's)	2011	2010	Change from 2010 to 2011	% Change 2010 to 2011
Accounts payable	\$77,698	\$73,963	\$3,735	5.0%
Deposits and holdbacks	36,753	45,447	(8,695)	-19.1%
Deferred revenue	34,802	43,946	(9,144)	-20.8%
Development Cost Charges	52,379	42,211	10,168	24.1%
Capital leases commitments	499	1,168	(669)	-57.3%
Debt, net of MFA sinking fund	5,808	9,274	(3,466)	-37.4%
<b>Total</b>	<b>\$207,938</b>	<b>\$216,009</b>	<b>(\$8,071)</b>	<b>-3.7%</b>

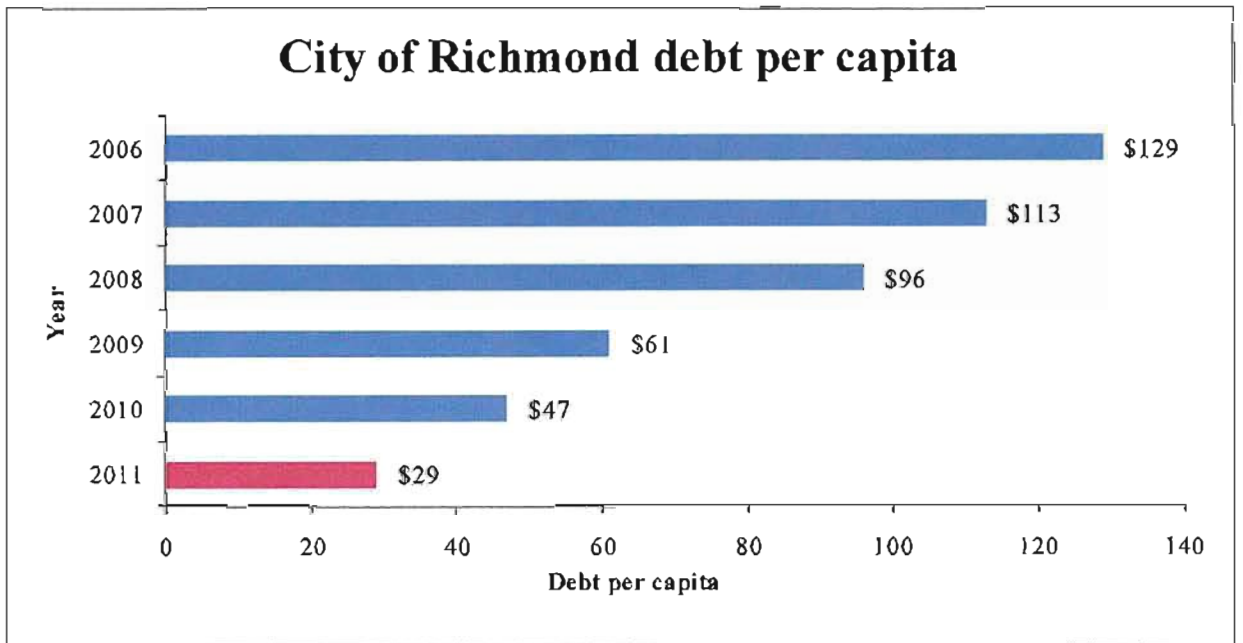
The following items describe the major changes during the period:

- accounts payable increased by \$3.7 million consisting of the increase in the trade payables of \$1.9 million and \$1.8 million that relates to post-employment benefits for employees.
- deposits and holdbacks decreased by \$8.7 million mostly due to refunded security deposits in the amount of \$8.0 million and contract holdbacks of \$0.9 million, while other positions increased by \$0.2 million.
- deferred revenues decreased by \$9.1 million due to the transaction entered into that decreased the parking easement and leased land revenues of \$11.7 million and was partially offset by other deferred revenues in the amount of \$2.6 million.
- development cost charges (DCC) increased by \$10.2 million, which was a consequence of new contributions in the amount of \$23.5 million (2010 \$26.1 million), while revenue recognized on DCC, i.e. related projects undertaken, amounted to \$14.3 million (2010 \$17.8 million).
- long term debt decreased by \$3.5 million, of which \$3.4 million was from the General Fund and \$0.1 million Sewer works Fund.

The City is in good financial position and has enough capacity and flexibility to undertake any additional external long-term financing for necessary projects, given the achieved coverage and minimal Debt-to-Revenue ratio (which represents the ratio of long-term debt to total revenues) of 1.6%. Furthermore, during 2011 the liability limit as set by the BC Regulation 254/2004, defined as the liability servicing cost (cost of principal and interest charges) over total revenue was substantially below the threshold of 25%.

Net Debt (\$000's)	Net Debt	Revenues per fund	Ratio Debt to Revenue
General Fund	\$5,659	\$330,975	1.7%
Sewerworks Fund	149	30,526	0.5%
<b>Total</b>	<b>\$5,808</b>	<b>\$361,501</b>	<b>1.6%</b>

Current debt will be extinguished by 2014 and the 2011 outstanding net debt per capita is \$29.





**Summary of Non-Financial Assets**

The changes in the non-financial assets are due primarily from investments in capital assets that have increased by a net \$62.6 million in 2011 (cost \$105.3 million and related depreciation of \$42.7 million). The remaining effect of the changes was related to prepaid expenses and inventories amounting to a combined \$0.3 million.

The following table details the changes in tangible capital assets by asset category.

Tangible Capital Assets (\$000's)	2010	Additions	Disposals	2011
Land	\$570,939	\$37,582	(\$10)	\$608,511
Buildings	313,067	27,705	(600)	340,172
Infrastructure	1,455,639	47,349	(3,394)	1,499,594
Equipment	81,498	4,864	(1,099)	85,263
Library collections and eqt.	8,203	2,788	(1,329)	9,662
Assets under construction	34,379	(8,522)	-	25,857
<b>Total at Cost</b>	<b>\$2,463,725</b>	<b>\$111,766</b>	<b>(\$6,432)</b>	<b>\$2,569,059</b>
Buildings	80,489	10,950	(508)	90,931
Infrastructure	591,261	29,868	(2,069)	619,060
Equipment	47,819	5,514	(1,067)	52,266
Library collections and eqt.	5,137	1,364	(1,329)	5,172
<b>Total Acc. Depreciation</b>	<b>\$724,706</b>	<b>\$47,696</b>	<b>(\$4,973)</b>	<b>\$767,429</b>
	<b>2010</b>	<b>2011</b>		
Land	570,939	608,511		
Buildings	232,578	249,241		
Infrastructure	864,378	880,534		
Equipment	33,679	32,997		
Library collections and eqt.	3,066	4,490		
Assets under construction	34,379	25,857		
<b>Total Net Book Value</b>	<b>\$1,739,019</b>	<b>\$1,801,630</b>		

**Accumulated Surplus**

The accumulated surplus represents the accumulated results of operations and can be compared with the equity (net assets) of a commercial enterprise. Accumulated surplus represents the equity investment in tangible capital assets and the net financial assets, which were discussed above. Also, from an allocation point of view accumulated surplus is divided into following categories:

- investments in tangible capital assets (tangible capital asset net of any debt)
- reserves (restricted funds for the particular predetermined use)
- appropriated surplus (internally reserved funds)
- surplus (unrestricted funds)
- obligation to be funded and other equity

The following table represents the changes in the major categories in the period 2010 – 2011:

