



City of Richmond

Report to Committee



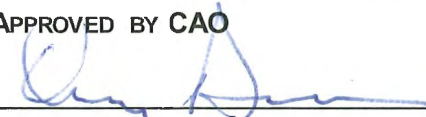
To: Finance Committee **Date:** April 8, 2022
From: Ivy Wong **File:** 03-0905-01/2022-Vol
Acting Director, Finance, CPA, CMA 01
Re: **2021 Consolidated Financial Statements**

Staff Recommendation

That the 2021 City of Richmond Consolidated Financial Statements as presented in Attachment 2 be approved.

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

Att. 3

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

Staff Report

Origin

Sections 98 and 167 of the *Community Charter* require that the City of Richmond (the City) prepare annual audited financial statements. The City's audited consolidated financial statements for 2021 have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

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

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

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

Analysis

KPMG LLP (KPMG) has been appointed by City Council to independently audit the City's consolidated financial statements. They have expressed an opinion, that the City's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2021, and its consolidated results of operation, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards. The complete Audit Findings Report is included as Attachment 1.

The annual financial statements and the auditor's report for the year ended December 31, 2021 are included as Attachment 2.

The consolidated financial statements combine the accounts of the City of Richmond, Richmond Olympic Oval and Richmond Public Library. The City's investment in Lulu Island Energy Company (LIEC), a wholly owned government business enterprise (GBE), is accounted for using the modified equity method. Further information about the basis of consolidation is listed in Note 2 to the consolidated financial statements.

An analysis of the consolidated financial statements as prepared by management is provided in the Financial Statement Discussion and Analysis (FSD&A) included in Attachment 3. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis is intended to be read in conjunction with the 2021 audited consolidated financial statements.

Financial Impact

None.

April 8, 2022

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Conclusion

The City's audited consolidated financial statements for 2021 have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. As noted in the Auditors' Report, it is the Auditors' opinion that these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2020, and its consolidated results of operation, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.



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

CG:cg

- Att. 1: Audit Findings Report for the year ended December 31, 2021
- 2: 2021 City of Richmond Consolidated Financial Statements
- 3: 2021 Financial Statement Discussion and Analysis



City of Richmond

Audit Findings Report for the year ended
December 31, 2021

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KPMG LLP

Prepared on April 8, 2022 for presentation on
May 2, 2022

kpmg.ca/audit

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Our refreshed values

What we believe



Integrity

We do what is right.



Excellence

We never stop learning and improving.



Courage

We think and act boldly.



Together

We respect each other and draw strength from our differences.



For Better

We do what matters.

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KPMG contacts

The contacts at KPMG in connection with this report are:

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Audit highlights

Purpose of this report

The purpose of this report is to assist you, as a member of the Richmond City Council ("Council"), in your review of the results of our audit of the consolidated financial statements (hereinafter referred to as the "financial statements") of the City of Richmond (the "City") as at and for the year ended December 31, 2021. This Audit Findings Report builds on the Audit Plan we provided to Council dated November 4, 2021.

Status of the audit

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

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

We will update Council on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

Our auditors' report, a draft of which is attached to the financial statements, will be dated upon the completion of any remaining procedures.

Significant changes from the audit plan

There were no significant changes to our audit plan which was communicated to you in the audit planning report.

Areas of audit focus

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

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

See pages 5 to 8 for the audit findings related to these areas of audit focus.

This report to Council is intended solely for the information and use of management and Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to Council has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit highlights (continued)

Audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions. Professional standards require that we request of management and Council that all identified audit misstatements be corrected. We have already made this request of management.

Uncorrected audit misstatements

We identified one uncorrected audit misstatement related to other capital funding revenue. The management representation letter includes the Summary of Uncorrected Audit Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial.

Based on both qualitative and quantitative considerations, management have decided not to correct the misstatement and represented to us that the misstatement is, in their judgment, not material to the financial statements. This management representation is included in the management representation letter. We concur with management's representation that the uncorrected misstatement is not material to the financial statements. Accordingly, the uncorrected misstatement has no effect on our auditors' report.

Corrected audit misstatements

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

See Appendix 2 for further details.

Control deficiencies and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. See page 9 for further details.

Significant accounting policies and practices

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

Independence

We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2021 up to the date of this report.

Current developments

In our audit planning report, we provided details on the upcoming accounting standards. There have been no changes since we provided that information.

Please refer to Appendix 3 for additional information related to the implementation of the new PS 3280 Asset Retirement Obligations accounting standard and Appendix 4 for other current developments updates.

Areas of audit focus

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Tangible capital assets	No	Yes – the established useful lives of tangible capital assets for purposes of depreciation and valuation of contributed assets. No estimation uncertainty with a risk of material misstatement that was more than remote.
<h2>Our response</h2> <p>We performed the following procedures:</p> <ul style="list-style-type: none"> - We updated our understanding of the process activities and controls over tangible capital assets, including the year-end process around identifying assets for impairment. - We obtained the tangible capital assets continuity schedule, verified its mathematical accuracy, and performed substantive procedures over additions, disposals, reclassifications, and other adjustments. - We tested asset additions including inspection of supporting documentation to determine if additions are capital in nature and amounts recorded are accurate. - We selected a sample of contributed assets and agreed the fair value on the date the assets were received to supporting documentation. - We tested asset dispositions including inspection of supporting documentation and assessed appropriateness of the gain or loss recorded. - We reviewed the reasonableness of estimated useful lives and amortization recognized. - We reviewed the financial statement note disclosure to ensure it is complete and accurate. 		
<h2>Significant findings</h2> <ul style="list-style-type: none"> - No issues were noted in the audit testing completed. 		

Areas of audit focus (continued)

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Deferred revenue and development cost charges	No	No

Our response

We performed the following procedures:

- We updated our understanding of the process activities and controls over deferred revenue and development cost charges.
- We reconciled a sample of permits to new development cost charges recorded in the year and inspected bylaws showing appropriation for the specified purpose.
- We inspected specific contracts to determine whether there are stipulations or restrictions impacting revenue recognition. We assessed whether revenue was appropriately recognized or the amount was appropriately deferred.
- We assessed whether the appropriate stipulations have been met by inspecting and recalculating expenses incurred for certain projects.

Significant findings

In our testing, we identified that management recorded an adjustment of \$3,619,357 to correct an amount related to prior year capital deferred revenue. This adjustment was recorded through the current year revenues. As this amount relates to revenues of the prior year, we identified an audit difference which remains uncorrected. We concur with management that the uncorrected difference does not have a material impact on the financial statements. No other issues were noted in the audit testing completed.

Areas of audit focus (continued)

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Valuation of post-employment benefits	No	Yes
Our response		
<p>We performed the following procedures:</p> <ul style="list-style-type: none"> - We obtained the report prepared by Mercer (Canada) Limited and agreed the amount recorded in the general ledger to the report. - We performed an analytical review over the amounts recorded. - We assessed the reasonableness of the significant assumptions used in the valuation, including changes in assumptions from the prior year. - We reviewed the financial statement note disclosure for accuracy and completeness. 		
Significant findings		

No issues were noted in the audit testing completed.

Audit risk

Professional requirements

Presumption of the risk of fraud resulting from management override of controls.

Why is this significant?

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Our response

As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

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

Significant findings

There were no issues noted in our testing.

Control deficiencies

Consideration of internal control over financial reporting (“ICFR”)

A significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor’s professional judgment, is of sufficient importance to merit the attention of those charged with governance.

In planning and performing our audit, we considered ICFR relevant to the City’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.

18 Significant deficiencies in ICFR

There were no significant deficiencies in ICFR identified in our audit.

Significant accounting policies and practices



Significant accounting policies

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

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Significant accounting estimates

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



Financial statement presentation and disclosure

- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures and uncertainties.

Appendices

Appendix 1: Required communications

Appendix 2: Management representation letter

Appendix 3: PS3280 Asset Retirement Obligations
Implementation

Appendix 4: Current developments



Appendix 1: Required communications

Draft auditors' report

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

Management representation letter

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

Independence

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

Appendix 2: Management representation letter

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KPMG LLP
P.O. Box 10426
777 Dunsmuir Street
Vancouver, BC V5Y 1K3

Date of Council's acceptance of the financial statements

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the City of Richmond ("the City") as at and for the period ended December 31, 2021.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

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

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 26, 2017, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties;
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.
 - f) providing you with unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
 - h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

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

Subsequent events:

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

Related parties:

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

Estimates:

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

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the City's ability to continue as a going concern.

Other information:

- 11) We confirm that the final version of the 2021 annual report will be provided to you when available, and prior to issuance by the City, to enable you to complete your required procedures in accordance with professional standards.

Misstatements:

- 12) The effects of the uncorrected misstatements described in **Attachment II** are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Non-SEC registrants or non-reporting issuers:

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

Employee future benefits:

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

Yours very truly,

Jerry Chong, Acting General Manager, Finance
and Corporate Services

Ivy Wong, Acting Director, Finance

Cindy Gilfillan, Manager, Financial Reporting

cc: Richmond City Council

Attachment I – Definitions

Materiality

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

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

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

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

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

Fraud & error

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

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

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

Attachment II – Summary of Audit Misstatements Schedules

Summary of Uncorrected Audit Misstatements

Increase (decrease)

#	Description	Assets	Liabilities	Annual Surplus	Opening Accumulated Surplus
1	Dr. Opening accumulated surplus Cr. Other capital funding revenue <i>To recognize the impact of recording prior year capital deferred revenue in 2021.</i>			3,619,357	(3,619,357)
	Total	-	-	3,619,357	(3,619,357)

Summary of Corrected Audit Misstatements

There were no corrected audit misstatements noted.

Appendix 3: PS 3280 Asset Retirement Obligations Implementation

PS 3280 Asset Retirement Obligations ("PS 3280") is a new accounting standard effective for the City's December 31, 2023 financial statements. This standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets by public sector entities. The following checklist is intended to provide the City with reminders for key activities in each phase of your PS 3280 implementation project. The items noted are not a complete list of factors influencing the successful adoption of PS 3280, nor is it intended to provide any type of assurance

Project planning

- Project team is cross-functional and includes Finance and non-Finance personnel.
- Sufficient personnel resources are available for the implementation project.
- Where required, external experts have been engaged.
- The project plan identifies who is responsible for each project task.
- Project timelines are reasonable.
- Auditor involvement has been scheduled at each significant project milestone.
- Asset retirement obligations policy has been drafted.
- Funding is available for PS 3280 implementation costs.
- Recurring project updates are provided to the Director of Finance to engage them in the implementation process.

