



City of Richmond

Report to Committee

To: Finance Committee
From: Andrew Nazareth
General Manager, Finance and Corporate Services
Re: **2013 Consolidated Financial Statements**



Date: April 28, 2014
File: 03-0905-01/2014-Vol 01

Staff Recommendation

That the City's audited consolidated financial statements for the year ended December 31, 2013 be approved.

Andrew Nazareth
General Manager, Finance and Corporate Services
(604-276-4095)

Att. 2

REPORT CONCURRENCE
CONCURRENCE OF GENERAL MANAGER 
APPROVED BY CAO 

Staff Report

Origin

Sections 98 and 167 of the Community Charter require that annual audited financial statements be prepared and presented to Council. The City's audited consolidated financial statements for 2013 have been prepared in accordance with the generally accepted accounting principles for local governments, as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The financial statements consist of:

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

Analysis

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

The consolidated financial statements combine the accounts of the City of Richmond, Richmond Olympic Oval, Richmond Public Library and Lulu Island Energy Company Ltd. (LIEC). Further information about the basis of consolidation is listed in Note 2 to the consolidated financial statements. The consolidated financial statements are included in **Attachment 1**.

Highlights of the 2013 consolidated statement of financial position:

- \$2.4 billion – Accumulated surplus (net worth)
 - \$1.9 billion – Net book value of tangible capital assets
 - \$353.8 million – Reserve balance
- \$549.0 million – Net financial assets
- \$1.1 million – Net debt

Highlights of the 2013 consolidated statement of operations:

- \$126.2 million – Annual surplus (the increase in net worth which includes the increase in capital equity, reserves, appropriated surplus and surplus)
- \$454.0 million total revenues
 - \$176.3 million taxation and levies
 - \$79.6 million utility fees
 - \$50.9 million contributed assets
 - \$45.9 million sales of services
- \$327.8 million total expenses
 - \$50.3 million amortization expense

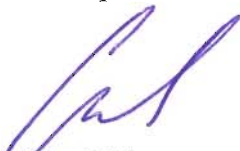
Detailed analysis of the consolidated financial statements is provided in the Financial Statement Discussion and Analysis (FSD&A) **Attachment 2**. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis is intended to be read in conjunction with the 2013 audited consolidated financial statements.

Financial Impact

None.

Conclusion

The financial statements are part of the legislated reporting requirements for 2013 and Staff recommends their approval. As noted in the Auditors' Report, it is the Auditors' opinion that these consolidated financial statements present fairly the consolidated financial position as of December 31, 2013, and its consolidated results of operations and changes in net consolidated financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.



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

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

Consolidated Financial Statements of

CITY OF RICHMOND

Year ended December 31, 2013

DRAFT April 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council

We have audited the accompanying consolidated financial statements of the City of Richmond, which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Richmond as at December 31, 2013, and its consolidated results of operations, its changes in net consolidated financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

Date _____

Burnaby, Canada

CITY OF RICHMOND

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

December 31, 2013, with comparative information for 2012

	2013	2012
Financial Assets		
Cash and cash equivalents	\$ 38,368	\$ 49,632
Investments (note 3)	716,114	590,961
Accrued interest receivable	3,224	3,122
Accounts receivable (note 4)	19,625	22,682
Taxes receivable	9,244	8,895
Development fees receivable	21,405	12,923
Debt reserve fund deposits (note 5)	200	386
	<u>808,180</u>	<u>688,601</u>
Liabilities		
Accounts payable and accrued liabilities (note 6)	83,146	75,325
Deposits and holdbacks (note 7)	51,841	40,669
Deferred revenue (note 8)	35,870	37,307
Development cost charges (note 9)	87,212	62,547
Obligations under capital leases (note 10)	58	106
Debt, net of MFA sinking fund deposits (note 11)	1,056	3,488
	<u>259,183</u>	<u>219,442</u>
Net financial assets	548,997	469,159
Non-Financial Assets		
Tangible capital assets (note 12)	1,877,298	1,830,619
Inventory of materials and supplies	2,363	2,276
Prepaid expenses	1,594	1,954
	<u>1,881,255</u>	<u>1,834,849</u>
Accumulated surplus (note 13)	<u>\$ 2,430,252</u>	<u>\$ 2,304,008</u>

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, 2013, with comparative information for 2012

	Budget 2013	2013	2012
	(notes 2(m) and 22)		
Revenue:			
Taxation and levies	\$ 174,825	\$ 176,283	\$ 167,529
Utility fees	74,321	79,613	74,222
Sales of services	40,366	45,941	41,449
Payments-in-lieu of taxes	13,199	14,406	13,189
Provincial and federal grants	7,256	7,092	9,487
Development cost charges	1,280	11,730	10,480
Other capital funding sources	71,768	55,542	19,306
Other revenues:			
Investment income	16,792	13,490	17,144
Gaming revenue	12,364	17,632	15,585
Licenses and permits	7,537	9,178	8,734
Other (note 20)	7,662	23,096	23,186
	427,370	454,003	400,311
Expenses:			
Law and Community safety	83,844	77,587	75,193
Utilities: water, sewerage and sanitation	73,862	73,764	72,682
Engineering, public works and project development	56,427	53,219	53,164
Community services	49,162	49,753	46,796
General government	47,931	41,677	38,570
Planning and development	12,513	11,854	11,961
Richmond Olympic Oval	11,432	10,509	9,826
Library services	9,540	9,396	9,245
	344,711	327,759	317,437
Annual surplus	82,659	126,244	82,874
Accumulated surplus, beginning of year	2,304,008	2,304,008	2,221,134
Accumulated surplus, end of year	\$ 2,386,667	\$ 2,430,252	\$ 2,304,008