Accumulated Surplus (\$000's)	2011	2010	Change from 2010 to 2011	% Change 2010 to 2011
Investment in TCA	\$1,795,322	\$1,728,577	\$66,745	3.9%
Reserves	275,353	247,123	28,230	11.4%
Appropriated surplus	123,943	111,895	12,048	10.8%
Obligations to be funded	(50)	(101)	51	-50.5%
Surplus	24,631	21,098	3,533	16.7%
Other equity	1,934	1,745	189	10.8%
<b>Total</b>	<b>\$2,221,134</b>	<b>\$2,110,337</b>	<b>\$110,797</b>	<b>5.3%</b>



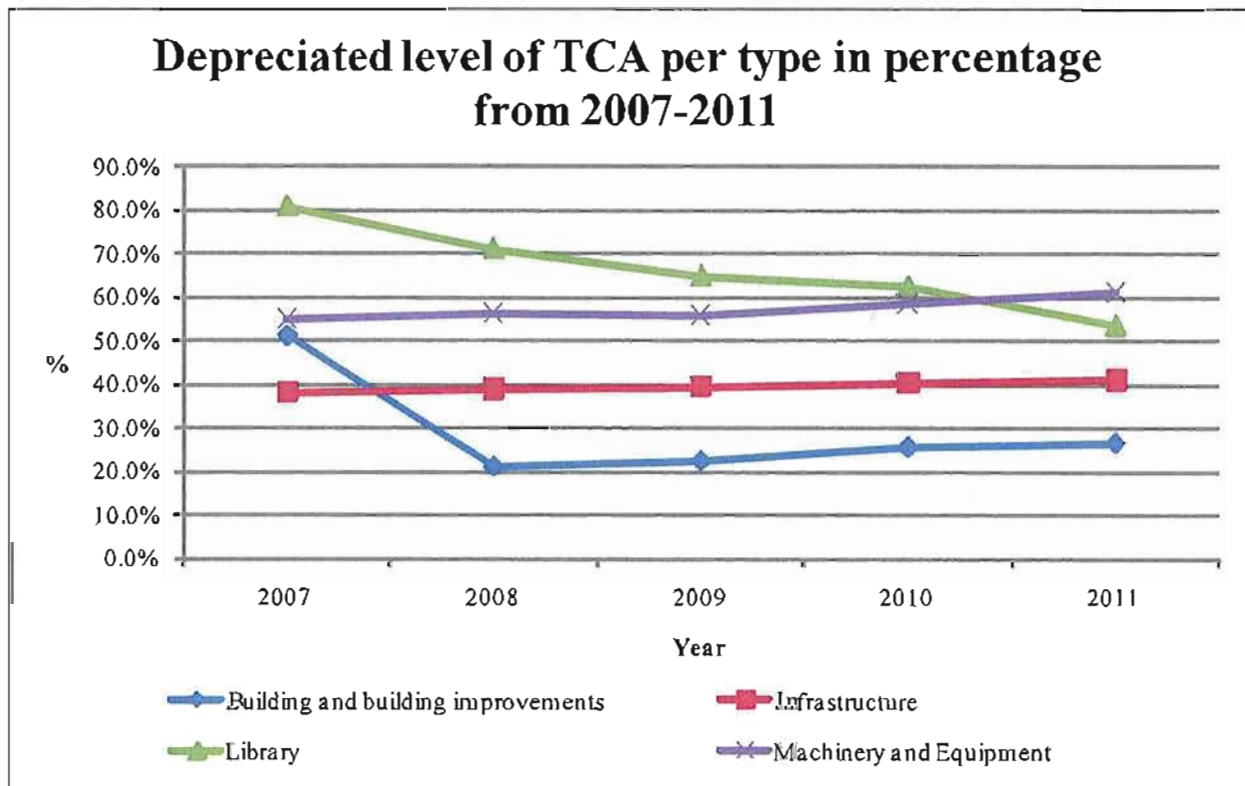
## Tangible Capital Assets

The tangible capital assets represent a diverse mix of assets from underground infrastructure to library books. These assets enable the City to deliver a vast range of services and functions.

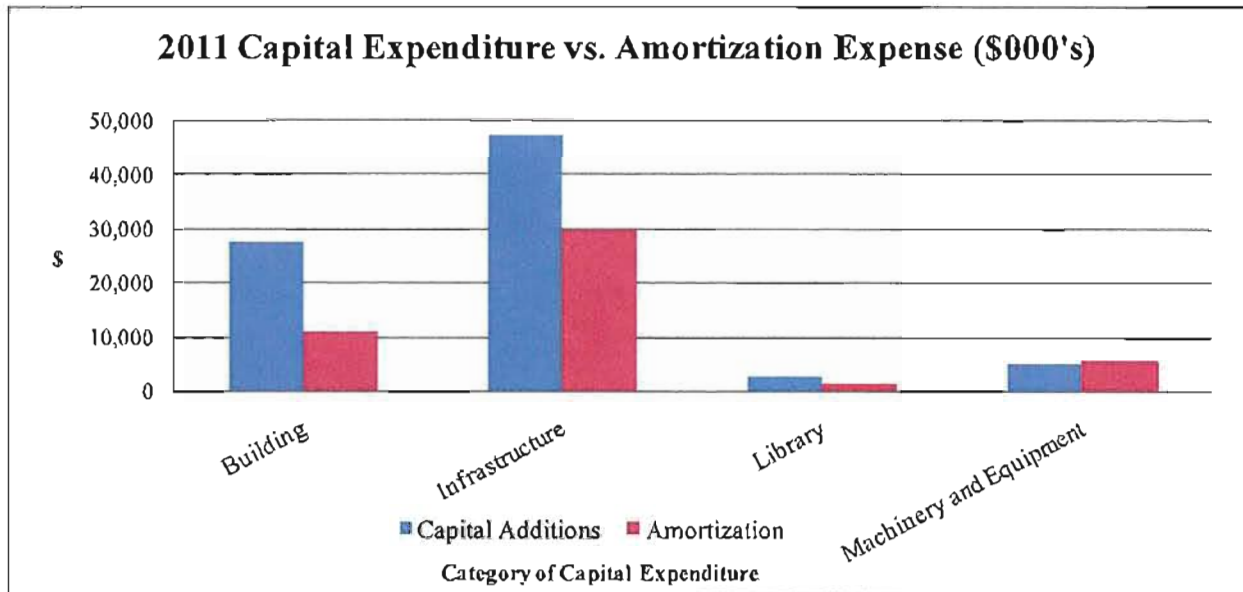
Each asset is assigned a useful life that approximates the expected longevity of the asset. Every period, the asset is depreciated to reflect the decrease in the asset's remaining life. A high depreciation percentage represents assets that are closer to the end of the useful life and that will require replacement in the near term. All analysis is based on financial reporting and does not encompass condition assessment or other non-financial reporting aspects that may alter the actual live of individual assets.

All asset categories other than land are depreciated over an estimated useful life. As represented below, the buildings, infrastructure and machinery and equipment categories show a slight increase in the depreciation percentage. This signifies that the capital replacement is occurring at a lower rate than the depreciation.