Scoping

- The tangible capital assets listing reconciles to the audited financial statements.
- Agreements (e.g. leases, statutory rights of way, etc.) have been reviewed for potential legal obligations.
- Productive and non-productive assets have been included in the scoping analysis.
- Assets with similar characteristics and risks have been grouped together in the scoping analysis.
- All relevant legal acts, regulations, guidelines, etc. have been identified.
- Relevant internal stakeholders have been interviewed to obtain information about potential retirement obligations.

Measurement

- Cost information is relevant and reliable.
- Only costs directly attributable to legally required retirement activities have been included in the liability.
- If applicable, the discount rate is consistent with the risks and timelines inherent in the cash flows.
- If discounting is applied, it is based on reliable information to inform the timing of future cash flows.
- Asset retirement obligations have been linked to specific tangible capital assets.
- The useful life of the tangible capital asset remain appropriate and are consistent with estimated asset retirement date.
- The transition method selected is appropriate based on the measurement information available.
- Calculations are mathematically accurate.

Financial reporting

- Financial statements have been mocked up to include asset retirement obligations.
- Note disclosures, including significant accounting policies, have been drafted.
- Documentation prepared during the project has been reviewed to ensure it is accurate and complete.
- Plans have been implemented for the annual post-implementation review and update of the asset retirement obligation liability.

Appendix 4: Current developments

Thought leadership – Local governments

Thought leadership	Overview	Links
Cities portal	KPMG in Canada provides insights and resources for municipalities on a variety of topics including achieving sustainable infrastructure, the new reality for government in Canada, drinking water supply and park access.	Link to Canadian portal
The Future of Local Government	The Future of Local Government report provides a Canadian perspective for how local governments can meet the rapidly changing needs and expectations of their stakeholders – the citizens, partners and leaders across diverse cities and communities they serve.	Link to Canadian portal
The Future of Cities	The Future of Cities report unpacks our KPMG Global research and insights on the future of local government, providing an international viewpoint. The report traces the unprecedented journey ahead. Cities worldwide are now poised at a significant inflection point, as their leaders realize that long-held ‘one-size-fits-all’ approaches to planning and policies will likely no longer work to shape cities for a future that is truly healthy, sustainable, efficient and prosperous for all.	Link to Global portal
The Future of Government	The Future of Government report considers all levels of government and provides additional perspective from the content in the Future of Local Government report. It discusses the opportunity for governments to consider a different vision of Canadian social systems and how they can adapt their operations to reflect the needs of a modern Canada.	Link to Canadian portal
CX Coffee Chats: Modernizing Government	As a result of the pandemic, government organizations have been faced with unprecedented demand for digital transformation in the delivery of services to Canadians. In the latest installment of the CX Coffee Chat series, industry specialists discuss the evolving needs of Canadians and the opportunities for government organizations to deliver online services citizens can count on.	Link to Canadian portal
20 Predictions for the Next 20 Years	This series looks at how new technologies could evolve and how these advances will change every facet of our lives, including the industries and sectors that drive them. We asked KPMG in Canada subject matter specialists, across industries and sectors, to tell us how they think the world will change in the next two decades. Specifically for local governments, the political and regulatory predictions may be especially relevant.	Link to Canadian portal
Principles for Digital Transformation in Cities	This report was authored by KPMG and published as part of the World Government Summit. The report highlights the realization of ‘smart digitalization’ and how it differs across cities.	Link to report

Appendix 4: Current developments (continued)

Thought leadership – Environmental, social, and governance (ESG)

Thought leadership	Overview	Links
Unleashing the Positive in Net Zero	CoP26 in Glasgow made some progress to tackling climate change but there is much more to do. At KPMG, we're committed to accelerating the changes required to fight climate change. Our Global portal provides links to further thought leadership to help drive real change.	Link to Global portal
ESG, Strategy and the Long View	This paper presents a five-part framework to help organizations understand and shape the total impact of their strategy and operations on their performance externally – on the environment, consumers, employees, the communities in which it operates, and other stakeholders – and internally.	Link to Global portal
Inclusion and diversity practices	In 2021 societal changes brought more attention to inclusion and diversity. In this age of transparency, businesses must act proactively to implement strategic inclusion and diversity practices. It has become increasingly important for organizations to adopt I&D initiatives in order to foster an enjoyable work environment for their employees. Learn how to consider your own organizations' unique context, meet with the stakeholders you want to include, understand where they are at, and guide them along their own individual transformation journey.	Link to Canadian portal

Thought leadership – Digital and technology

Thought leadership	Overview	Link
Going digital, faster in Canada	Pre-COVID-19, private and public organizations were moving towards a digital business model, travelling at varying speeds. But the pandemic forced a dramatic acceleration, both in the speed of change and the required investment to digitally transform. According to Canadian insights from KPMG's recent global survey, organizations are investing heavily in technology to address immediate concerns, ranging from falling revenue and interrupted supply chains to building longer-term competitiveness and operational resilience.	Link to Canadian portal



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



Consolidated Financial Statements of

CITY OF RICHMOND

And Independent Auditors' Report thereon

Year ended December 31, 2021



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PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Richmond

Opinion

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

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2021, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



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

Chartered Professional Accountants

Vancouver, Canada

[Date]

CITY OF RICHMOND

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

December 31, 2021, with comparative information for 2020

	2021	2020
Financial Assets		
Cash and cash equivalents	\$ 672,031	\$ 530,034
Investments (note 3)	696,886	834,010
Investment in Lulu Island Energy Company ("LIEC") (note 4)	33,647	32,736
Accrued interest receivable	8,932	9,697
Accounts receivable (note 5)	29,655	21,521
Taxes receivable	14,157	14,419
Development fees receivable	12,425	28,517
Debt reserve fund - deposits (note 6)	508	508
	<u>1,468,241</u>	<u>1,471,442</u>
Liabilities		
Accounts payable and accrued liabilities	86,575	156,975
Post-employment benefits (note 14)	37,395	35,121
Development cost charges (note 7)	224,655	221,151
Deposits and holdbacks (note 8)	106,041	97,445
Deferred revenue (note 9)	56,186	49,024
Debt, net of MFA sinking fund deposits (note 10)	17,386	22,741
	<u>528,238</u>	<u>582,457</u>
Net financial assets	940,003	888,985
Non-Financial Assets		
Tangible capital assets (note 11)	2,539,267	2,488,139
Inventory of materials and supplies	4,696	4,285
Prepaid expenses	3,921	2,797
	<u>2,547,884</u>	<u>2,495,221</u>
Accumulated surplus (note 12)	<u>\$ 3,487,887</u>	<u>\$ 3,384,206</u>

Contingent demand notes (note 6)
Commitments and contingencies (note 17)

See accompanying notes to consolidated financial statements.

General Manager, Finance and Corporate Services

CITY OF RICHMOND

Consolidated Statement of Operations
(Expressed in thousands of dollars)

Year ended December 31, 2021, with comparative information for 2020

	2021 Budget (notes 2(p) and 23)	2021	2020
Revenue:			
Taxation and levies (note 19)	\$ 255,366	\$ 255,837	\$ 239,991
Utility fees	117,674	118,144	114,335
Sales of services	40,000	35,601	29,090
Payments-in-lieu of taxes	12,142	14,789	16,820
Provincial and federal contributions	10,855	12,704	16,953
Development cost charges (note 7)	24,669	16,223	16,737
Other capital funding sources	75,943	64,695	71,051
Other revenue:			
Investment income	13,290	14,968	20,175
Gaming revenue	-	5,700	2,705
Licenses and permits	11,403	13,995	19,407
Other (note 20)	12,808	23,131	30,466
Equity income in LIEC (note 4)	1,538	911	1,322
	575,688	576,698	579,052
Expenses:			
Community safety	127,108	123,232	112,895
Utilities: water, sewer and sanitation	109,787	106,519	102,824
Engineering, public works and project development	82,833	80,083	75,314
Community services	73,610	59,873	50,833
General government	63,976	54,249	51,495
Planning and development	24,409	25,166	19,201
Richmond Olympic Oval	14,844	14,079	12,586
Richmond Public Library	11,198	9,816	9,040
	507,765	473,017	434,188
Annual surplus	67,923	103,681	144,864
Accumulated surplus, beginning of year	3,384,206	3,384,206	3,239,342
Accumulated surplus, end of year	\$ 3,452,129	\$ 3,487,887	\$ 3,384,206

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, 2021, with comparative information for 2020

	2021 Budget (notes 2(p) and 23)	2021	2020
Annual surplus for the year	\$ 67,923	\$ 103,681	\$ 144,864
Acquisition of tangible capital assets	(106,483)	(61,150)	(70,726)
Contributed tangible capital assets	(61,479)	(61,004)	(58,240)
Amortization of tangible capital assets	67,458	68,519	66,254
Net loss (gain) on disposal of tangible capital assets	-	1,714	(6,136)
Proceeds on sale of tangible capital assets	-	793	8,507
	(32,581)	52,553	84,523
Acquisition of inventory of materials and supplies	-	(4,696)	(4,285)
Acquisition of prepaid expenses	-	(3,921)	(2,797)
Consumption of inventory of materials and supplies	-	4,285	2,961
Use of prepaid expenses	-	2,797	2,714
Change in net financial assets	(32,581)	51,018	83,116
Net financial assets, beginning of year	888,985	888,985	805,869
Net financial assets, end of year	\$ 856,404	\$ 940,003	\$ 888,985

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 103,681	\$ 144,864
Items not involving cash:		
Amortization of tangible capital assets	68,519	66,254
Net loss (gain) on disposal of tangible capital assets	1,714	(6,136)
Contributions of tangible capital assets	(61,004)	(58,240)
Equity income in LIEC	(911)	(1,322)
Changes in non-cash operating working capital:		
Accrued interest receivable	765	(1,916)
Accounts receivable	(8,134)	6,886
Taxes receivable	262	(3,386)
Development fees receivable	16,092	(7,373)
Inventory of materials and supplies	(411)	(1,324)
Prepaid expenses	(1,124)	(83)
Accounts payable and accrued liabilities	(70,400)	83,572
Post-employment benefits	2,274	934
Development cost charges	3,504	23,480
Deposits and holdbacks	8,596	(19,919)
Deferred revenue	7,162	(15,338)
Net change in cash from operating activities	70,585	210,953
Capital activities:		
Cash used to acquire tangible capital assets	(61,150)	(70,726)
Proceeds on disposal of tangible capital assets	793	8,507
Net change in cash from capital activities	(60,357)	(62,219)
Financing activities:		
Repayments of debt	(5,355)	(5,150)
Investing activities:		
Net sale (purchase) of investments	137,124	(3,114)
Net change in cash	141,997	140,470
Cash and cash equivalents, beginning of year	530,034	389,564
Cash and cash equivalents, end of year	\$ 672,031	\$ 530,034

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

Year ended December 31, 2021

1. Operations:

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

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian federal and provincial governments enacting emergency measures to combat the spread of the virus. The economic conditions and the City's response to the pandemic had a material impact on the City's operating results and financial position in 2020 and continued in 2021 affecting both revenues and expenses. The City temporarily closed civic facilities, including recreation and community centres, managed workforce challenges, including the implementation of systems and processes to facilitate remote work, and workforce adjustments, such as delayed hiring, reallocation of staff resources and temporary layoffs. The primary impact was on parks, recreation and facilities. The situation is still dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the City is not known at this time.