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, 2013, with comparative information for 2012

	2013 budget (notes 2(m) and 22)	2013	2012
Surplus for the year	\$ 82,659	\$ 126,244	\$ 82,874
Acquisition of tangible capital assets	(82,659)	(47,447)	(66,377)
Contributions of tangible capital assets	-	(50,887)	(12,784)
Amortization of tangible capital assets	-	50,334	49,566
Gain on disposal of tangible capital assets - land	-	(4,024)	(5,405)
Loss (gain) on disposal of tangible capital assets	-	434	(423)
Proceeds on sale of tangible capital assets	-	4,911	6,434
	-	79,565	53,885
Acquisition of inventories of supplies	-	(2,363)	(2,276)
Acquisition of prepaid expenses	-	(1,594)	(1,954)
Consumption of inventories of supplies	-	2,276	1,934
Use of prepaid expenses	-	1,954	1,847
Change in net financial assets	-	79,838	53,436
Net financial assets, beginning of year	469,159	469,159	415,723
Net financial assets, end of year	\$ 469,159	\$ 548,997	\$ 469,159

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 126,244	\$ 82,874
Items not involving cash:		
Amortization	50,334	49,566
Gain on disposal of tangible capital assets - land	(4,024)	(5,405)
Loss (gain) on disposal of tangible capital assets	434	(423)
Contributions of tangible capital assets	(50,887)	(12,784)
Change in non-cash operating working capital:		
Increase in accrued interest receivable	(102)	(412)
Decrease (increase) in accounts receivable	3,057	(587)
Increase in taxes receivable	(349)	(2,179)
(Increase) decrease in development fees receivable	(8,482)	3,903
Decrease in debt reserve fund	186	-
Decrease (increase) in prepaid expenses	360	(107)
Increase in inventory of materials and supplies	(87)	(342)
Increase (decrease) in accounts payable and accrued liabilities	7,821	(2,373)
Increase in deposits and holdbacks	11,172	3,916
(Decrease) increase in deferred revenue	(1,437)	2,506
Increase in development cost charges	24,665	10,168
Net change in cash from operating activities	158,905	128,321
Capital activities:		
Cash used to acquire tangible capital assets	(47,447)	(66,323)
Proceeds on disposal of tangible capital assets	4,911	6,434
Net change in cash from capital activities	(42,536)	(59,889)
Financing activities:		
Principal payments on debt	(2,432)	(2,320)
Principal payments on obligations under capital leases	(48)	(447)
Net change in cash from financing activities	(2,480)	(2,767)
Investing activities:		
Change in investments	(125,153)	(27,799)
Net change in cash and cash equivalents	(11,264)	37,866
Cash and cash equivalents, beginning of year	49,632	11,766
Cash and cash equivalents, end of year	\$ 38,368	\$ 49,632
Supplementary Information:		
Non-cash transactions:		
Tangible capital assets financed by capital leases	\$ -	\$ 54

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

Year ended December 31, 2013

1. Operations:

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

2. Significant accounting policies:

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

(a) Basis of consolidation:

The consolidated financial statements reflect a combination of the City's General Revenue, General Capital and Loan, Waterworks and Sewerworks, and Reserve Funds consolidated with the Richmond Public Library (the "Library"), the Richmond Olympic Oval and the Lulu Island Energy Company Ltd. (LIEC). The Library is consolidated as the Library Board is appointed by the City. The Richmond Olympic Oval and LIEC are consolidated as they are wholly owned municipal corporations of the City and operate as other government organizations. Interfund transactions, fund balances and activities have been eliminated on consolidation.

(i) General Revenue Fund:

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

(ii) General Capital and Loan Fund:

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

(iii) Waterworks and Sewerworks Funds:

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

(iv) Reserve Funds:

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

CITY OF RICHMOND

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

Year ended December 31, 2013

2. Significant accounting policies (continued):

(b) Basis of accounting:

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

(c) Government transfers:

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

(d) Cash and cash equivalents:

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

(e) Investments:

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

(f) Accounts receivable:

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

(g) Development cost charges:

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

(h) Post-employment benefits:

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

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

CITY OF RICHMOND

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

Year ended December 31, 2013

2. Significant accounting policies (continued):

(i) Non-financial assets:

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

(i) Tangible capital assets:

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

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

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

(ii) Contributions of tangible capital assets:

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

(iii) Natural resources:

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

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

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

(v) Interest capitalization:

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

(vi) Labour capitalization:

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

CITY OF RICHMOND

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

Year ended December 31, 2013

2. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(vii) Leased tangible capital assets:

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

(viii) Impairment of tangible capital assets:

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

(ix) Inventory of materials and supplies:

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

(j) Deferred revenue:

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

(k) Deposits:

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

(l) Debt:

Debt is recorded net of related sinking fund balances.