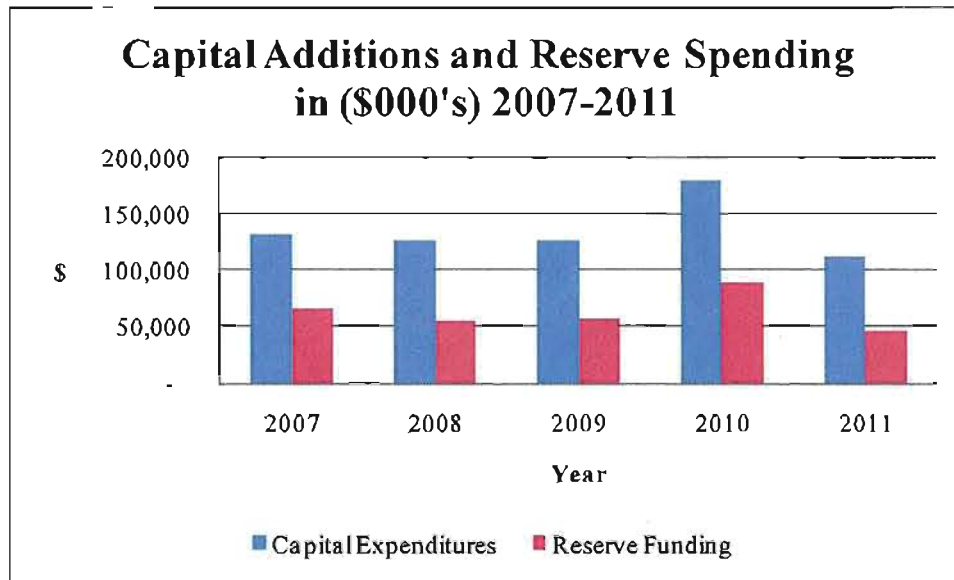
- The buildings category decreased significantly over the period of 2007-2008 as a result of the Oval being added to the asset inventory.
- Library shows the opposite trend of decreasing the depreciation percentage as a result of renewal of the library collections.
- Total 2011 depreciation expense was \$47.7 million.



The level of capital expenditure relative to the amortization expense can be used as a gauge to evaluate capital reinvestment. Generally, in order to maintain the same level of depreciation percentage as previously discussed, the capital expenditure should at minimum equal the amortization expense. Overall the City is replacing assets at a faster rate as depicted by the annual increase in capital equity.



Annual Capital additions are comprised of many assets and are funded from various sources. These sources include: City reserves, DCC's, grants, developer contributed assets and other sources. The portion related to the City reserves represents planned replacement of existing infrastructure. As shown below, the reserves represent approximately 40-50% of the total annual funding of capital additions.

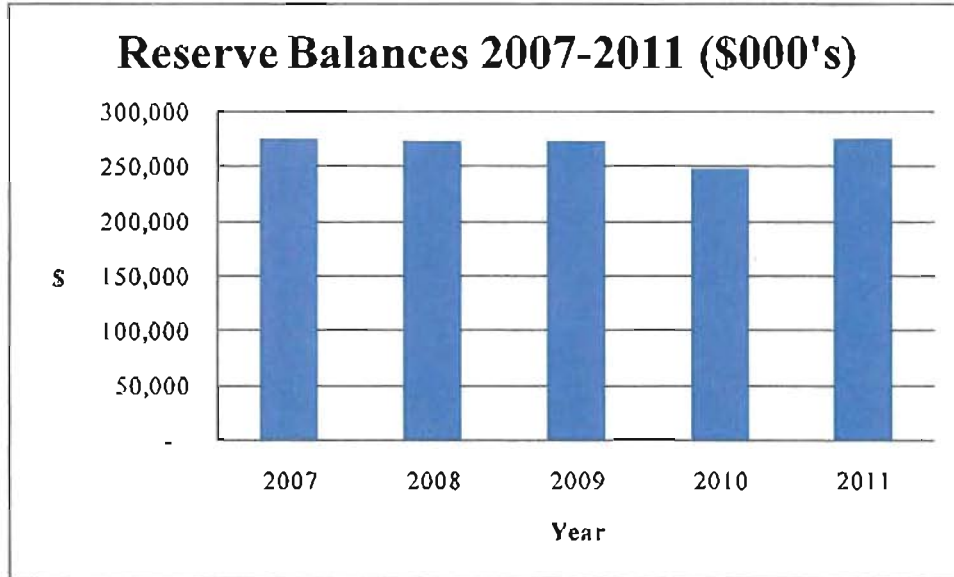


- 2010 expenditure includes \$59 million for the Garden City land acquisition.
- 2009 (\$7 million) and 2010 (\$20 million) expenditure was adjusted for land received through development.



**Reserves**

The balance of the reserves has remained fairly consistent with a 2011 balance of \$275.4 million. This balance includes both the uncommitted balance of \$183.9 million and amounts that have been approved for expenditure but remain unspent as at December 31, 2011 of \$91.5 million.



## Annual Surplus Analysis

The annual surplus is comprised of all activity that impacts the accumulated surplus. The Public Sector Accounting Standards (PSAB) direct that that the accumulated surplus consist of general surplus, reserves, appropriated surplus, investment in capital assets, obligations to be funded and other equity.

The 2011 general operating surplus (\$4.6 million) represents the net excess of revenues over expenditures relating to budgeted transactions and is a component of the 2011 annual surplus of \$110.8 million. The remaining portion of the annual surplus relates to transactions that impact the capital equity and other accumulated surplus items as per PSAB.

The increase is a result of the simultaneous higher revenues in the amount of \$75.2 million, 21.6% higher than the budget and lower expenditures of \$18.3 million in comparison to the budget.

Major items resulting in the increase of revenues by \$75.2 million are as follows:

- higher Other Capital Funding Sources (donated assets from developers) which were budgeted at \$6.1 million and reached \$50.1 million, a positive impact of \$44.0 million.
- higher Other Revenues in the amount of \$16.0 million than the budget primarily related to the gain on the sale of land in the amount of \$11.7 million.
- higher Sale of Services in the amount of \$4.5 million, primarily related to the higher sales of Oval in the amount of \$2.6 million.
- while all other type of revenues, higher by \$10.7 million, were a result of higher gaming revenues of \$2.6 million, investment income revenues of \$3.5 million and all other revenues of \$4.6 million.

Major items causing the decrease in expenditures of \$18.3 million are as follows:

- lower Law and Community Safety expenditures of \$4.5 million in comparison with the budget due to unfilled positions and lower than expected contract costs.
- lower Engineering, Public Works and Project Development expenditures of \$5.3 million due to higher than expected cost recoveries as well as lower salary expenses due to vacant positions.
- lower General Government expenditures by \$3.2 million due to unfilled vacant.
- while all other types of expenditures were lower by \$5.3 million.