2. Significant accounting policies:

The consolidated financial statements of the City have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada.

(a) Basis of consolidation:

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

(i) General Revenue Fund:

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

CITY OF RICHMOND

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

Year ended December 31, 2021

2. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(ii) General Capital and Loan Fund:

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

(iii) Waterworks and Sewerworks Funds:

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

(iv) Reserve Funds:

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

(b) Basis of accounting:

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

(c) Government transfers:

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

(d) Cash and cash equivalents:

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

(e) Investments:

Investments are recorded at cost, adjusted for amortization of premiums or discounts. Provisions for losses are recorded when they are considered to be other than temporary.

(f) Investment in government business enterprises:

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

CITY OF RICHMOND

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

Year ended December 31, 2021

2. Significant accounting policies (continued):

(g) Accounts receivable:

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

(h) Development cost charges:

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

(i) Post-employment benefits:

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

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

(j) Non-financial assets:

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

(i) Tangible capital assets:

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

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

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

CITY OF RICHMOND

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

Year ended December 31, 2021

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(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, works of art, and cultural and historic assets:

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

(iv) Interest capitalization:

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

(v) Labour capitalization:

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

(vi) Leased tangible capital assets:

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

(vii) Impairment of tangible capital assets:

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

(viii) Inventory of materials and supplies:

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

CITY OF RICHMOND

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

Year ended December 31, 2021

2. Significant accounting policies (continued):

(k) Revenue recognition:

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

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

(l) Property taxes:

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

(m) Deferred revenue:

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

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

(n) Deposits:

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

(o) Debt:

Debt is recorded net of related sinking fund balances.

(p) Budget information:

Budget information, presented on a basis consistent with that used for actual results, was included in the City's Consolidated 5 Year Financial Plan (2021-2025) ("Consolidated Financial Plan") and was adopted through Bylaw No. 10239 on March 22, 2021.

CITY OF RICHMOND

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

Year ended December 31, 2021

2. Significant accounting policies (continued):

(q) Contaminated sites:

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

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

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standard;
- (iii) The City is directly responsible or accepts responsibility;
- (iv) It is expected that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

(r) Use of accounting estimates:

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

(s) Segment disclosures:

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

CITY OF RICHMOND

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

Year ended December 31, 2021

3. Investments:

	2021		2020	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 257,701	\$ 257,701	\$ 339,607	\$ 339,695
Government and government guaranteed bonds	280,063	280,802	326,838	334,579
Other bonds	159,122	159,283	167,565	171,729
	\$ 696,886	\$ 697,786	\$ 834,010	\$ 846,003

4. Investment in Lulu Island Energy Company Ltd:

The City owns 100% of the issued and outstanding shares of LIEC, which was incorporated under the British Columbia Business Corporations Act on August 19, 2013. LIEC develops, manages and operates district energy utilities in the City of Richmond, on the City's behalf, including but not limited to energy production, generation or exchange, transmission, distribution, maintenance, marketing and sales to customers, customer service, profit generation, financial management and advisory services for energy and infrastructure.

Summarized financial information relating to LIEC is as follows:

	2021	2020
Cash, cash equivalents, and investments	\$ 15,755	\$ 12,619
Accounts receivable	1,676	3,034
Tangible capital assets	39,203	37,360
Total assets	56,634	53,013
Accounts payable and accrued liabilities	2,672	1,792
Deferred contributions	8,051	7,352
Concession liability	12,264	11,133
Total liabilities	22,987	20,277
Shareholder's equity	\$ 33,647	\$ 32,736
Total revenue	\$ 6,431	\$ 5,591
Total expenses	5,520	4,269
Net income	\$ 911	\$ 1,322

CITY OF RICHMOND

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

Year ended December 31, 2021

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

Included in accounts payable and accrued liabilities in the City's consolidated statement of financial position are payables to LIEC in the amount of \$151,454 (2020 - \$323,020).

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

On October 30, 2014, the Concessionaire and the City entered into a Limited Guarantee Agreement. The City is the Guarantor and guarantees the performance of some of LIEC's obligations under the Concession Agreement to a maximum of \$18.2 million (2020 - \$18.2 million).

5. Accounts receivable:

	2021	2020
Water and sewer utilities	\$ 13,243	\$ 11,760
Casino revenue	2,701	-
Capital grants	6,873	4,278
Other trade receivables	6,838	5,483
	\$ 29,655	\$ 21,521

6. Debt reserve fund deposits and contingent demand notes:

The City issues its debt instruments through the Municipal Finance Authority (the "MFA"). As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA in a Debt Reserve Fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the MFA. These demand notes are contingent in nature and are not reflected in the City's accounts. The details of the cash deposits and contingent demand notes at December 31, 2021 and 2020 are as follows:

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

CITY OF RICHMOND

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

Year ended December 31, 2021

7. Development cost charges:

	2021	2020
Balance, beginning of year	\$ 221,151	\$ 197,671
Contributions	16,873	36,800
Interest	2,854	3,417
Revenue recognized	(16,223)	(16,737)
Balance, end of year	\$ 224,655	\$ 221,151

8. Deposits and holdbacks:

	Balance December 31, 2020	Deposit contributions/ interest earned	Refund/ expenditures	Balance December 31, 2021
Security deposits	\$ 74,977	\$ 136,664	\$ (127,545)	\$ 84,096
Developer contributions	7,797	130	(15)	7,912
Damage deposits	5,589	6,513	(6,309)	5,793
Contract holdbacks	5,267	4,916	(6,323)	3,860
Other	3,815	1,183	(618)	4,380
	\$ 97,445	\$ 149,406	\$ (140,810)	\$ 106,041

9. Deferred revenue:

	Balance December 31, 2020	Externally restricted inflows	Revenue earned	Balance December 31, 2021
Taxes and utilities	\$ 23,221	\$ 25,116	\$ (23,221)	\$ 25,116
Building permits/development	14,117	6,846	(6,698)	14,265
Oval	1,216	325	10	1,551
Capital grants	2,219	7,546	(3,691)	6,074
Business licenses	2,603	2,262	(2,228)	2,637
Parking easement/leased land	2,431	36	(49)	2,418
Other	3,217	312	596	4,125
	\$ 49,024	\$ 42,443	\$ (35,281)	\$ 56,186

CITY OF RICHMOND

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

Year ended December 31, 2021

10. Debt, net of MFA sinking fund deposits:

The interest rate for the year ended December 31, 2021 on the principal amount of the MFA debenture was 3.30% (2020 - 3.30%) per annum. Interest expense incurred for the year on the long-term debt was \$1,676,895 (2020 - \$1,676,895). The maturity date of the MFA debt is April 7, 2024.

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

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

	Gross amount borrowed	Repayments and actuarial adjustments	Net debt 2021	Net debt 2020
General Fund	\$ 50,815	\$ 33,429	\$ 17,386	\$ 22,741

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

2022	\$ 5,570
2023	5,792
2024	6,024
	<hr/>
	\$ 17,386

CITY OF RICHMOND

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

Year ended December 31, 2021

11. Tangible capital assets:

Cost	Balance December 31, 2020	Additions and transfers	Disposals	Balance December 31, 2021
Land	\$ 1,060,180	\$ 17,074	\$ -	\$ 1,077,254
Building and building improvements	552,624	33,162	(9,034)	576,752
Infrastructure	1,834,488	83,814	(5,924)	1,912,378
Vehicles, machinery and equipment	158,164	9,851	(1,884)	166,131
Library's collections, furniture and equipment	9,945	1,155	(390)	10,710
Assets under construction	83,592	(22,902)	-	60,690
	\$ 3,698,993	\$ 122,154	\$ (17,232)	\$ 3,803,915

Accumulated amortization	Balance December 31, 2020	Disposals	Amortization expense	Balance December 31, 2021
Building and building improvements	\$ 217,342	\$ (7,225)	\$ 19,316	\$ 229,433
Infrastructure	884,269	(5,352)	37,428	916,345
Vehicles, machinery and equipment	102,159	(1,758)	10,815	111,216
Library's collections, furniture and equipment	7,084	(390)	960	7,654
	\$ 1,210,854	\$ (14,725)	\$ 68,519	\$ 1,264,648

Net book value	December 31, 2021	December 31, 2020
Land	\$ 1,077,254	\$ 1,060,180
Buildings and building improvements	347,319	335,282
Infrastructure	996,033	950,219
Vehicles, machinery and equipment	54,915	56,005
Library's collection, furniture and equipment	3,056	2,861
Assets under construction	60,690	83,592
Balance, end of year	\$ 2,539,267	\$ 2,488,139

CITY OF RICHMOND

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

Year ended December 31, 2021

11. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of \$60,690,017 (2020 - \$83,592,534) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution and recorded in other capital funding revenue on the statement of operations. The value of contributed assets received during the year is \$61,004,232 (2020 - \$58,239,544) comprised of land in the amount of \$17,281,008 (2020 - \$38,682,057), infrastructure in the amount of \$20,810,489 (2020 - \$16,979,272), buildings in the amount of \$22,682,598 (2020 - \$2,578,215), and machinery in the amount of \$230,137 (2020 - 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 write-down of tangible capital assets in 2021 (2020 - nil).