(m) Budget information:

Budget information, presented on a basis consistent with that used for actual results, was included in the City of Richmond's Five Year Financial Plan and was originally adopted through Bylaw No. 8990 on February 25, 2013.

CITY OF RICHMOND

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

Year ended December 31, 2013

2. Significant accounting policies (continued):

(n) Use of accounting estimates:

The preparation of the 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 expenses during the reporting period. Significant areas requiring the use of management estimates relate to the value of contributed tangible capital assets, value of developer contributions, useful lives for amortization, determination of provisions for accrued liabilities, performing actuarial valuation of employee future benefits, allowance for doubtful accounts, and provision for contingencies. Actual results could differ from those estimates. Adjustments, if any, will be reflected in the 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.

(o) Segment disclosures:

A segment is defined as a distinguishable activity of group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The City of Richmond has provided definitions of segments used by the City as well as presented financial information in segment format (note 21).

3. Investments:

	2013		2012	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 205,162	\$ 205,186	\$ 61,835	\$ 62,206
Government and government guaranteed bonds	442,963	444,447	466,984	468,382
Municipal Finance Authority Pooled Investment	22,033	22,033	21,691	21,692
Other bonds	45,956	47,100	40,451	42,192
	\$ 716,114	\$ 718,766	\$ 590,961	\$ 594,472

CITY OF RICHMOND

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

Year ended December 31, 2013

4. Accounts receivable:

	2013	2012
Water and sewer utilities	\$ 8,949	\$ 8,130
Casino revenues	4,292	3,580
Capital grant	1,350	3,054
Other trade receivables	5,034	7,918
	\$ 19,625	\$ 22,682

5. 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, 2013 are as follows:

	Cash deposits	Contingent demand notes
General Revenue Fund	\$ 200	\$ 868

6. Accounts payable and accrued liabilities:

	2013	2012
Trade and other liabilities	\$ 53,104	\$ 46,911
Post-employment benefits (note 15)	30,042	28,414
	\$ 83,146	\$ 75,325

CITY OF RICHMOND

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

Year ended December 31, 2013

7. Deposits and holdbacks:

	Balance December 31, 2012	Deposit contributions	Refund expenditures	Balance December 31, 2013
Security deposits	\$ 27,490	\$ 17,354	\$ 8,985	\$ 35,859
Developer contribution	6,002	162	-	6,164
Contract holdbacks	1,667	2,100	2,169	1,598
Transit Oriented Development Fund	1,523	-	-	1,523
Other	3,987	4,512	1,802	6,697
	\$ 40,669	\$ 24,128	\$ 12,956	\$ 51,841

8. Deferred revenue:

Deferred revenue represents revenues that are collected but not earned as of December 31, 2013. These revenues will be recognized in future periods as they are earned. Deferred revenue also represents funds received from external parties for specified purposes. These revenues are recognized in the period in which the related expenses are incurred.

	Balance December 31, 2012	External restricted inflows	Revenue earned	Balance December 31, 2013
Taxes and utilities	\$ 18,026	\$ -	\$ 1,183	\$ 16,843
Building permits/business licenses	7,710	4,800	3,275	9,235
Capital grants	4,351	1,527	2,691	3,187
Leased land	2,409	42	42	2,409
Other	4,811	315	930	4,196
	\$ 37,307	\$ 6,684	\$ 8,121	\$ 35,870

9. Development cost charges:

	2013	2012
Balance, beginning of year	\$ 62,547	\$ 52,379
Contributions	35,424	19,772
Interest	971	876
Revenue recognized	(11,730)	(10,480)
Balance, end of year	\$ 87,212	\$ 62,547

CITY OF RICHMOND

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

Year ended December 31, 2013

10. Obligations under capital leases:

The City has entered into capital lease agreements to finance certain equipment at an estimated cost of borrowing of 2% per year.

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

Year ending December 31:	
2014	\$ 31
2015	22
2016	6
Total future minimum lease payments	59
Less amount representing interest	(1)
Present value of capital lease payments	\$ 58

11. Debt:

The rates of interest on the principal amount of the MFA debentures vary between 3.15% and 8.50% per annum. The average rate of interest for the year ended December 31, 2013 approximates 4.82%.