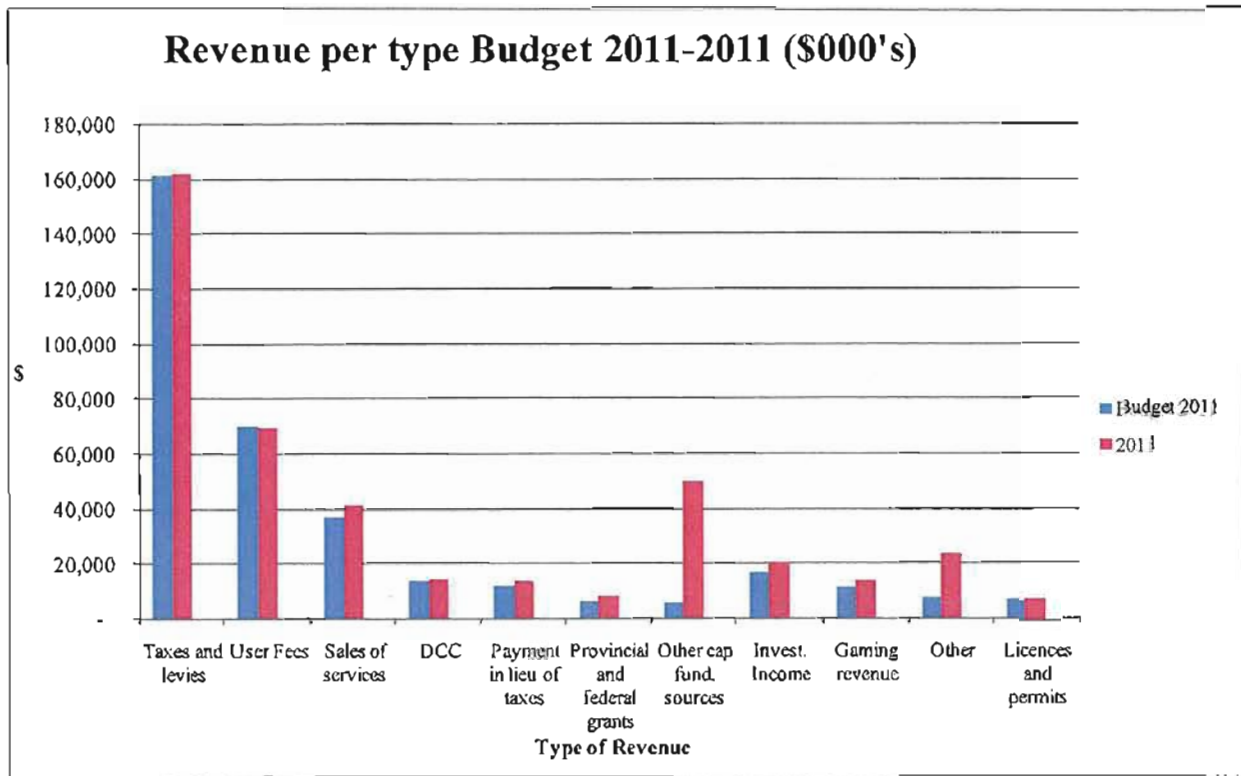


**Results of Operations**

In 2011, the annual surplus has increased by \$12.8 million (increase of 13.0% in comparison with 2010), mostly by the increase in revenues of \$24.5 million (increase of 21.6% in comparison with 2010), while in the same period the expenditures rose by \$11.8 million (increase of 3.9% in comparison with 2010). The major contribution to the annual surplus relates to the other revenues which rose by \$13.3 million, out of which \$11.7 million was related the discharge of the parking easement and land disposition.

**Revenues by Type**

The following chart represents the comparison of the 2011 revenues to the budget.

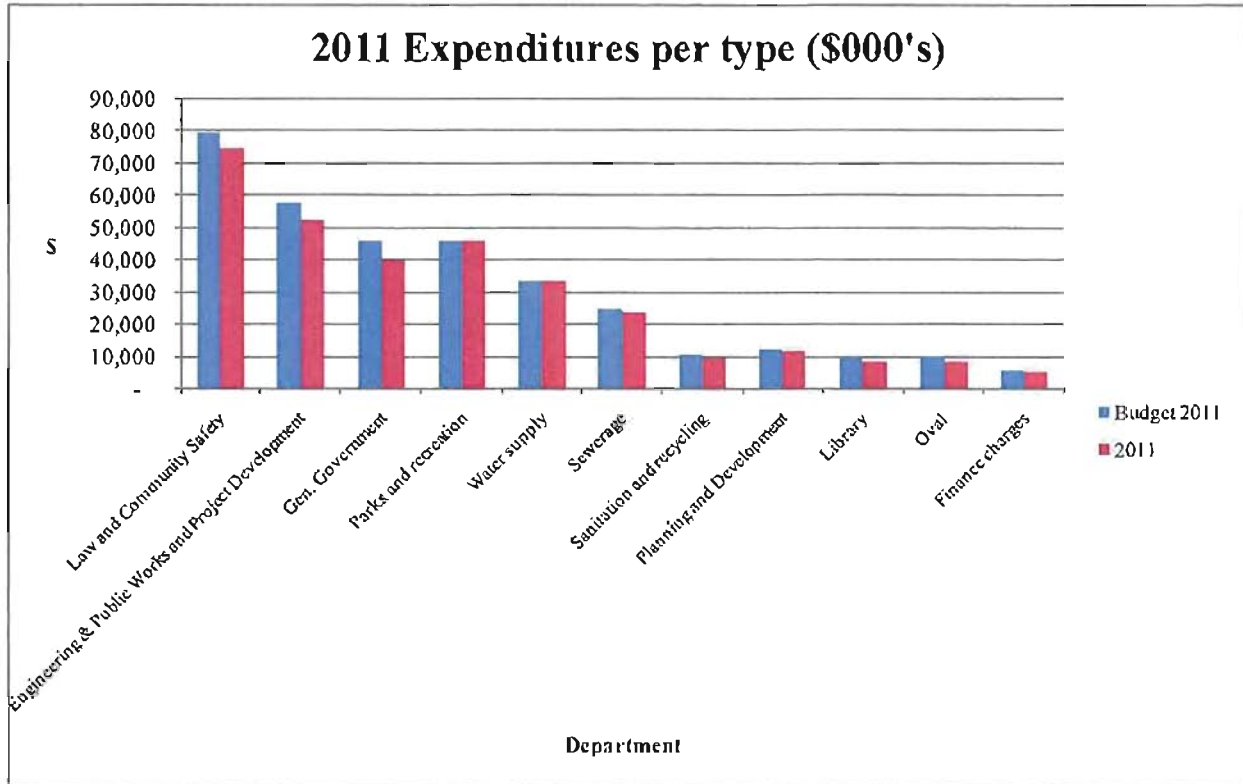


The major source of revenues is the property taxes. Revenues from this source increased by 3.7% in comparison with 2010. This includes the budgeted increase of 2.95% and increases relating to newly constructed properties added to the assessment roll. The sale of services increased most notably from the Olympic Oval which rose by \$2.6 million. The increase in the investment income was driven by the increase in the investment portfolio.

The decrease in Development Cost Charges was the result of capital expenditures and the timing of projects. The increase in the other revenue mostly relates to the \$11.7 million in gain in sale of a piece of leased land as noted in the Financial Statements in note 21.

**Expenditure Analysis**

The following chart represents the operating expenditure structure per type of service. As depicted below, all services were provided within the allotted 2011 budgets. As previously noted, the service areas contributing to the annual surplus include: Law and Community Safety, Public Works and Project Development and General Government.





## Cash Flow Statement

The following chart represents the condensed cash flow statement for the year ended December 31, 2011 and 2010. This presents the major sources of cash and cash equivalents during the period as well as the use of cash. As can be seen, the major source of cash comes from the annual surplus, i.e. the results of operation achieved during the period of \$110.8 million. As well, in 2011 a significant portion of cash came from the cash management of the financial assets and liabilities, which provided an additional combined cash amount of \$21.2 million. The total funds used for the acquisition of tangible capital assets amounted to \$75.9 million, repayment of debt in the amount of \$4.2 million and \$60.8 investment in the net investment activities.