12. Accumulated surplus:

	General and Reserve Funds	Waterworks Utility Fund	Sewerworks Utility Fund	Richmond Olympic Oval	Library	2021 Total	2020 Total
Investment in tangible capital assets	\$ 2,510,069	\$ -	\$ -	\$ 8,503	\$ 3,057	\$ 2,521,629	\$ 2,465,108
Reserves (note 13)	639,109	-	-	8,100	-	647,209	609,533
Appropriated surplus	223,365	18,508	9,981	1,559	2,607	256,020	253,790
Investment in LIEC	33,647	-	-	-	-	33,647	32,736
Surplus	16,181	408	6,295	606	1,336	24,826	18,908
Other equity	4,556	-	-	-	-	4,556	4,131
Balance, end of year	\$ 3,426,927	\$ 18,916	\$ 16,276	\$ 18,768	\$ 7,000	\$ 3,487,887	\$ 3,384,206

CITY OF RICHMOND

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

Year ended December 31, 2021

13. Reserves:

	Balance, December 31, 2020	Change during year	Balance, December 31, 2021
Affordable housing	\$ 12,250	\$ 2,043	\$ 14,293
Arts, culture and heritage	3,721	(195)	3,526
Capital building and infrastructure	111,528	11,192	122,720
Capital reserve	222,778	21,667	244,445
Capstan station	11,477	(328)	11,149
Child care development	10,055	23	10,078
Community legacy and land replacement	1,387	71	1,458
Drainage improvement	60,597	(3,438)	57,159
Equipment replacement	22,577	2,629	25,206
Hamilton area plan community amenity	2,762	245	3,007
Leisure facilities	18,097	873	18,970
Local improvements	7,459	112	7,571
Neighborhood improvement	7,919	118	8,037
Oval	7,810	290	8,100
Public art program	4,582	(177)	4,405
Sanitary sewer	48,903	708	49,611
Steveston off-street parking	331	5	336
Steveston road ends	153	2	155
Waterfront improvement	195	(8)	187
Watermain replacement	54,952	1,844	56,796
	\$ 609,533	\$ 37,676	\$ 647,209

14. Post-employment benefits:

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

	2021	2020
Accrued benefit obligation, beginning of year	\$ 35,414	\$ 35,184
Current service cost	2,644	2,446
Interest cost	728	853
Past service cost	992	-
Benefits paid	(2,035)	(2,262)
Actuarial gain	(2,419)	(807)
Accrued benefit obligation, end of year	\$ 35,324	\$ 35,414

CITY OF RICHMOND

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

Year ended December 31, 2021

14. Post-employment benefits (continued):

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2020. This actuarial loss is being amortized over a period equal to the employees' expected average remaining service lifetime of 11 years.

	2021	2020
Accrued benefit obligation, end of year	\$ 35,324	\$ 35,414
Unamortized net actuarial gain (loss)	2,071	(293)
Accrued benefit liability, end of year	\$ 37,395	\$ 35,121

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

	2021	2020
Discount rate	2.40%	2.00%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary range increases	2.50% to 3.00%	2.50% to 3.00%

15. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2020, the plan has about 220,000 active members and approximately 112,000 retired members. Active members include approximately 42,000 contributors from local governments.

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

CITY OF RICHMOND

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

Year ended December 31, 2021

15. Pension plan (continued):

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

The City paid \$14,125,356 (2020 - \$13,343,310) for employer contributions while employees contributed \$11,777,413 (2020 - \$11,199,779) to the plan in fiscal 2021.

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

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

16. Contingent assets and contractual rights:

(a) Contingent assets:

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

The City has legal claims, service agreements, and land dedications that may qualify as contingent assets. Amounts cannot be estimated as of December 31, 2021. Contingent assets are not recorded in the consolidated financial statements.

(b) Contractual rights:

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

2022	\$ 27,333
2023	11,110
2024	3,671
2025	2,393
2026	401
Thereafter	7,988

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

CITY OF RICHMOND

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

Year ended December 31, 2021

17. Commitments and contingencies:

(a) Joint and several liabilities:

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

(b) Lease payments:

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

2022	\$ 2,670
2023	2,657
2024	2,487
2025	2,487
2026 and thereafter	3,542

(c) Litigation:

As at December 31, 2021, there were a number of claims or risk exposures in various stages of resolution. The City has made no specific provision for those where the outcome is presently not determinable.

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

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

(e) Contractual obligation:

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

CITY OF RICHMOND

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

Year ended December 31, 2021

17. Commitments and contingencies (continued):

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

The City is a shareholder of the E-Comm whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City has 2 Class A shares and 1 Class B share (of a total of 36 Class A and 19 Class B shares issued and outstanding as at December 31, 2021). As a Class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.

- (g) Community associations:

The City has agreements with the various community associations which operate the community centers throughout the City. The City generally provides the buildings and grounds, pays the operating costs of the facilities, and provides certain staff and other services such as information technology. Typically the community associations are responsible for providing programming and services to the community. The community associations retain all revenue which they receive.

18. Trust funds:

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

	2021	2020
Richmond Community Associations	\$ 1,928	\$ 1,909

CITY OF RICHMOND

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

Year ended December 31, 2021

19. Taxation and levies:

	2021	2020
Taxes collected:		
Property taxes	\$ 496,172	\$ 413,302
Payment-in-lieu of taxes and grants	24,326	22,375
Local improvement levies	84	88
	520,582	435,765
Less transfers to other authorities:		
Province of British Columbia – School taxes	(192,631)	(123,333)
TransLink	(42,926)	(41,992)
Metro Vancouver	(8,029)	(7,267)
BC Assessment Authority	(6,297)	(6,286)
Other	(30)	(29)
	(249,913)	(178,907)
Less payment-in-lieu of taxes retained by the City	(14,832)	(16,867)
	\$ 255,837	\$ 239,991

20. Other revenue:

	2021	2020
Developer contributions	\$ 6,580	\$ 9,044
Tangible capital assets gain on sale of land	722	6,513
Penalties and fines	4,210	3,180
Parking program	1,343	1,204
Other	10,276	10,525
	\$ 23,131	\$ 30,466

CITY OF RICHMOND

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

Year ended December 31, 2021

21. Government transfers:

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

	2021	2020
Operating		
Province of British Columbia	\$ 12,590	\$ 17,534
TransLink	3,815	546
Government of Canada	1,999	1,579
Capital		
Province of British Columbia	6,069	9,965
TransLink	2,947	2,125
Government of Canada	567	-
	\$ 27,987	\$ 31,749

22. Segmented reporting:

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

- (a) **Community Safety** brings together the City's public safety providers such as Police (RCMP), Fire-Rescue, Emergency Programs, and Community Bylaws. It is responsible for ensuring safe communities by providing protection services with a focus on law enforcement, crime prevention, emergency response, and protection of life and properties.
- (b) **Utilities** provide such services as planning, designing, constructing, operating, and maintaining the City's infrastructure of water, sewer, drainage and diking networks and sanitation and recycling.
- (c) **Engineering, Public Works and Project Development** comprises of General Public Works, Roads and Construction, Storm Drainage, Fleet Operations, Engineering, Project Development, and Facility Management. The services provided are construction and maintenance of the City's infrastructure and all City owned buildings, maintenance of the City's road networks, managing and operating a mixed fleet of vehicles, heavy equipment and an assortment of specialized work units for the City operations, development of current and long-range engineering planning and construction of major projects.

CITY OF RICHMOND

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

Year ended December 31, 2021

22. Segmented reporting (continued):

- (d) **Community Services** comprises of Parks, Recreation, Arts, and Culture and Heritage Services. These departments ensure recreation opportunities in Richmond by maintaining a variety of facilities such as arenas, community centres, pools, etc. It designs, constructs and maintains parks and sports fields to ensure there is adequate open green space and sports fields available for Richmond residents. It also addresses the economic, arts, culture, and community issues that the City encounters.
- (e) **General Government** comprises of Mayor and Council, Corporate Administration, and Finance and Corporate Services. It is responsible for adopting bylaws, effectively administering city operations, levying taxes, legal services, providing sound management of human resources, information technology, City finance, and ensuring high quality services to Richmond residents.
- (f) **Planning and Development** is responsible for land use plans, developing bylaws and policies for sustainable development in the City including the City's transportation systems, and community social development.
- (g) **Richmond Olympic Oval Corporation** is formed as a wholly owned subsidiary of the City. The City uses the Richmond Olympic Oval facility as a venue for a wide range of sports, business and community activities.
- (h) **Richmond Public Library** provides public access to information by maintaining 5 branches throughout the City.

CITY OF RICHMOND

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

Year ended December 31, 2021

22. Segmented reporting (continued):

	Community safety	Utilities	Engineering, public works and project development	Community services	General government	Planning and development	Total City subtotal
Revenue:							
Taxation and levies	\$ -	\$ -	\$ -	\$ -	\$ 255,837	\$ -	\$ 255,837
User fees	-	104,864	13,280	-	-	-	118,144
Sales of services	6,294	2,577	2,169	7,630	9,365	2,091	30,126
Payments-in-lieu of taxes	-	-	-	-	14,789	-	14,789
Provincial and federal grants	103	15	4,103	49	4,044	85	8,399
Development cost charges	-	795	4,801	3,319	2,202	5,106	16,223
Other capital funding sources	1	5,754	12,816	2,054	17,281	26,789	64,695
Other revenue:							
Investment income	-	272	-	-	14,682	-	14,954
Gaming revenue	-	-	-	-	5,700	-	5,700
Licenses and permits	4,429	32	588	-	47	8,899	13,995
Other	2,239	3,774	953	626	13,952	260	21,804
Equity income	-	-	-	-	911	-	911
	13,066	118,083	38,710	13,678	338,810	43,230	565,577
Expenses:							
Wages and salaries	50,092	14,609	27,679	30,710	29,025	12,447	164,562
Public works maintenance	31	6,707	4,906	2,038	(1,473)	788	12,997
Contract services	66,373	9,840	4,547	2,166	3,910	1,923	88,759
Supplies and materials	3,028	37,317	1,226	10,194	9,821	1,008	62,594
Interest and finance	91	27,494	10	123	2,576	2	30,296
Transfer from (to) capital for tangible capital assets	(54)	1,909	9,438	3,383	758	6,206	21,640
Amortization of tangible capital assets	3,025	8,626	31,645	10,249	9,517	2,758	65,820
Loss (gain) on disposal of tangible capital assets	646	17	632	1,010	115	34	2,454
	123,232	106,519	80,083	59,873	54,249	25,166	449,122
Annual surplus (deficit)	\$ (110,166)	\$ 11,564	\$ (41,373)	\$ (46,195)	\$ 284,561	\$ 18,064	\$ 116,455