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 2013	Net debt 2012
General Fund	\$ 37,600	\$ 36,544	\$ 1,056	\$ 3,412
Sewerworks Fund	1,000	1,000	-	76
	\$ 38,600	\$ 37,544	\$ 1,056	\$ 3,488

Repayments on net outstanding debenture debt over the next year are as follows:

	General	Sewerworks	Total
2014	\$ 1,056	\$ -	\$ 1,056

CITY OF RICHMOND

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

Year ended December 31, 2013

12. Tangible capital assets:

Cost	Balance at December 31, 2012	Additions and transfers	Disposals	Balance at December 31, 2013
Land	\$ 633,580	\$ 39,137	\$ (795)	\$ 671,922
Buildings and building improvements	347,867	5,433	(363)	352,937
Infrastructure	1,529,191	36,739	(4,874)	1,561,056
Vehicles, machinery and equipment	88,288	7,846	(770)	95,364
Library's collections, furniture and equipment	9,193	2,415	(2,217)	9,391
Assets under construction	33,490	6,764	-	40,254
	\$ 2,641,609	\$ 98,334	\$ (9,019)	\$ 2,730,924

Accumulated amortization	Balance at December 31, 2012	Disposals	Amortization expense	Balance at December 31, 2013
Buildings and building improvements	\$ 103,049	\$ (163)	\$ 12,506	\$ 115,392
Infrastructure	647,597	(4,596)	30,783	673,784
Vehicles, machinery and equipment	55,243	(754)	5,405	59,894
Library's collections, furniture and equipment	5,101	(2,185)	1,640	4,556
	\$ 810,990	\$ (7,698)	\$ 50,334	\$ 853,626

CITY OF RICHMOND

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

Year ended December 31, 2013

12. Tangible capital assets (continued):

	Net book value December 31, 2013	Net book value December 31, 2012
Land	\$ 671,922	\$ 633,580
Buildings and building improvements	237,545	244,818
Infrastructure	887,272	881,594
Vehicles, machinery and equipment	35,470	33,045
Library's collection, furniture and equipment	4,835	4,092
Assets under construction	40,254	33,490
Balance, end of year	\$ 1,877,298	\$ 1,830,619

(a) Assets under construction:

Assets under construction, having a value of approximately \$40,254,000 (2012 - \$33,490,000), have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is approximately \$50,887,000 (2012 - \$12,784,000), comprised of infrastructure in the amount of approximately \$10,934,000 (2012 - \$9,838,000), land in the amount of approximately \$38,982,000 (2012 - \$2,946,000), and Library books in the amount of approximately \$971,000 (2012 - nil).

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital assets were 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) Writedown of tangible capital assets:

There were no writedowns of tangible capital assets during the year (2012 - nil).

CITY OF RICHMOND

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

Year ended December 31, 2013

13. Accumulated surplus:

	General Funds and Reserve	Water Utility Fund	Sanitary Sewer Utility Fund	Richmond Olympic Oval	Library Services	2013 Total	2012 Total
Investment in tangible capital assets	\$ 1,868,683	\$ -	\$ -	\$ 2,664	\$ 4,837	\$ 1,876,184	\$ 1,827,025
Reserves (note 14)	349,073	-	-	4,732	-	353,805	295,001
Appropriated surplus	148,209	3,595	7,047	577	131	159,559	150,895
Obligations to be funded	-	-	-	-	-	-	(4)
Surplus	12,674	15,229	9,186	1,065	187	38,341	28,839
Other equity	2,363	-	-	-	-	2,363	2,252
Balance, end of year	\$ 2,381,002	\$ 18,824	\$ 16,233	\$ 9,038	\$ 5,155	\$ 2,430,252	\$ 2,304,008

14. Reserves:

	2012	Change during year	2013
Reserve funds:			
Affordable housing	\$ 18,082	\$ 2,614	\$ 20,696
Arts, culture and heritage	-	4,379	4,379
Capital building and infrastructure	36,686	9,708	46,394
Capital reserve	78,254	23,580	101,834
Capstan station	-	3,862	3,862
Child care development	1,995	701	2,696
Community legacy and land replacement	16,681	(328)	16,353
Drainage improvement	27,948	7,607	35,555
Equipment replacement	16,579	1,241	17,820
Leisure facilities	3,177	374	3,551
Local improvements	6,428	99	6,527
Neighborhood improvement	6,011	324	6,335
Public art program	1,967	315	2,282
Sanitary sewer	33,672	3,561	37,233
Steveston off-street parking	282	5	287
Steveston road ends	1,347	(663)	684
Waterfront improvement	112	(8)	104
Watermain replacement	41,680	801	42,481
Oval	4,100	632	4,732
	\$ 295,001	\$ 58,804	\$ 353,805

CITY OF RICHMOND

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

Year ended December 31, 2013

15. Post-employment benefits:

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

	2013	2012
Balance, beginning of year	\$ 28,414	\$ 26,890
Current service cost	2,212	2,095
Interest cost	1,038	1,021
Amortization of actuarial loss	389	460
Benefits paid	(2,011)	(2,052)
Balance, end of year	\$ 30,042	\$ 28,414

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2013. The difference between the actuarially determined accrued benefit obligation of approximately \$31,135,000 and the liability of approximately \$30,042,000 as at December 31, 2013 is an unamortized net actuarial loss of \$1,093,000. This actuarial loss is being amortized over a period equal to the employees' average remaining service lifetime of 10 years.