Cash Flow Statement (\$000's)	2011	2010
Annual surplus	\$110,797	\$98,050
Items not involving cash:	1,609	12,375
Change in non-cash assets and liabilities:		
Decrease (Increase) in financial assets	13,683	(18,200)
Decrease (Increase) in other assets	(302)	368
Increase (Decrease) in financial liabilities	7,794	41,139
Total change in non-cash assets	21,175	23,307
Net change in cash from operating activities	133,580	133,732
Changes in capital activities (investment in TCA)	(75,878)	(142,990)
Changes in financing activities (repayment of debt)	(4,207)	(3,355)
Investment activities (investment in securities)	(60,787)	23,928
Net change in cash	(7,292)	11,315
Cash and Cash Equivalents , beginning of year	19,058	7,744
Cash and Cash Equivalents , end of year	<b>\$11,766</b>	<b>\$19,058</b>

## Ratio Analysis

The following ratio analysis was conducted as recommended by the Statement of Recommended Practice SOPR-4 “Indicators of financial condition” issued by the Canadian Institute of Chartered Accountants. The analysis serves as a recommended practice of financial reporting and enables the readers of financial reports not only to interpret the financial reports but also to also assess the quality of financial management.

As a best practice, the conducted analysis should address 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.
  - Assets to liabilities, indicates the sustainability by the extent to which the government entity finances its operations by issuing debt.
  - Financial assets to liabilities, indicates sustainability by the degree that future revenues are required to pay for past transactions and events.
  - Net debt to total revenue, indicates the financial burden over the earning capacity and also indicates how future revenues will be needed for financing of past transactions and events.
  - Net debt to total assessment, indicates the relationship between the level of debt and the state of the local economy.
  - Expenses to total assessment, indicates the trend of the government spending in connection to the state of the local economy.
- ***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 services commitments or settle financial commitments.
  - 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.
  - Net book value of capital assets to cost, indicates the estimated useful life of the capital assets to provide services.
  - Own source revenue to assessment, indicates the degree to which represents the percentage of taxes taken from its own tax base.



- ***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.
  - Government transfers to total revenue, indicates the degree to which the local government is dependent on provincial or federal grants.

The following table presents the conducted ratio analysis per major aforementioned categories for the period 2010-2011:

Ratio analysis Indicators of financial condition	2011	2010
<b>Sustainability ratios</b>		
Assets to liabilities (times)	11.2	11.5
Financial assets to liabilities (times)	2.8	3.0
Net debt to total revenues	1.8%	2.6%
Net debt to the total assessment	0.0%	0.0%
Expenses to the total assessment	0.6%	0.7%
<b>Flexibility ratios</b>		
Public debt charges to revenues	1.2%	1.5%
Net book value of capital assets to its cost	70.4%	70.4%
Own source revenue to the assessment	0.8%	0.8%
<b>Vulnerability ratios</b>		
Government transfers to total revenues	1.9%	1.6%

*Note:*

*Based on average Balance Sheet amounts*

As the conducted analysis reaffirms, the City maintained a stable financial position which is a consequence of solid financial management practices. Furthermore, it demonstrates the sound self-sufficiency and financial capacity of the City's operations and capital project activity.

## Analysis of the Richmond Olympic Oval Corporation and Richmond Public Library

During 2011 the two wholly owned City entities: Richmond Olympic Oval Corporation and Richmond Public Library were marked with increase in sales of service to third parties and receipt of donations, while both operations are economically dependent on the City funding for their operations.

### Richmond Olympic Oval Corporation

- In 2011, the Richmond Olympic Oval Corporation had an annual surplus of \$2.2 million, which is an annual increase of \$3.4 million. The sale of services increased year over year in the amount of \$2.6 million, which was partly offset by the increase in payroll expenses of \$1.6 million.
- Net financial assets increased by \$2.3 million, which is a result of the increase in cash and investments by \$3.3 million with excess funds being deposited into short term deposits.
- The Oval transferred \$1.7 million into its capital reserve as per the requirements of the Operating agreement.

### Richmond Public Library

- In 2011, the Library annual surplus increased by \$1.2 million mostly driven by the collection donations in the same amount. Other revenues and expenditures had a neutral effect on the annual surplus. Included in the total revenue of \$10.1 million on the Library's entity financial statements is \$7.9 million of City funding.
- Net financial assets remained steady at \$0.4 million with the previous year and there were no major changes between categories.
- The non-financial assets increased by a net \$1.5 million relating to acquisition of library collections amounting to \$1.2 million and furniture and equipment for the remaining \$0.3 million.

Consolidated Financial Statements of

**CITY OF RICHMOND**

Year ended December 31, 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, 2011 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, 2011, and its consolidated results of operations, its changes in net consolidated financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

DATE

Burnaby, Canada

# CITY OF RICHMOND

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

December 31, 2011, with comparative figures for 2010

	2011	2010 (recast - note 3)
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 11,766	\$ 19,058
Investments (note 4)	563,162	502,375
Accrued interest receivable	2,710	3,418
Accounts receivable (note 5)	22,095	29,651
Taxes receivable	6,716	7,708
Development fees receivable	16,826	21,189
Debt reserve fund - deposits (note 6)	388	449
	<u>623,661</u>	<u>583,848</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities (note 7)	77,698	73,963
Deposits and holdbacks (note 8)	36,753	45,447
Deferred revenue (note 9)	34,801	43,946
Development cost charges (note 10)	52,379	42,211
Obligations under capital leases (note 11)	499	1,168
Debt, net of MFA sinking fund deposits (note 12)	5,808	9,274
	<u>207,938</u>	<u>216,009</u>
Net financial assets	415,723	367,839
<b>Non-Financial Assets</b>		
Tangible capital assets (note 13)	1,801,630	1,739,019
Inventory of materials and supplies	1,934	1,745
Prepaid expenses	1,847	1,734
	<u>1,805,411</u>	<u>1,742,498</u>
Accumulated surplus (note 14)	<u>\$ 2,221,134</u>	<u>\$ 2,110,337</u>

Commitments and contingencies (note 18)

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, 2011, with comparative figures for 2010

	Budget 2011	Actual 2011	Actual 2010
	(unaudited - notes 2(m) and 23)		(recast - note 3)
<b>Revenue:</b>			
Taxation and levies	\$ 161,335	\$ 161,821	\$ 156,071
User fees	70,035	69,359	68,365
Sales of services	37,053	41,518	37,403
Development cost charges	13,813	14,321	17,804
Payments-in-lieu of taxes	11,770	13,726	13,203
Provincial and federal grants	6,215	8,066	6,353
Other capital funding sources	6,054	50,063	53,217
Other revenues:			
Investment income	16,830	20,328	16,864
Gaming revenue	11,113	13,728	12,563
Licenses and permits	7,060	7,524	7,328
Other (note 21)	7,581	23,588	10,335
	348,859	424,042	399,506
<b>Expenses:</b>			
Law and Community safety	79,109	74,548	70,838
Engineering, public works and project development	57,585	52,338	56,365
General government	42,950	39,728	35,130
Parks, recreation and community services	45,959	45,957	43,647
Utilities:			
Water supply and distribution	33,434	33,437	30,277
Sewerage collection and disposal	24,724	23,422	23,772
Sanitation and recycling services	10,627	9,829	9,163
Planning and development	12,150	11,560	11,427
Library services	9,393	8,615	8,221
Richmond Olympic Oval	9,911	8,647	6,614
Interest and finance charges	5,745	5,164	6,002
	331,587	313,245	301,456
Annual surplus	17,272	110,797	98,050
Accumulated surplus, beginning of year	2,110,337	2,110,337	2,012,287
Accumulated surplus, end of year	\$ 2,127,609	\$ 2,221,134	\$ 2,110,337