CITY OF RICHMOND

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

Year ended December 31, 2021

22. Segmented reporting (continued):

	Total City subtotal	Richmond Public Library	Richmond Olympic Oval	2021 Consolidated	2020 Consolidated
Revenue:					
Taxation and levies	\$ 255,837	\$ -	\$ -	\$ 255,837	\$ 239,991
User fees	118,144	-	-	118,144	114,335
Sales of services	30,126	16	5,459	35,601	29,090
Payments-in-lieu of taxes	14,789	-	-	14,789	16,820
Provincial and federal grants	8,399	377	3,928	12,704	16,953
Development cost charges	16,223	-	-	16,223	16,737
Other capital funding sources	64,695	-	-	64,695	71,051
Other revenue:					
Investment income	14,954	14	-	14,968	20,175
Gaming revenue	5,700	-	-	5,700	2,705
Licenses and permits	13,995	-	-	13,995	19,407
Other	21,804	191	1,136	23,131	30,466
Equity income	911	-	-	911	1,322
	565,577	598	10,523	576,698	579,052
Expenses:					
Wages and salaries	164,562	7,156	8,789	180,507	164,788
Public works maintenance	12,997	19	-	13,016	13,343
Contract services	88,759	327	-	89,086	81,642
Supplies and materials	62,594	1,911	3,551	68,056	64,437
Interest and finance	30,296	5	-	30,301	29,779
Transfer from (to) capital for tangible capital assets	21,640	(544)	-	21,096	13,568
Amortization of tangible capital assets	65,820	960	1,739	68,519	66,254
Loss (gain) on disposal of tangible capital assets	2,454	(18)	-	2,436	377
	449,122	9,816	14,079	473,017	434,188
Annual surplus (deficit)	\$ 116,455	\$ (9,218)	\$ (3,556)	\$ 103,681	\$ 144,864

CITY OF RICHMOND

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

Year ended December 31, 2021

23. Budget data:

The budget data presented in these consolidated financial statements is based on the Consolidated Financial Plan adopted by Council on March 22, 2021. The table below reconciles the adopted Consolidated Financial Plan to the budget amounts reported in these consolidated financial statements.

	Financial plan Bylaw No. 10239	Financial statement budget
Consolidated financial plan:		
Revenue	\$ 575,688	\$ 575,688
Expenses	507,765	507,765
Annual surplus	67,923	67,923
Less:		
Acquisition of tangible capital assets	(272,899)	-
Contributed tangible capital assets	(61,479)	-
Transfer to reserves	(64,560)	-
Debt principal	(5,355)	-
Add:		
Capital funding	316,724	-
Transfer from surplus	19,646	-
Annual surplus	\$ -	\$ 67,923

CITY OF RICHMOND

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

Year ended December 31, 2021

The Safe Restart Grant was received November 2020 from the Province of British Columbia. A requirement of the Safe Restart Grant is to include a schedule to the financial statements presenting the amount of funding received, use of funds and year end balance of unused funds. This schedule has been included in order to comply with the conditions of the grant.

	2021	2020
Safe Restart Grant received	\$ -	\$ 9,331
Total eligible costs incurred:		
Recreation facility revenue shortfall	3,372	-
City grants program	2,613	-
Gaming revenue shortfall	1,300	-
Other revenue shortfall	1,034	-
Equipment technology	1,012	-
Balance, end of year	\$ -	\$ 9,331

2021 | City of Richmond

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

Prepared by Management

To be read in conjunction with the 2021
Financial Statements





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Introduction

The Community Charter requires that annual audited financial statements be prepared and presented to Council. The City's audited consolidated financial statements for the year ended December 31st, 2021 have been prepared in accordance with Canadian public sector accounting standards.

The Financial Statement Discussion and Analysis (FSD&A) provides a detailed analysis of the Consolidated Financial Statements. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis has been prepared by management and is intended to be read in conjunction with the 2021 audited consolidated financial statements.

The consolidated financial statements combine the accounts of the City of Richmond, Richmond Olympic Oval (Oval), and Richmond Public Library (Library). All future references to the "City" reflect the financial results for all entities.

Lulu Island Energy Company (LIEC) is classified as a government business entity (GBE). The City's investment in LIEC as a GBE is accounted for using the modified equity method.

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

The consolidated financial statements include the following statements:

- **Consolidated Statement of Financial Position** summarizes the assets (financial and non-financial), liabilities, net debt, and accumulated surplus as at December 31st, 2020 and 2021.
- **Consolidated Statement of Operations** outlines revenues, expenses, surplus for the year and accumulated surplus at year-end. This statement reflects the combined operations of the general, utility, capital, and reserve funds for the City and its consolidated entities.
- **Consolidated Statement of Changes in Net Financial Assets** outlines the changes in net financial assets as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
- **Consolidated Statement of Cash Flows** summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position shows the City's assets (financial and non-financial), liabilities and accumulated surplus. The difference between the financial assets and liabilities is the City's net financial assets, which represents the amount available for a later date.

The City maintained its strong financial position in 2021 allowing for flexibility and financial sustainability into the future.

- Financial Assets remained at \$1.5B
- Liabilities decreased by \$54.2M to \$528.2M
- Net financial assets increased by \$51.0M to \$940.0M
- Non-financial assets increased by \$52.7M to \$2.55B
- Accumulated surplus increased by \$103.7M to \$3.5B

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

Financial Assets

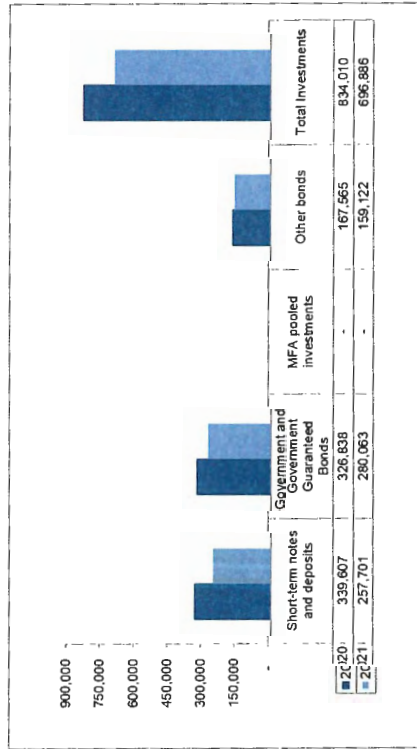
Cash

Cash increased by \$142.0M to \$672.0M primarily due to the City's yield enhancement strategy to reposition investment balances to cash to optimize the overall interest yields.

Investments

Investments decreased by \$137.1M to \$696.9M primarily due to the City's yield enhancement strategy to reposition investment balances to cash.

Investment Portfolio by Type (\$000's)



Investment in LIEC

Effective January 1, 2017, LIEC was classified as a GBE. The City uses the modified equity method to account for this investment of \$33.6M (2020 – \$32.7M).

Accrued interest receivable

Accrued interest receivable decreased by \$0.8M to \$8.9M due to the decreased rate of return on cash and investments.

Accounts receivable

Accounts receivable increased by \$8.1M to \$29.7M primarily due to revenues from casinos that re-opened mid 2021, capital grants and metered utility billings that reflect increased water consumption as many businesses reopened after pandemic restrictions were removed.

Accounts Receivable (\$000's)	2021	2020	Change
Water and sewer utilities	\$ 13,243	\$ 11,760	\$1,483
Casino revenues	2,701	0	2,701
Capital grants	6,873	4,277	2,596
Other trade receivables	6,838	5,484	1,354
Total	\$ 29,655	\$ 21,521	\$ 8,134

Financial Assets

Taxes receivable

Taxes receivable decreased by \$0.3M to \$14.2M due to the timing of collections.

Development fees receivable

Development fees receivable decreased by \$16.1M to \$12.4M due to timing of collection during the year.

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

The net DCC contributions received by the City in 2021 was \$19.9M less than 2020. The decrease was a result of less large multi-family developments.

Debt reserve fund - deposits

The debt reserve fund balance of \$0.5M did not change from 2020 as the City did not receive payments from the Municipal Finance Authority (MFA) during 2021.



Liabilities

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased by \$70.4M to \$86.6M. The decrease is mainly attributable to the timing of the payment of school tax and the RCMP contract accruals.

Post Employment benefits

Post employment benefits increased by \$2.3M to \$37.4M. The increase is mainly attributable to the unamortized net actuarial gain for 2021 of \$2.0M.

Development cost charges

The DCC balance of \$224.7M (2020 - \$221.2M) is restricted by Section 566 of the *Local Government Act* and may only be used on authorized capital expenditures.

Net contributions of \$16.9M and interest earned of \$2.9M were received in 2021. The balance was offset by \$16.2M for capital project expenses funded by DCC during the year.

Development Cost Charges (\$000's)	2021	2020	Change
Balance, beginning of year	\$ 221,151	\$ 197,671	\$ 23,480
Contributions	16,873	36,800	(19,927)
Interest	2,854	3,417	(563)
Revenue recognized	(16,223)	(16,737)	514
Balance, end of year	\$ 224,655	\$ 221,151	\$ 3,504

The \$224.7M balance includes amounts that have been allocated to active capital projects but that remain unspent. At December 31st, 2021 there is \$70.5M (2019 - \$63.6M)

committed to active capital projects. Additional DCC funding of \$17.7M was approved as part of the 2022 Capital Budget included in the Consolidated 5 Year Financial Plan (2022-2026) Bylaw No. 10327.

Deposits and holdbacks

Deposits and holdbacks increased by \$8.6M to \$106.0M mainly due to an increase of development related security deposits.

Deposits and Holdbacks (\$000's)	2021	2020	Change
Security deposits	\$ 84,096	\$ 74,977	\$ 9,119
Developer contribution	7,912	7,797	115
Damage deposits	5,793	5,589	204
Contract holdbacks	3,860	5,267	(1,407)
Other	4,380	3,815	565
Total deposits and holdbacks	\$ 106,041	\$ 97,445	\$ 8,596

Deferred revenue

Deferred revenues are funds that are set aside for specific purposes by legislation, regulation or agreement, and may only be used for the specified work.