	2013	2012
Actuarial benefit obligation:		
Liability, end of year	\$ 30,042	\$ 28,414
Unamortized actuarial loss	1,093	412
Balance, end of year	\$ 31,135	\$ 28,826

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

	2013	2012
Discount rate	3.50%	3.50%
Expected future inflation rate	2.00%	2.50%
Expected wage and salary range increases	2.50%	3.50%

CITY OF RICHMOND

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

Year ended December 31, 2013

16. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including the investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 179,000 active members and approximately 71,000 retired members. Active members include approximately 1,500 contributors from the City.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the year (defined contribution pension plan accounting). This is because Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

The City paid \$10,311,445 (2012 - \$9,970,567) for employer contributions to the Plan in fiscal 2013. Employees paid \$8,677,397 (2012 - \$8,324,541) for employee contributions to the Plan in fiscal 2013.

17. Commitments and contingencies:

(a) Joint and several liabilities:

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

(b) Lease payments:

In addition to the obligations under capital leases, at December 31, 2013, the City was committed to operating lease payments for premises and equipment in the following approximate amounts:

2014	\$	4,525
2015		4,472
2016		4,141
2017		4,032
2018 and thereafter		21,622

CITY OF RICHMOND

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

Year ended December 31, 2013

17. Commitments and contingencies (continued):

(c) Litigation:

As at December 31, 2013, 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:

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

(e) Contractual obligation:

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

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

The City is a shareholder of the Emergency Communications for Southwest British Columbia Incorporated (E-Comm) whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City has 2 Class A shares and 1 Class B share (of a total of 28 Class A and 23 Class B shares issued and outstanding as at December 31, 2013). As a Class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.

(g) Community Associations:

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

CITY OF RICHMOND

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

Year ended December 31, 2013

17. Commitments and contingencies (continued):

(h) Contingent liabilities:

The City has a contract with the federal government whereby the federal government provides Royal Canadian Mounted Police (RCMP) policing services. RCMP members and the federal government are currently in legal proceedings regarding pay raises for 2009 and 2010 that were retracted for RCMP members. As the final outcome of the legal action and the potential financial impact to the City is not determinable, the City has not recorded any provision for this matter in the consolidated financial statements as at December 31, 2013.

(i) Municipal Financing Authority:

City Council adopted Loan Authorization Bylaw No. 9075 on November 25, 2013 for the City to borrow up to \$50,815,000 for a maximum term of 30 years. Subsequent to year-end, the City obtained statutory approval from the Ministry of Community, Sport and Cultural Development of British Columbia and obtained consent from Metro Vancouver to proceed with the long-term borrowing from the Municipal Financing Authority for a term of 10 years. The Municipal Finance Authority issued the long-term debt to the City at a rate of 3.30%.

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.

	2013	2012
Richmond Community Associations	\$ 1,107	\$ 1,091

19. Collections for other governments:

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

	2013	2012
Province of British Columbia - Schools	\$ 133,660	\$ 128,610
Greater Vancouver Regional District and others	39,918	39,498
	\$ 173,578	\$ 168,108

CITY OF RICHMOND

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

Year ended December 31, 2013

20. Other revenue:

	2013	2012
Developer reserve contribution	\$ 9,248	\$ 8,534
Tangible capital assets gain on land	4,024	5,405
Taxes and fines	2,433	2,003
Parking program	1,994	1,566
Debt funding	1,291	1,180
Sponsorship	188	200
Donation	1,022	53
Other	2,896	4,245
	<u>\$ 23,096</u>	<u>\$ 23,186</u>

21. Segmented reporting:

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

Law and Community Safety brings together the City's public safety providers such as Police (RCMP), Fire-Rescue, Emergency Programs, and Community Bylaws, along with sections responsible for legal and regulatory matters. It is responsible for ensuring safe communities by providing protection services with a focus on law enforcement, crime prevention, emergency response, protection of life and properties, and legal services.

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

Engineering, Public Works and Project Development comprises of General Public Works, Roads and Construction, Storm Drainage, Fleet Operations, Engineering, Project Development, and Facility Management. The services provided are construction and maintenance of the City's infrastructure and all City owned buildings, maintenance of the City's road networks, managing and operating a mixed fleet of vehicles, heavy equipment and an assortment of specialized work units for the City operations, development of current and long-range engineering planning and construction of major projects.

Community Services comprises of Parks, Recreation, Arts, Culture and Heritage Services and Community Social Development. These departments ensure recreation opportunities in Richmond by maintaining a variety of facilities such as arenas, community centres, pools, etc. It designs, constructs and maintains parks and sports fields to ensure there is adequate open green space and sports fields available for Richmond residents. It also addresses the arts, culture, and community issues that the City encounters.

CITY OF RICHMOND

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

Year ended December 31, 2013

21. Segmented reporting (continued):

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, providing sound management of human resources, information technology, economic development, and City finance, and ensuring high quality services to Richmond residents.

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.

Richmond Olympic Oval 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.

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

Lulu Island Energy Company Ltd. (LIEC) was incorporated on August 19, 2013 under the Business Corporations Act of British Columbia as a municipal corporation wholly owned by the City of Richmond for the management of district energy utilities. There are no activities in 2013.