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, 2011, with comparative figures for 2010

	2011 budget (unaudited - notes 2(m) and 23)	2011	2010 (recast - note 3)
Surplus for the year	\$ 17,272	\$ 110,797	\$ 98,050
Acquisition of tangible capital assets in cash and financed by capital leases	(17,272)	(76,026)	(149,088)
Acquired tangible capital assets from developers	-	(35,740)	(31,454)
Amortization of tangible capital assets	-	47,696	47,725
Gain on disposal of tangible capital assets	-	(10,347)	(3,897)
Proceeds on sale of tangible capital assets	-	11,806	5,424
	-	48,186	(33,240)
Acquisition of inventories of supplies	-	(1,934)	(1,745)
Acquisition of prepaid expenses	-	(1,847)	(1,734)
Consumption of inventories of supplies	-	1,745	2,253
Use of prepaid expenses	-	1,734	1,594
Change in net financial assets	-	47,884	(32,872)
Net financial assets, beginning of year	367,839	367,839	400,711
Net financial assets, end of year	\$ 367,839	\$ 415,723	\$ 367,839

See accompanying notes to consolidated financial statements.

# CITY OF RICHMOND

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

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
		(recast - note 3)
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 110,797	\$ 98,050
Items not involving cash:		
Amortization	47,696	47,725
Gain on disposal of tangible capital assets	(10,347)	(3,897)
Developer contributions of tangible capital assets	(35,740)	(31,454)
Change in non-cash operating working capital:		
Decrease in accrued interest receivable	708	963
Decrease (increase) in accounts receivable	7,556	(2,362)
Decrease (increase) in taxes receivable	992	(552)
Decrease (increase) in development fees receivable	4,363	(16,249)
Decrease in debt reserve fund	63	-
Increase in prepaid expenses	(113)	(140)
(Increase) decrease in inventories of supplies	(189)	508
Increase in accounts payable and accrued liabilities	3,735	6,287
(Decrease) increase in deposits and holdbacks	(8,694)	22,015
Increase in deferred revenue	2,585	3,834
Increase in development cost charges	10,168	9,003
Net change in cash from operating activities	133,580	133,731
Capital activities:		
Cash used to acquire tangible capital assets	(75,954)	(148,414)
Proceeds on disposal of tangible capital assets	76	5,424
Net change in cash from capital activities	(75,878)	(142,990)
Financing activities:		
Principal payments on debt	(3,466)	(2,534)
Principal payments on obligations under capital leases	(741)	(821)
Net change in cash from financing activities	(4,207)	(3,355)
Investing activities:		
Change in investments	(60,787)	23,928
Net change in cash and cash equivalents	(7,292)	11,314
Cash and cash equivalents, beginning of year	19,058	7,744
Cash and cash equivalents, end of year	\$ 11,766	\$ 19,058
Supplementary Information:		
Non-cash transactions:		
Tangible capital assets financed by capital leases	\$ 72	\$ 674
Sale of property in exchange for leasehold interest in another property	11,730	-

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, 2011

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## 1. Operations:

The City of Richmond (the "City") is incorporated under the Local Government Act of British Columbia. The City's principal activities include the provision of local government services to residents of the incorporated area. These include administrative, protective, transportation, 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 the Richmond Olympic Oval. The Library is consolidated as the Library Board is appointed by the City. The Richmond Olympic 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) Waterworks and Sewerworks Funds:

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

#### (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.

### (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.

# CITY OF RICHMOND

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

Year ended December 31, 2011

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## 2. Significant accounting policies (continued):

### (c) Government transfers:

Restricted transfers from governments are deferred and recognized as revenue in the year in which the related expenditures are incurred. Unrestricted transfers are recognized as revenue when received.

### (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 at acquisition.

### (e) Investments:

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

### (f) Accounts receivable:

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

### (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.

### (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.

# CITY OF RICHMOND

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

Year ended December 31, 2011

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## 2. Significant accounting policies (continued):

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

#### (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:

<u>Asset</u>	<u>Useful life - years</u>
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.

#### (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.



# CITY OF RICHMOND

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

Year ended December 31, 2011

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## 2. Significant accounting policies (continued):

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

#### (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, licenses and other fees and recognizes this revenue in the year in which related inspections are performed or other related expenditures 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 #8707 on March 14, 2011.

### (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.

# CITY OF RICHMOND

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

Year ended December 31, 2011

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## 2. Significant accounting policies (continued):

### (o) Segment disclosures:

A segment is defined as a distinguishable activity of 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 of Richmond has provided definitions of segments used by the City as well as presented financial information in segment format (note 22).

## 3. Recast of comparative figures:

During the year, the City determined that certain developer contributed land was omitted and should be added to the 2010 and 2009 tangible capital asset register.

The 2010 comparative figures have been recast for this item. The effects of the recast on the 2010 comparative figures have been applied retroactively and are summarized below:

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### Accumulated surplus at January 1, 2010

Accumulated surplus, as previously reported	\$ 2,005,249
Add: Net book value of tangible capital asset	7,038

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Accumulated surplus, as recast	\$ 2,012,287
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### Annual surplus for 2010

Annual surplus, as previously reported	\$ 77,247
Add: Developer contribution of tangible capital assets	20,803

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Annual surplus, as recast	\$ 98,050
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### Tangible capital assets, December 31, 2010

Tangible capital assets, as previously reported	\$ 1,711,178
Add: Net book value of tangible capital asset	27,841

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Tangible capital assets, as recast	\$ 1,739,019
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# CITY OF RICHMOND

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

Year ended December 31, 2011

## 4. Investments:

	2011		2010	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 99,424	\$ 99,457	\$ 136,309	\$ 136,309
Government and government guaranteed bonds	402,293	410,633	305,113	315,332
Municipal Finance Authority Pooled Investment	21,289	21,289	20,723	20,723
Other Bonds	40,156	42,162	40,230	42,283
	<u>\$ 563,162</u>	<u>\$ 573,541</u>	<u>\$ 502,375</u>	<u>\$ 514,647</u>

## 5. Accounts receivable:

	2011	2010
Water and sewer utilities	\$ 6,880	\$ 6,467
Casino revenues	3,186	3,146
Capital grant	2,934	12,980
Other trade receivables	9,095	7,058
	<u>\$ 22,095</u>	<u>\$ 29,651</u>

## 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 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, 2011 are as follows:

	Cash deposits	Contingent demand notes
General Revenue Fund	\$ 376	\$ 1,706
Sewerworks Revenue Fund	10	48
<u>Total</u>	<u>\$ 386</u>	<u>\$ 1,754</u>



# CITY OF RICHMOND

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

Year ended December 31, 2011

## 7. Accounts payable and accrued liabilities:

	2011	2010
Trade and other liabilities	\$ 50,808	\$ 48,892
Post-employment benefits (note 16)	26,890	25,071
	<u>\$ 77,698</u>	<u>\$ 73,963</u>

## 8. Deposits and Holdbacks:

	Balance December 31, 2010	Deposit contributions	Refund expenditures	Balance December 31, 2011
Security deposits	\$ 33,059	\$ 6,175	\$ 14,094	\$ 25,140
Contract holdbacks	2,075	3,640	4,509	1,206
Developer contribution	5,197	340	-	5,537
Transit Oriented Development Fund	1,523	-	-	1,523
Other	3,593	3,124	3,370	3,347
	<u>\$ 45,447</u>	<u>\$ 13,279</u>	<u>\$ 21,973</u>	<u>\$ 36,753</u>

## 9. Deferred revenue:

Deferred revenue represents revenues that 1) are collected but not earned as of December 31, 2011. 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.