Deferred Revenue (\$000's)	2021	2020	Change
Taxes and utilities	\$ 25,116	\$ 23,221	\$ 1,895
Building permits / development	14,265	14,117	148
Oval	1,551	1,216	335
Capital grants	6,074	2,219	3,855
Other	9,180	8,251	929
Total deferred revenue	\$ 56,186	\$ 49,024	\$ 7,162

5

Liabilities

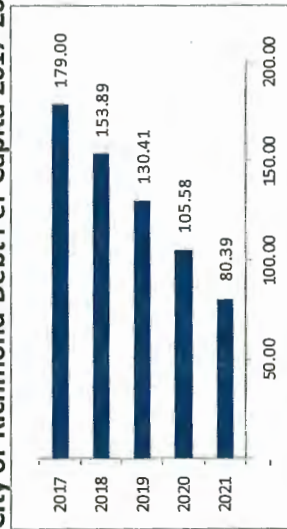
Deferred revenues decreased due to capital grants, Oval's deferred revenue, building permits/developments and other revenues, resulting in an overall \$7.2M increase compared to 2020.

Debt, net of MFA sinking fund deposits

Debt decreased by \$5.4M to \$17.4M as a result of the annual repayment made in 2021 towards the borrowing for the construction of the Minoru Center for Active Living facility. The debt has a 10 year term and was obtained in 2014 at a rate of 3.30% for the duration of the term.

The debt per capita decreased to \$80.39 per person in 2021 from \$105.58 as of December 31, 2020. The decrease in debt per capita is the combined result of principal payments reducing the outstanding balance along with an increase in population.

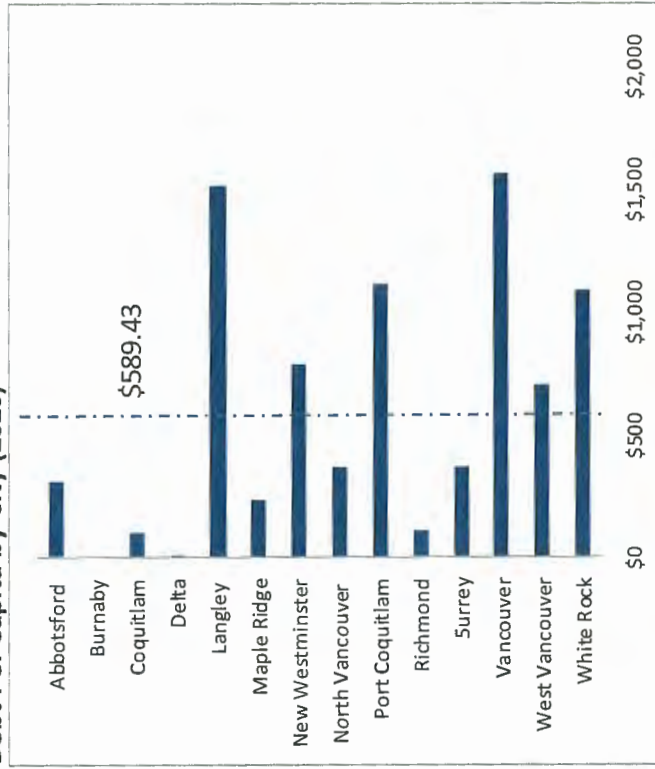
City of Richmond Debt Per Capita 2017-2021



Graph has been updated with population estimates from BC Stats, Demographic Analysis Section, Jan 2022.

The 2020 values for the other municipalities are the most current figures available from the Local Government Statistics. For comparative purposes, Richmond's 2020 debt per capita of \$105.58 is included below and is well below the 2020 regional average of \$589.43.

Debt Per Capita by City (2020)



Long-Term debt data obtained from the Ministry of Municipal Affairs and Housing - 2020 Local Government Statistics. Population estimates for 2019 obtained from BC Stats, Demographic Section, Jan 2022.

Non-Financial Assets

Tangible Capital Assets

Tangible capital assets (TCA) are recorded at original cost and are amortized over their useful life. The net book value (original cost less accumulated amortization) is presented below. Additional information can be obtained in Note 12 of the consolidated financial statements.

TCA increased by \$51.1M to \$2.54B. The change is a result of \$104.9M of asset additions and current year amortization expense of \$68.5M.

Tangible Capital Assets (\$000's)	2021	2020	Change
Land	\$1,077,254	\$1,060,180	\$ 17,074
Buildings and building improvements	347,319	335,282	12,037
Infrastructure	996,033	950,219	45,814
Vehicles, machinery and equipment	54,915	56,005	(1,090)
Library's collections, furniture and equipment	3,056	2,861	195
Assets under construction	60,690	83,592	(22,902)
Total	\$2,539,267	\$2,488,139	\$ 51,128

Land increased by \$17.1M mainly due property acquisitions of contributed assets received through development e.g. Seedlings Early Child Development Hub and Sprouts Early Child Development Hub.

Buildings increased by \$12.0M mainly due to \$33.2M increase in additions offset by \$19.3M of amortization expenses. Net disposal in 2021 was \$1.8M. The additions in 2021 included \$22.6M of developer contributed buildings for Seedlings Early Child Development Hub and Sprouts Early Child Development Hub.

Infrastructure increased by \$45.8M mainly due to \$83.8M increase in additions offset by \$37.4M of amortization expenses. Net disposal in 2021 was \$0.6M. The additions in 2021 included \$20.8M of contributed assets received through development and \$8.7M for No. 7 Road South Pump Station upgrade.

Vehicles, machinery and equipment decreased by \$1.1M mainly due to \$9.9M increase in additions offset by \$10.8M of amortization expenses. Net disposal in 2021 was \$0.1M. The additions in 2021 include \$2.6M for various vehicle purchases and \$1.5M of traffic cameras at various locations.

Library's collections, furniture and equipment increased by \$0.19M mainly due to \$1.15M of additions, offset by \$0.96M of amortization expenses

Assets under construction decreased by \$22.9M mainly due to the capitalization of three pump station upgrades (\$15.3M) and River Parkway Road Extension (\$4.7M).

Non-Financial Assets

Inventory of materials and supplies

Inventory increased by \$0.4M to \$4.7M based on timing of materials issued.

Prepaid expenses

Prepaid expenses increased by \$1.1M to \$3.9M due to timing of expense utilization and increases to insurance premium costs.

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Accumulated Surplus

The accumulated surplus increased by \$103.7M to \$3.5B. The annual increase is presented on the Consolidated Statement of Operations.

Accumulated Surplus (\$'000's)	2021	2020	Change
Investment in TCA	\$ 2,521,629	\$ 2,465,108	\$ 56,521
Reserves	647,209	609,533	37,676
Appropriated surplus	256,020	253,790	2,230
Investment in LIEC	33,647	32,736	911
Surplus	24,826	18,908	5,918
Other equity	4,556	4,131	425
Total	\$ 3,487,887	\$ 3,384,206	\$ 103,681

Investment in TCA

Investment in TCA represents the equity held in assets. This balance is equal to the net book value of tangible capital assets less any outstanding debt relating to capital and capital leases.

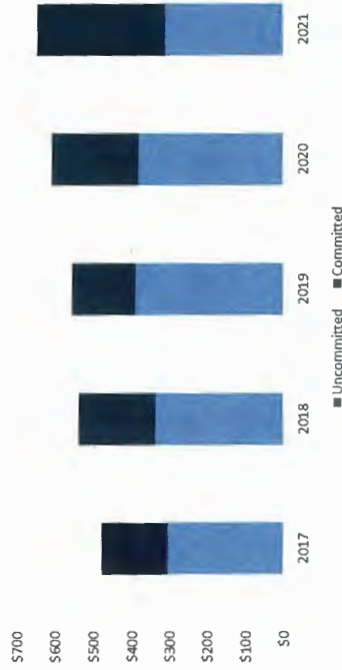
In accordance with accounting standards, this balance is accounted for using the cost method, net of accumulated amortization. It does not reflect market value or replacement value of the assets.

The investment in TCA balance increased by \$56.5M. This is the net activity of asset additions, amortization, disposals and debt reduction.

Reserves

Reserves are established by Bylaw for specific purposes, mainly capital expenditures. The balance of \$647.2M includes amounts that have been approved for expenditure but remain unspent as at December 31st. The uncommitted reserve balance is \$313.7M (2020 - \$382.7M).

Reserve Balance 2017-2021



The increase in the reserve balance is mainly attributable to the timing of capital expenditures. There are several facility construction projects approved including the Animal Shelter, strategic land acquisitions and the Phoenix Net Loft that have reserve funds allocated towards the project but have not been spent as of the reporting date December 31st, 2021.

From the available \$313.7M at December 31st, 2021, \$62.1M has been approved for the City's 2022 Capital Budget included in the Consolidated 5 Year Financial Plan (2022-2026) Bylaw

Accumulated Surplus

No. 10327. An additional \$328.6M is estimated for the remaining 4 years (2022-2026) of the 5 Year Capital Plan.

Appropriated Surplus

Appropriated surplus is internally restricted for future commitments and potential liabilities. The balance increased by \$2.2M to \$256.0M primarily due to the \$7.0M appropriation for future RCMP costs and offset by use of Council approved allocations from the Rate Stabilization Account.

Investment in LIEC

The City's investment in LIEC is recorded under the modified equity method. The balance reflects the City's share equity in LIEC on December 31st, 2021 at \$33.6M, an increase of \$0.9M from the 2020 balance of \$32.7M.

Surplus

The consolidated surplus increased by \$5.9M to \$24.8M in 2021. The increase is mainly attributed to the 2021 operating surplus for the City of \$5.8M.

Other Equity

Other equity relates to the City's inventory. The balance increased by \$0.4M to \$4.6M in 2021.



Consolidated Statement of Operations

The Consolidated Statement of Operations provides a summary of the revenues, expenses, and surplus throughout the reporting period and outlines the change in accumulated surplus.

The 2021 budget amounts presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified 'cash requirement' basis and amounts recorded in these financial statements on a 'full accrual' basis.

Note 23 outlines the adjustments to the approved budget, particularly the exclusion of transfers to reserves and other funds, and tangible capital asset acquisitions. These adjustments to budgeted values are required to provide comparative budget values based on the full accrual basis of accounting. As the accrual based budget does not include transfers to reserves, investment in assets and other items, the budget presented on the financial statements can show a surplus or deficit while the budget as approved by Council is a balanced budget.