CITY OF RICHMOND

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

Year ended December 31, 2013

21. Segmented reporting (continued):

	Law and community safety	Utilities	Engineering, public works and project development	Community services	General government	Planning and development	Richmond Olympic Oval	Richmond Public Library	2013 Consolidated	2012 Consolidated
Revenues:										
Taxation and levies	\$ -	\$ -	\$ -	\$ -	\$ 176,283	\$ -	\$ -	\$ -	\$ 176,283	\$ 167,529
User fees	-	70,385	9,228	-	-	-	-	-	79,613	74,222
Sales of services	4,871	11,734	2,197	8,650	9,470	2,250	6,568	201	45,941	41,449
Payments-in-lieu of taxes	-	-	-	-	14,406	-	-	-	14,406	13,189
Provincial and federal grants	81	-	1,993	-	1,772	8	2,823	415	7,092	9,487
Development cost charges	-	396	2,183	3,839	5,312	-	-	-	11,730	10,480
Other capital funding sources	(40)	5,358	9,005	2,164	38,982	-	-	73	55,542	19,306
Other revenue from own sources:										
Investment income	-	697	-	-	12,793	-	-	-	13,490	17,144
Gaming revenue	599	-	1,400	-	15,633	-	-	-	17,632	15,585
Licenses and permits	227	-	87	-	3,525	5,339	-	-	9,178	8,734
Other	2,154	81	510	281	17,563	87	1,235	1,185	23,096	23,186
	7,892	88,651	26,603	14,934	295,739	7,684	10,626	1,874	454,003	400,311
Expenses:										
Wages and salaries	35,276	10,039	20,717	27,467	19,337	9,318	6,713	6,599	135,466	129,980
Supplies and materials	2,586	45,768	(3,402)	11,281	6,911	1,379	3,443	1,044	69,010	63,684
Amortization of tangible capital assets	2,438	7,157	21,936	5,047	10,883	923	310	1,640	50,334	49,566
Contract services	37,259	5,868	487	2,320	2,677	109	43	173	48,936	47,945
Public works maintenance	8	4,121	11,960	2,426	137	72	-	3	18,727	20,901
Interest and finance	22	949	-	2	1,459	-	-	6	2,438	4,495
Transfer from (to) capital for tangible capital assets	(2)	(332)	1,494	1,210	77	51	-	(84)	2,414	1,289
Loss (gain) on disposal of tangible capital assets	-	194	27	-	196	2	-	15	434	(423)
	77,587	73,764	53,219	49,763	41,677	11,854	10,509	9,396	327,759	317,437
Annual surplus (deficit)	\$ (69,695)	\$ 14,887	\$ (26,616)	\$ (34,819)	\$ 254,062	\$ (4,170)	\$ 117	\$ (7,522)	\$ 126,244	\$ 82,874

CITY OF RICHMOND

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

Year ended December 31, 2013

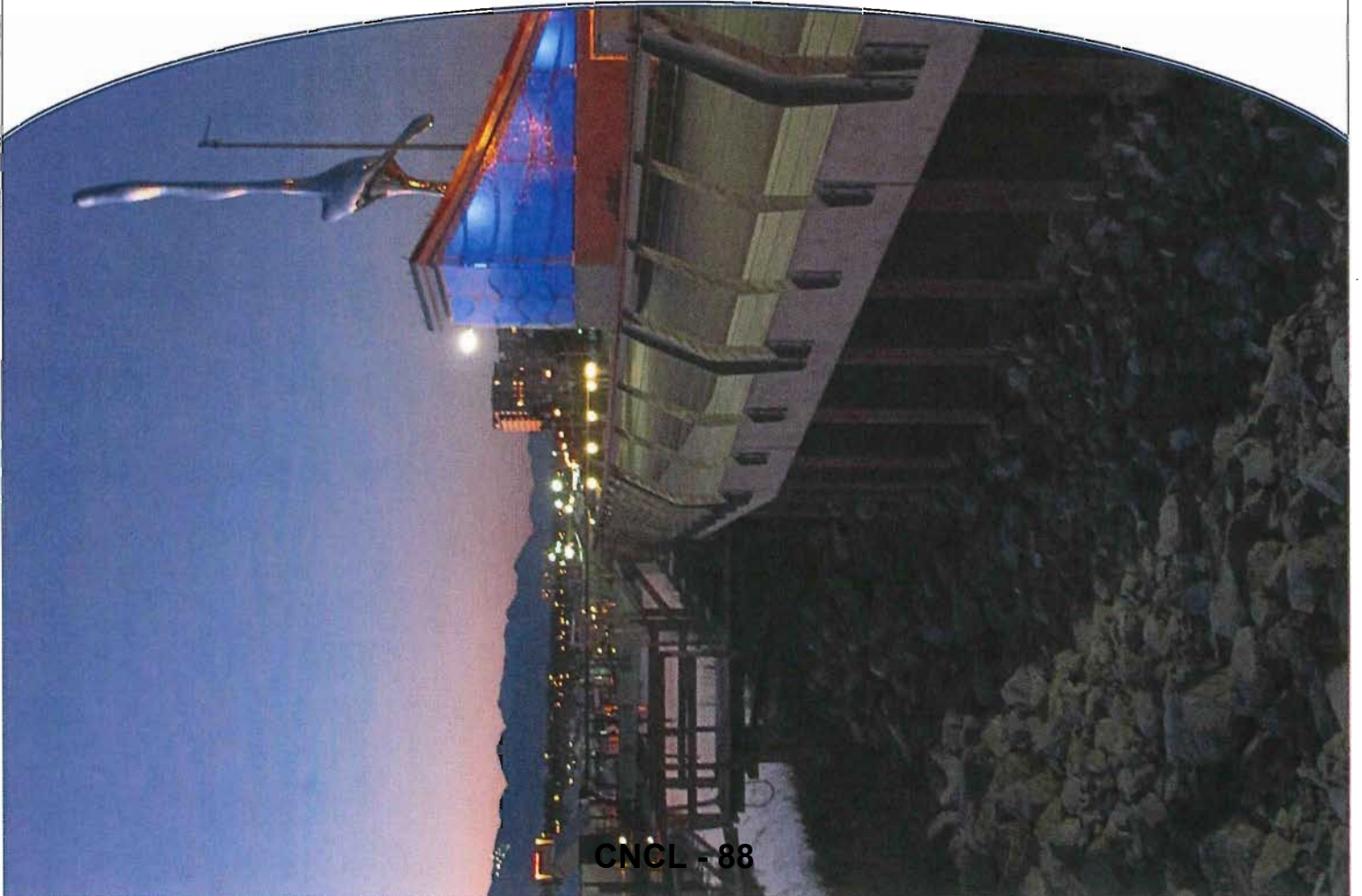
22. Budget data:

The budget data presented in these consolidated financial statements is based on the 2013 operating and capital budgets approved by Council on February 25, 2013 and the approved budget for Richmond Olympic Oval. Below is the reconciliation of the approved budget to the budget amount reported in these consolidated financial statements.

	Budget Amount
Revenues:	
Approved operating budget	\$ 392,829
Approved capital budget	169,290
Approved Oval budget	12,983
Less:	
Transfer from other funds	7,870
Intercity recoveries	39,195
Intercompany recoveries	3,145
Carried forward capital expenditures	97,522
Total revenue	427,370
Expenses:	
Approved operating budget	392,829
Approved capital budget	169,290
Approved Oval budget	11,432
Less:	
Transfer to other funds	16,047
Intercity payments	39,217
Intercompany payments	3,145
Capital expenditures	71,768
Debt principal payments	1,141
Carried forward capital expenditures	97,522
Total expenses	344,711
Annual surplus per statement of operations	\$ 82,659

2013 | City of Richmond

FINANCIAL STATEMENT DISCUSSION & ANALYSIS



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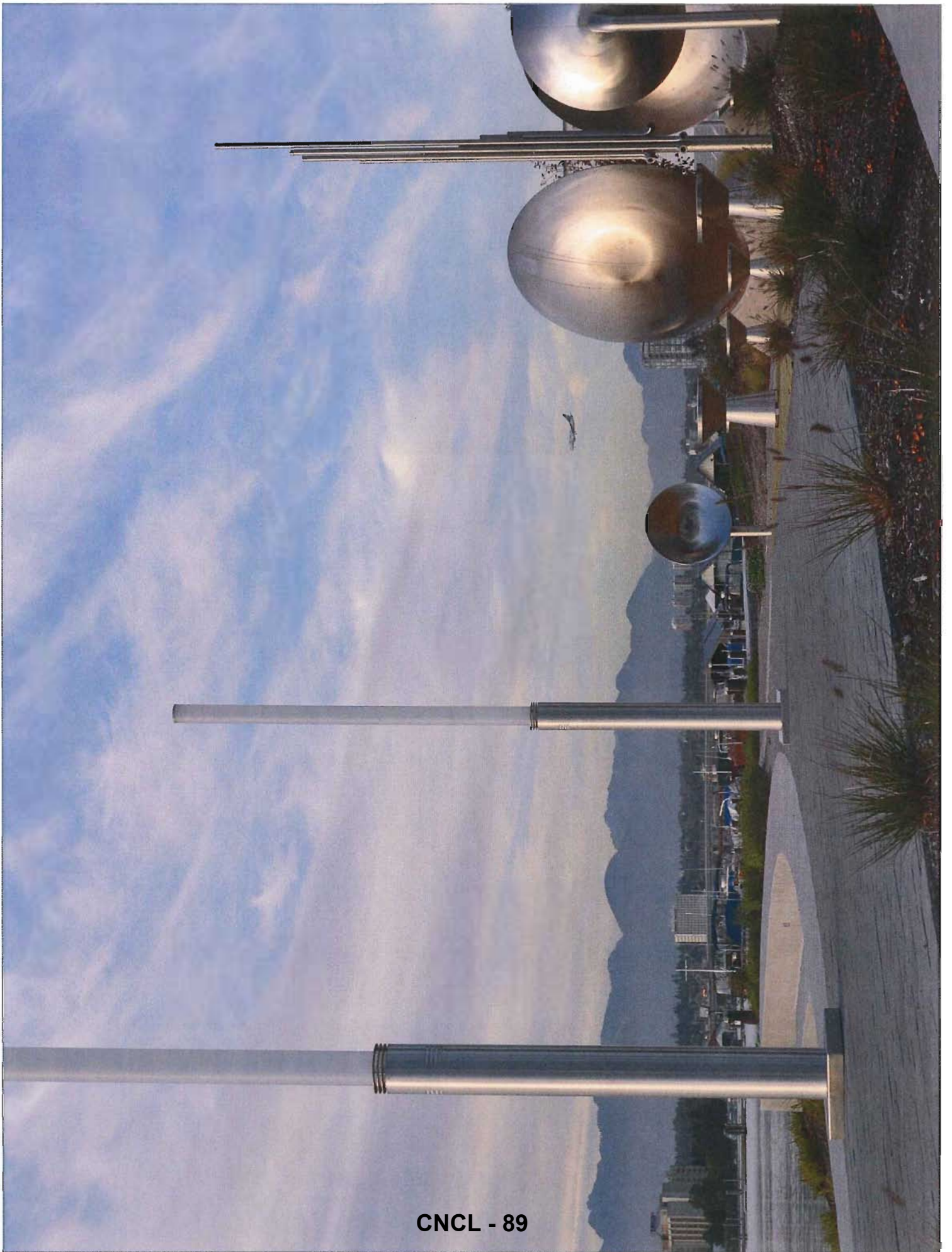