	2011	2010
Prepaid taxes	\$ 12,652	\$ 11,737
Capital grants	4,919	6,151
Business license revenues	2,433	1,882
Firm price billing revenues	2,723	3,375
Other	9,671	6,078
Parking easement and leased land revenues	2,403	14,723
Balance, end of year	<u>\$ 34,801</u>	<u>\$ 43,946</u>

# CITY OF RICHMOND

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

Year ended December 31, 2011

## 10. Development cost charges:

	2011	2010
Balance, beginning of year	\$ 42,211	\$ 33,208
Contributions	23,518	26,101
Interest	971	706
Revenue recognized	(14,321)	(17,804)
Balance, end of year	\$ 52,379	\$ 42,211

## 11. Obligations under capital leases:

The City has entered into capital lease agreements to finance certain equipment at an estimated cost of borrowing ranging from 1.25% to 5% per year.

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

Year ending December 31:	
2012	\$ 337
2013	80
2014	59
2015	26
2016 and thereafter	6
Total future minimum lease payments	508
Less amount representing interest	(9)
Present value of capital lease payments	\$ 499

# CITY OF RICHMOND

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

Year ended December 31, 2011

## 12. 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, 2011 approximates 5.85%.

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 2011	Net debt 2010
General Fund	\$ 39,546	\$ 33,887	\$ 5,659	\$ 9,055
Sewerworks Fund	1,109	960	149	219
	\$ 40,655	\$ 34,847	\$ 5,808	\$ 9,274

Principal payments and sinking fund instalments on net outstanding debenture debt over the next three years are as follows:

	General	Sewerworks	Total
2012	\$ 2,248	\$ 73	\$ 2,321
2013	2,355	76	2,431
2014	1,056	-	1,056
	\$ 5,659	\$ 149	\$ 5,808

# CITY OF RICHMOND

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

Year ended December 31, 2011

## 13. Tangible capital assets:

Cost	Balance at December 31, 2010 (recast - note 3)	Additions and transfers	Disposals	Balance at December 31, 2011
Land	\$ 570,939	\$ 37,582	\$ 10	\$ 608,511
Buildings and building improvements	313,067	27,705	600	340,172
Infrastructure	1,455,639	47,349	3,394	1,499,594
Vehicles, machinery and equipment	81,498	4,864	1,099	85,263
Library's collections, furniture and equipment	8,203	2,788	1,329	9,662
Assets under construction	34,379	(8,522)	-	25,857
	\$ 2,463,725	\$ 111,766	\$ 6,432	\$ 2,569,059

Accumulated amortization	Balance at December 31, 2010 (recast - note 3)	Disposals	Amortization expense	Balance at December 31, 2011
Buildings and building improvements	\$ 80,489	\$ 508	\$ 10,950	\$ 90,931
Infrastructure	591,261	2,069	29,868	619,060
Vehicles, machinery and equipment	47,819	1,067	5,514	52,266
Library's collections, furniture and equipment	5,137	1,329	1,364	5,172
	\$ 724,706	\$ 4,973	\$ 47,696	\$ 767,429



# CITY OF RICHMOND

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

Year ended December 31, 2011

## 13. Tangible capital assets (continued):

	Net book value December 31, 2010	Net book value December 31, 2011
	(recast - note 3)	
Land	\$ 570,939	\$ 608,511
Buildings and building improvements	232,578	249,241
Infrastructure	864,378	880,534
Vehicles, machinery and equipment	33,679	32,997
Library's collection, furniture and equipment	3,066	4,490
Assets under construction	34,379	25,857
Balance, end of year	\$ 1,739,019	\$ 1,801,630

(a) Assets under construction:

Assets under construction having a value of approximately \$25,857,000 (2010 - \$34,379,000) 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 \$35,740,000 (2010 - \$31,454,000) comprised of infrastructure in the amount of approximately \$11,978,000 (2010 - \$10,061,000), land in the amount of approximately \$22,483,000 (2010 - \$21,393,000) and library collections in the amount of approximately \$1,279,000 (2010 - nil)

(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 (2010-\$nil).

# CITY OF RICHMOND

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

Year ended December 31, 2011

## 14. Accumulated surplus:

	General Fund	Water Utility Fund	Sewer Utility Fund	Sanitary Sewer Utility Fund		Capital and Loan Fund	Reserves Fund	Library Services	Richmond Oval	2011 Total	2010 Total (recast - note 3)
				Fund	Fund						
Investment in tangible capital assets	\$ -	\$ -	\$ -	\$ -	\$ 1,790,377	\$ -	\$ -	\$ 4,490	\$ 456	\$ 1,795,323	\$ 1,728,577
Reserves (note 15)	-	-	-	-	-	273,653	-	-	1,700	275,353	247,123
Appropriated Surplus	105,134	11,561	5,442	5,442	1,790	-	16	-	-	123,943	111,895
Obligations to be funded	-	-	-	-	-	-	(50)	-	-	(50)	(101)
Surplus	1,516	15,218	9,219	9,219	(1,927)	-	483	122	24,631	24,631	21,098
Other equity	1,934	-	-	-	-	-	-	-	-	1,934	1,745
<b>Balance, end of year</b>	<b>\$ 108,584</b>	<b>\$ 26,779</b>	<b>\$ 14,661</b>	<b>\$ 14,661</b>	<b>\$ 1,790,240</b>	<b>\$ 273,653</b>	<b>\$ 4,939</b>	<b>\$ 2,278</b>	<b>\$ 2,221,134</b>	<b>\$ 2,110,337</b>	

# CITY OF RICHMOND

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

Year ended December 31, 2011

## 15. Reserves:

	2010	Change during year	2011
Reserve funds:			
Affordable housing	\$ 10,728	\$ 616	\$ 11,344
Capital building and infrastructure	26,238	1,408	27,646
Capital reserve	76,229	5,591	81,820
Child care development	1,789	357	2,146
Community legacy and land replacement	5,718	11,379	17,097
Drainage improvement	18,213	5,182	23,395
Equipment replacement	14,912	1,832	16,744
Leisure facilities	2,522	99	2,621
Local improvements	6,117	213	6,330
Neighborhood improvement	5,649	408	6,057
Public art program	1,278	307	1,585
Sanitary sewer	27,661	2,593	30,254
Steveston off-street parking	266	11	277
Steveston road ends	2,930	(207)	2,723
Waterfront improvement	496	(317)	179
Watermain replacement	46,377	(2,942)	43,435
Oval	-	1,700	1,700
	<b>\$ 247,123</b>	<b>\$ 28,230</b>	<b>\$ 275,353</b>

## 16. Post employment future benefits:

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

	2011	2010
Balance, beginning of year	\$ 25,071	\$ 23,263
Current service cost	1,843	1,696
Interest cost	1,207	1,320
Amortization of actuarial loss	424	545
Benefits paid	(1,655)	(1,753)
Balance, end of year	<b>\$ 26,890</b>	<b>\$ 25,071</b>

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, 2011. The difference between the actuarially determined accrued benefit obligation of approximately \$28,471,000 and the liability of approximately \$26,890,000 as at December 31, 2011 is an unamortized actuarial loss of \$1,581,000. 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, 2011

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

	2011	2010
Actuarial benefit obligation:		
Liability, end of year	\$ 26,890	\$ 25,071
Unamortized actuarial loss	1,581	1,642
Balance, end of year	\$ 28,471	\$ 26,713

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

	2011	2010
Discount rate	3.50%	4.50%
Expected future inflation rate	2.50%	2.50%
Expected wage and salary range increases	3.50%	3.50%

## 17. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Plan's 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 173,000 active members and approximately 63,000 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 \$9,291,000 (2010 - \$8,832,000) for employer contributions to the Plan in fiscal 2011. Employees paid \$7,624,000 (2010 - \$7,170,000) for employee contributions to the Plan in fiscal 2011.