Revenues

2021 Budget to Actual Comparison

Total consolidated revenues are \$576.7M compared to the budgeted revenues of \$575.7M. Certain revenues will always be difficult to accurately budget due to the unpredictability of the source, development timing and use of funds for capital. Budget to actual variance explanations are below.

	2021 Budget	2021 Actual	Variance
Revenues (\$000's)			
Taxation and levies	\$ 255,366	\$ 255,837	\$ 471
Utility fees	117,674	118,144	470
Sales of services	40,000	35,601	(4,399)
Payments-in-lieu of taxes	12,142	14,789	2,647
Provincial and federal grants	10,855	12,704	1,849
Development cost charges	24,669	16,223	(8,446)
Other capital funding sources	75,943	64,695	(11,248)
Investment income	13,290	14,968	1,678
Gaming revenue	-	5,700	5,700
Licences and permits	11,403	13,995	2,592
Other	12,808	23,131	10,323
Equity income	1,538	911	(627)
Total	\$ 575,688	\$ 576,698	\$ 1,010

Taxation and levies had a favourable variance of \$0.5M mainly due to higher than expected new growth and the tax rate increase.

Utility Fees had a favourable variance of \$0.5M mainly due to higher than budgeted garbage utility and recycling revenues and unbudgeted construction revenues offset against lower metered quarterly billings.

Sales of services had an unfavourable variance of \$4.4M mainly due to the decrease in facility and program revenues impacted by the COVID 19 pandemic and significantly lower receivable income.

Payments in lieu of taxes had a favourable variance of \$2.6M due to a higher than expected payment from other agencies.

Provincial and federal grants were favourable by \$1.8M mainly due to more traffic fine revenue and BC Hydro and UBCM grants.

Development cost charges had an unfavourable variance of \$8.4M due to the timing of capital expenditures. The revenue recognized in 2021 matches the total expenditures spent in the year, whereas the budgeted revenue reflects the total available revenue of all 2021 approved projects, assuming they will be completed within the year. 2021 actuals may also relate to projects that were approved in prior years.

The other capital funding had an unfavourable variance of \$11.2M is due to lower than budgeted amounts relating to contributed assets received through development and the timing of the capital expenditures. The revenue recognition relating to these contributed assets is based on the timing of

Revenues

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

Investment income had a favourable variance of \$1.7M due to the timing of capital expenditures. The delay in capital expenditures has resulted in higher than projected investment balance, thus leading to slightly higher than projected investment income.

Gaming revenue had a favourable variance of \$5.7M due to the re-opening of the River Rock Casino in July 2021. No gaming revenues were included in the original budget which is presented in the financial statements, but included in the budget amendment was an adjustment of gaming revenue to \$7.0m to reflect the mid-year re-opening.

Licences and permits had a favourable variance of \$2.6M due to a conservative building permits budget and unbudgeted underpinning fees.

Other revenue had a favourable variance of \$10.3M due to the unbudgeted external developer contributions and general recoveries.

Equity income relates to the City's investment in LIEC and represents LIEC's net income for the year. LIEC's net income for 2021 decreased by \$0.6M.



Revenues

2021 to 2020 Actual Comparison

Total 2021 consolidated revenues were \$576.7M compared to \$579.1M in 2020.

Revenues (\$'000's)	2021 Actual	2020 Actual	Change
Taxation and levies	\$255,837	\$239,991	\$ 15,846
Utility fees	118,144	114,335	3,809
Sales of services	35,601	29,090	6,511
Payments-in-lieu of taxes	14,789	16,820	(2,031)
Provincial and federal grants	12,704	16,953	(4,249)
Development cost charges	16,223	16,737	(514)
Other capital funding sources	64,695	71,051	(6,356)
Investment income	14,968	20,175	(5,207)
Gaming revenue	5,700	2,705	2,955
Licences and permits	13,995	19,407	(5,412)
Other	23,131	30,466	(7,335)
Equity income	911	1,322	(411)
Total	\$576,698	\$579,052	\$(2,354)

Taxation and levies increased by \$15.8M due to the higher than expected new growth and the tax rate increase.

Utility Fees increased by \$3.8M due to higher usage rates of the metered billings and due to the regional sewer debt levy.

Sales of services increased by \$6.5M due mainly due to the reopening of facilities and new rental leases.

Payments in lieu of taxes decreased by \$2.0M due to decreases in assessment values for certain properties.

Grant revenues decreased by \$4.2M mainly due to COVID 19 safe restart grant not recurring in 2021 offset against other grants received in 2021.

Development cost charges decreased by \$0.5M due to timing of capital expenditures as DCC revenue is recognized when the amounts are spent.

The other capital funding decreased by \$6.4M mainly due to decrease in capital funding from external sources offset against increase in contributed assets by developers.

Investment income decreased by \$5.2M due to investments being renewed at a significantly lower market-driven interest yield upon investment term expiration. The extreme low interest rate environment persisted into year 2021 due to the COVID 19 pandemic.

Gaming revenue increased by \$3.0M due to the reopening of the River Rock Casino in July 2021. In 2020, the Attorney General temporarily closed of all gambling facilities in mid-March on the advice of the Provincial Health Officer

Licences and permits decreased by \$5.4M mainly due to building permits revenue recognized on large scale development construction completed in 2020.

Revenues

Other revenue decreased by \$7.3M due to gain on sale of land in 2020 and lower developer reserve contributions.

Equity income relates to the City's investment in LIEC and represents LIEC's net income for the year. LIEC's net income for 2021 decreased by \$0.4M.

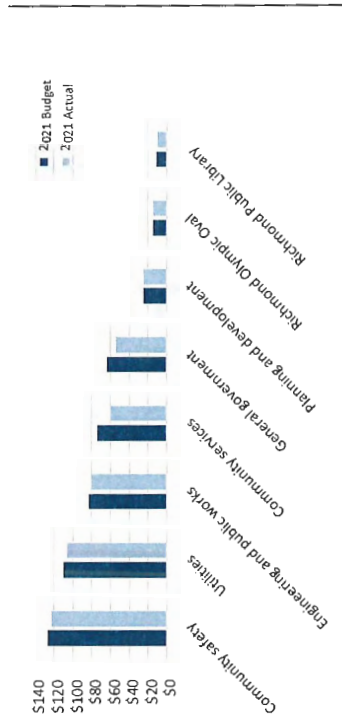


Expenses

2021 Budget to Actual Comparison

Total consolidated expenses are \$473M compared to the budget of \$507.7M.

2021 Expenses by Function



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Engineering and public works has a favourable variance of \$2.8M mainly due to less public works expenses for roads and building maintenance projects and lower operating expenses.

Community Services had a favourable variance of \$13.7M mainly due to staff vacancies and lower operating expenses as the City gradually reopened facilities resulting from the COVID 19 pandemic.

General Government had a favourable variance of \$9.7M mainly due to staff vacancies.

Planning and Development had an unfavourable variance of \$0.8M mainly due to capital expenditures that did not meet criteria for capitalization for the payment of the Canada Line Capstan Station which were offset against staff vacancies.

Library services had a favourable variance of \$1.4M mainly due to staff vacancies.

Oval had a favourable variance of \$0.8M mainly due to lower than expected general and administration expenses due to the gradual reopening of the facility.

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

Community Safety had a favourable variance of \$3.9M mainly due to salary savings resulting from vacancies and time required to fill new firefighter and officer positions approved in 2021 and lower amortization than budgeted due to less assets capitalized.

Utilities had a favourable variance of \$3.3M mainly due to lower than budgeted public works maintenance expenses partially related to less receivable work.

Expenses

2021 to 2020 Actual Comparison

Total 2021 consolidated expenses were \$473M compared to \$434.2M in 2020.

	2021 Actual	2020 Actual	Change
Expenses (\$000's)			
Community safety	\$ 123,232	\$ 112,895	\$ 10,337
Utilities: water, sewer and sanitation	106,519	102,824	3,695
Engineering, public works and project development	80,083	75,314	4,769
Community services	59,873	50,833	9,040
General government	54,249	51,495	2,754
Planning and development	25,166	19,201	5,965
Richmond Olympic Oval	14,079	12,586	1,493
Richmond Public Library	9,816	9,040	776
Total	\$ 473,017	\$ 434,188	38,829

Community Safety expenses increased by \$10.3M mainly due to the RCMP unionization wage increase, collective agreement and step increases for City staff and vacancies being filled in 2021.

Utilities expenses increased by \$3.7M mainly due to increased debt levy for GVSD&D, water purchases and more contract expenses due to more tonnage collected.

Engineering, Public Works and Project Development expenses increased by \$4.8M mainly due to expenditures that did not meet the criteria under generally accepted accounting principles for capitalization, higher amortization in 2021 due to more assets being placed into service and more public works maintenance projects done in 2021.

Community services increased by \$9.0M mainly due to costs associated with the reopening of facilities and Parks programs that were delayed in 2020, non-capital expenditures for Phoenix Net Loft and higher amortization in 2021.

General government expenses increased by \$2.7M mainly due to the hiring freeze and staff redeployment in 2020.

Planning and development costs increased by \$6.0M mainly due to the payment for Canada Line Capstan Station expenditures that did not meet criteria for capitalization under generally accepted accounting principles, increase in contract work for maintenance, salary increases in accordance with the collective agreement and vacant staff positions being filled in 2021.

Library services expenses increased by \$0.8M mainly due to filling staff vacancies.

Oval expenses increased by \$1.5M mainly due to rehiring staff as a result of facility reopening.

Expenses

Expenses by Object

Expenses (\$000's)	2021 Actual	2020 Actual	Change
Wages and salaries	\$180,507	\$ 164,788	\$15,719
Public works maintenance	\$13,016	13,343	(327)
Contract services	\$89,086	81,642	7,444
Supplies and materials	\$68,056	64,437	3,619
Interest and finance	\$30,301	29,779	522
Transfer from (to) capital for tangible capital assets	\$21,096	13,568	7,528
Amortization of tangible capital assets	\$68,519	66,254	2,265
Loss on disposal of tangible capital assets	\$2,436	377	2,059
Total	\$ 473,017	\$ 434,188	\$38,829

Wages and salaries increased by \$12.0M due to collective agreement salary increases, vacancies being filled and rehiring staff for the gradual reopening of facilities relating to the impact of the COVID 19 pandemic. Public Works salary increased by \$3.7M due to collective agreement salary increases and seasonal labour hired for catch-up of maintenance projects that were delayed due to the COVID 19 pandemic.

Public Works non-salary decreased by \$0.3M mainly due to timing and distribution of expenses.

Contract services increased by \$7.4M mainly due to higher policing costs and higher contracts expenses as facilities gradually re-opened in 2021

Supplies and materials increased by \$2.8M due to more water purchases as rate and consumptions had increased and increase in fuel usage. Other operating expenses increased by \$0.8M mainly due to higher insurance and utilities expenses.

Interest and finance increased by \$0.5M mainly due to the increased debt payment to Greater Vancouver Sewerage & Drainage District offset.

Transfer from (to) capital for tangible capital assets increased by \$7.5M mainly due to capital expenses incurred in 2021 that did not meet the capitalization criteria including the payment for Canada Line Capstan Station projection, demolition of Minoru Aquatic Centre, and deconstruction of heritage building Phoenix Net Loft.

Amortization of tangible capital assets increased by \$2.3M due to more capital assets added and full year amortization for assets that were capitalized in 2021.

Loss on the disposal of tangible capital assets increased by \$2.1M mainly due to disposal of assets related to Minoru Aquatic Centre and various mechanical upgrades.

Annual Surplus

The 2021 consolidated annual surplus of \$103.7M is calculated as the difference between revenues and expenses and is reflected in the change in the accumulated surplus.

Annual Surplus Distribution

The largest driver of the \$103.7M annual surplus is the change in investment in capital assets of \$56.5M. This is the net activity of asset additions \$122.2M offset by amortization expense of \$68.5M, disposals and debt reduction.

Investment in LIEC increased by \$0.9M which relates directly to the LIEC net income in 2021.

Appropriated surplus increased by \$2.2M relating to future commitments and potential liabilities.

Reserves increased by \$37.7M due to the timing of capital expenditures. Included in the total reserve balance is \$333.5M committed towards active capital projects.

Surplus increased by \$5.9M due to 2021 operating surplus of \$5.7M and LIEC income.

Other surplus increased by \$0.4M.



Consolidated Statement of Changes in Net Financial Assets

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

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

The City's net financial assets as at December 31st, 2021 increased by \$51.0M to \$940M (2020 - \$889M).

Consolidated Statement of Cash Flows

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

The City's cash increased by \$142.0M to \$672.0M and investments decreased by \$137.1M to \$696.9M.

In 2021, cash provided by operating activities was \$70.6M, compared to \$211.0M in 2020.

Cash used in capital activities was \$60.4M, compared to \$62.2M in 2020.

Cash used in financing activities was \$5.4M compared to \$5.2M in 2020, and was used to pay down MFA debentures.

Cash earned from investing activities was \$137.1M, compared to cash spent on investing activities was \$3.1M in 2020.

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

The analysis addresses the following three key areas:

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

The following table presents the ratio analysis for the three-year period 2019-2021:

Assessment of sustainability

Sustainability ratios:	2021	2020	2019
Assets to liabilities (times)	7.6	6.8	7.3
Financial assets to liabilities (times)	2.8	2.5	2.6
Net debt to total revenues	3.0%	3.9%	4.8%
Net debt to the total assessment	0.02%	0.02%	0.03%
Expenses to the total assessment	0.5%	0.6%	0.5%

Flexibility ratios:	2021	2020	2019
Debt charges to revenues	0.3%	0.3%	0.3%
Net book value of capital assets to cost	66.8%	67.3%	67.8%
Net book value of capital assets (excluding land) to cost	53.6%	54.1%	55.0%
Own source revenue to the assessment	0.5%	0.5%	0.5%

Vulnerability ratios:	2021	2020	2019
Government transfers to total revenues	3.2%	3.4%	4.4%
Government transfers (excluding gaming revenue) to total revenues	2.2%	2.9%	1.8%

An explanation of each of the ratios is provided below.

- Assets to liabilities, indicates sustainability by the extent to which the government entity finances its operations by issuing debt. A ratio higher than one indicates that a government has accumulated surplus and has assets greater than liabilities. Included in the City's liabilities are DCCs and deferred revenue which represent an obligation to perform future works.
- Financial assets to liabilities, indicates sustainability by the degree that future revenues are required to pay for past transactions and events. A higher ratio indicates a greater ability to cover liabilities.
- Net debt to total revenue, indicates the financial burden over the earning capacity and also indicates how future revenues will be needed for financing of past transactions and events. A lower percentage indicates a lesser reliance on future revenues to finance existing debt.
- Net debt to total assessment, indicates the relationship between the level of debt and the state of the local economy. A lower percentage indicates a lesser reliance on the current assessment base to finance existing debt.

- Expenses to total assessment, indicates the trend of the government spending in connection to the state of the local economy. A lower percentage indicates a lesser reliance on the current assessment base to finance existing expenses.

Assessment of flexibility

- Debt charges to revenues, indicates the extent to which past borrowing decisions present a constraint on a government's ability to meet its financial commitments. A lower ratio indicates a lesser reliance on existing revenues to finance debt charges.

- Net book value of capital assets to cost, indicates the estimated useful life of the capital assets to provide services. A higher ratio indicates a newer asset inventory.

- Net book value of capital assets (excluding land) to cost, indicates the estimated useful life remaining of depreciable capital assets. Land is not a depreciable asset and its inclusion can distort the net book value to cost ratio. A higher ratio indicates a newer asset inventory.

- Own source revenue to assessment, indicates the degree to which represents the percentage of taxes taken from its own tax base. A lower ratio indicates a

lesser proportion of existing revenues from own sources on the current assessment base.

Assessment of vulnerability

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



Environmental Analysis

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

The following section highlights:

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

Strategic Focus

Council decisions guide and influence the City's social and physical development, the quality of life and lifestyle choices available to residents, the relative safety and protection of residents and businesses, and the role the City plays within the region. To help Council manage this important agenda, the "Council Strategic Plan" process is undertaken at the start of each new term of office to determine Council's desired focus and priorities in order to ensure City work programs are appropriately aligned. This process forms an integral part of City operations, and helps to ensure a focused and productive workforce that makes the most effective use of public resources. In alphabetical order, the eight strategic focus areas for the Council Strategic Plan 2018-2022 include:

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

4. An Active and Thriving Richmond

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

5. An Engaged and Informed Community

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



Strategic Focus

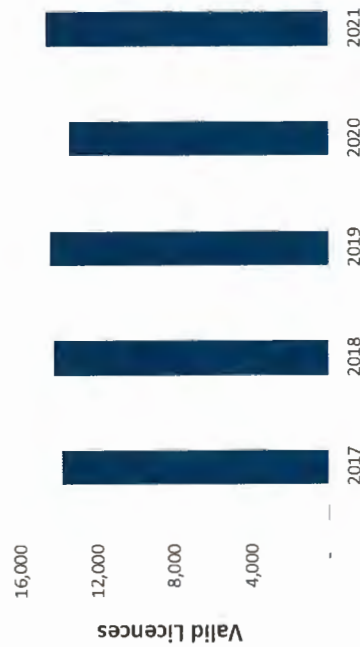
- 6. One Community Together**
Continue support on vibrant and diverse arts and cultural activities and opportunities for community engagement and connection.
- 7. Sound Financial Management**
Maintain the City's strong financial position with clear accountability through transparent budgeting practices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



Business Licences

The total number of business licences issued increased to 14,685 in 2021 compared to 13,481 licences issued in 2020.

Business Licences 2017-2021



Building Permits 2017-2021



The construction value of building permits issued in 2021 was \$719.1M, which increased by approximately 0.3% from 2020 of \$717.1M.

The number of development applications received in 2021 increased by 2.1% to 148 applications from 145 applications in 2020. Total fees collected in 2021 increased by 33.8%.

Housing Activity

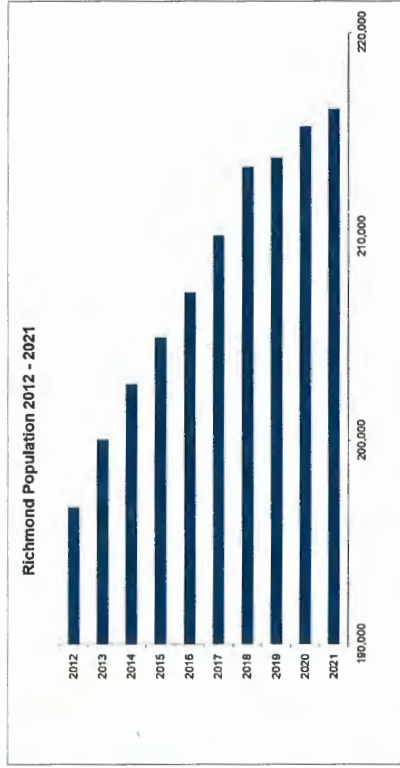
In 2021, the total number of building permits issued was 1,139 which was a 11.2% increase from 2020. The year over year changes are cyclical. The increase is a result of increases in all types permits issued including single family dwellings, multi-family developments, commercial and industrial. The actual permit fees collected for 2021 was \$13.7M.

Environment

Population

Richmond's current population is estimated at 216,280 which is a 0.4% increase from 2020. According to the 2016 Census, Richmond is the fourth most populous municipality in the Greater Vancouver region.

Richmond Population 2012-2021



Graph has been updated with population figures from BC Stats, Demographic Analysis Section, updated Jan 2022.

Services

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

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

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

These services are provided through the use of funds as approved by Council in the 2021 operating, capital and utility budgets.

	2019	2020	2021
Population growth (per annum) ¹	0.22%	0.71%	0.41%
Capital construction costs (\$mil) ²	\$97.59	\$158.88	\$210.56
City Grants Program (\$mil)	\$0.84	\$0.82	\$0.85
Other grants (\$mil) ³	\$1.64	\$1.59	\$1.54
RCMP calls for services	75,573	55,085	57,888
Fire Rescue Responses	9,491	6,412	9,494

¹ Annual growth based on updated population figures from BC Stats, Demographic Analysis Section, Jan 2022.

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

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

Conclusion

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

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

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

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

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

The 2022 – 2026 Five Year Financial Plan combines the Operating, Utility and Capital Budgets. It provides details on the services provided, anticipated revenues and expenses, and planned capital projects.

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

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