## 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.



# CITY OF RICHMOND

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

Year ended December 31, 2011

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## 18. Commitments and contingencies (continued):

### (b) Lease payments:

In addition to the obligations under capital leases, at December 31, 2011, the City was committed to operating lease payments for premises and equipment in the following approximate amounts:

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2012	\$ 4,338
2013	4,172
2014	4,123
2015	4,091
2016 and thereafter	28,449

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### (c) Litigation:

As at December 31, 2011, 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. Management does not consider external payment under this contingency to be likely and therefore, no amounts have been accrued.

### (e) Contractual obligation:

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

### (f) E-Comm Emergency Communications for Southwest British Columbia ("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 26 Class A and 23 Class B shares issued and outstanding as at December 31, 2011). 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, 2011

## 18. Commitments and contingencies (continued):

### (g) Community Associations:

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

### (h) Contingent liabilities:

The City has a contract with the federal government whereby the federal government provides Royal Canadian Mounted Police (RCMP) policing services. RCMP members and the federal government are currently in legal proceedings regarding pay raises for 2009 and 2010 that were retracted for RCMP members. As the final outcome of the legal action and the potential financial impact to the City is not determinable, the City has not recorded any provision for this matter in the financial statements as at December 31, 2011.

## 19. Trust funds:

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

	2011	2010
Richmond Community Associations	\$ 1,015	\$ 994

## 20. 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:

	2011	2010
Province of British Columbia - Schools	\$ 122,465	\$ 118,391
Greater Vancouver Regional District and others	37,655	35,715
	\$ 160,120	\$ 154,106

# CITY OF RICHMOND

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

Year ended December 31, 2011

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## 21. Non-monetary transaction:

During the year, the City sold a portion of land to a third party developer valued at an agreed amount of \$6 million. In a separate but related transaction, the City acquired and discharged the developer from its use of a leasehold interest for the equivalent amount. The transactions occurred at fair value and no cash was exchanged.

The sale of land resulted in a gain on disposition in the amount of \$6 million. The discharge of the leasehold interest and discharge of an easement for parking resulted in an accounting gain on settlement of \$6 million. The total resulting gain of \$12 million has been included in Other Revenues – Other on the statement of operations.

## 22. 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:

**Law and 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, protection of life and properties, and legal services.

**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 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 planning, and construction of major projects.

**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.

# CITY OF RICHMOND

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

Year ended December 31, 2011

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## 22. Segmented reporting (continued):

**Utilities** provide such services as planning, designing, constructing, operating, and maintaining the City's infrastructure of water and sewer networks 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, 2011

## 22. Segmented reporting (continued):

	2011							2010		
	Law and Community Safety	Engineering, Public Works and Project Development	Parks, Recreation and Community Services	General Government	Utilities	Planning and Development	Library Services	Richmond Olympic Oval	(recast - note 3) Consolidated	
<b>Revenues:</b>										
Taxation and levies	\$ -	\$ -	\$ -	161,821	\$ -	\$ -	\$ -	\$ -	181,821	\$ 156,071
User Fees	-	7,109	-	-	62,250	-	-	-	69,359	68,365
Sales of Services	4,857	2,095	8,808	7,862	12,782	768	278	4,070	41,518	37,403
Development Cost Charges	-	2,514	4,580	8,483	744	-	-	-	14,321	17,804
Provincial and Federal Grants	91	2,014	210	2,385	189	8	430	2,739	8,066	6,353
Other Capital Funding Sources	190	14,889	2,609	22,981	8,115	-	1,279	-	50,063	53,217
Payments-in-Lieu of taxes	-	-	-	13,726	-	-	-	-	13,726	13,203
Other revenue from own sources:										
Investment Income	-	-	-	19,702	826	-	-	-	20,328	16,864
Gaming Revenue	567	1,400	-	11,761	-	-	-	-	13,728	12,563
Licenses and permits	190	68	-	3,153	-	4,115	-	-	7,524	7,328
Other	1,445	292	305	19,555	713	13	234	1,031	23,588	10,335
	7,340	30,379	16,510	269,439	85,419	4,904	2,211	7,840	424,042	399,606
<b>Expenditures:</b>										
Wages and Salaries	34,669	19,501	25,460	18,439	9,717	8,942	6,286	5,347	128,361	121,244
PW Maintenance	18	11,518	2,227	23	4,600	54	4	-	18,444	16,346
Contract Services	35,548	866	1,503	2,486	4,780	199	77	128	45,687	48,582
Supplies and Materials	2,756	(3,162)	11,146	7,997	40,238	1,261	884	2,645	63,795	78,972
Interest and Finance	15	(1)	-	2,405	2,742	-	3	-	5,164	6,002
Transfer from (to) capital for tangible capital assets	87	2,035	547	(126)	225	9	-	-	2,755	(11,518)
Amortization of tangible capital assets	1,423	20,745	4,966	10,893	8,683	1,085	1,364	527	47,686	47,725
Loss (gain) on disposal of capital assets	67	835	8	18	445	-	-	-	1,373	(3,897)
	74,563	52,337	45,957	42,133	69,430	11,560	8,618	8,647	313,245	301,456
<b>Annual surplus (deficit)</b>	\$ (67,223)	\$ (21,958)	\$ (29,447)	\$ 227,306	\$ 15,989	\$ (6,656)	\$ (6,407)	\$ (807)	\$ 110,797	\$ 98,050

# CITY OF RICHMOND

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

Year ended December 31, 2011

## 23. Budget data

The unaudited budget data presented in these consolidated financial statements is based on the 2011 operating and capital budgets approved by Council on March 14, 2011 and the approved budget for Richmond Olympic Oval. Below is the reconciliation of the approved budget to the budget amount reported in these financial statements.

	Budget Amount
Revenues:	
Approved operating budget	\$ 369,267
Approved capital budget	216,081
Approved Oval budget	10,520
Less:	
Transfer from other funds	64,386
Intercity recoveries	36,211
Intercompany recoveries	3,030
Carried forward capital expenditures	143,382
Total revenue	348,859
Expenses:	
Approved operating budget	369,267
Approved capital budget	216,081
Approved Oval budget	9,911
Less:	
Transfer to other funds	7,019
Intercity payments	36,211
Intercompany payments	3,030
Capital expenditures	72,699
Debt principal payments	1,331
Carried forward capital expenditures	143,382
Total expenses	331,587
Annual surplus per statement of operations	\$ 17,272