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Introduction

The Community Charter requires that annual audited financial statements be prepared and presented to Council. The City's audited consolidated financial statements for 2013 have been prepared in accordance with the generally accepted accounting principles for local governments, as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The Financial Statement Discussion and Analysis (FSD&A) provides a detailed analysis of the Consolidated Financial Statements. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis is intended to be read in conjunction with the 2013 audited Consolidated Financial Statements.

The Consolidated Financial Statements combine the accounts of the City of Richmond, Richmond Olympic Oval, Richmond Public Library and Lulu Island Energy Company Ltd. (LIEC). Further information about the basis of consolidation is listed in Note 2 to the Consolidated Financial Statements.

The Consolidated Financial Statements include the following individual statements:

- **Consolidated statement of financial position** summarizes the assets (financial and non-financial), liabilities, net debt, and accumulated surplus as at December 31st.
- **Consolidated statement of operations** outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, and reserve funds for the City and its consolidated entities, and provides the calculation of the City's accumulated surplus at year end.
- **Consolidated statement of changes in net financial assets** outlines the changes in net debt 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 is the municipal equivalent of the private sector's balance sheet. This statement focuses on the City's assets (financial and non-financial) and liabilities. The difference between the financial assets and liabilities is the City's net assets, which represents the amount available in the future.

The City maintained its strong financial position in 2013 allowing flexibility and financial sustainability well into the future.

- Financial Assets increased by \$119.6M to \$808.2M
- Liabilities increased by \$39.7M to 259.2M
- Net financial assets increased by \$79.8M to \$549.0M
- Non-financial assets increased by \$46.4M to \$1.9B
- Accumulated surplus increased by \$126.2M to \$2.4B

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

Financial Assets

Cash and cash equivalents

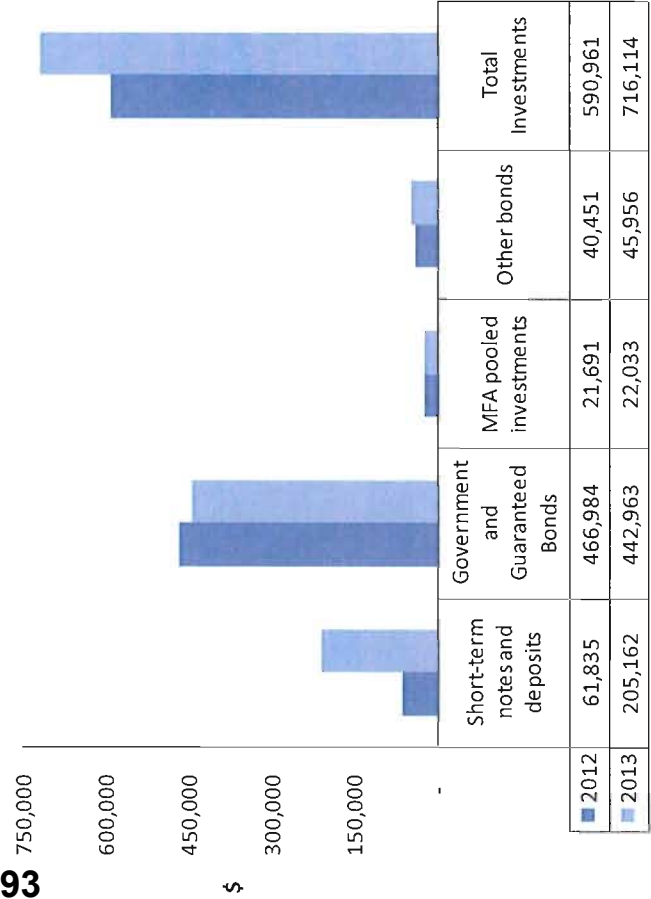
Cash and cash equivalents decreased by \$11.3M to \$38.4M mainly due to the timing of expenditures.

Investments

Investments increased by \$125.2M to \$716.1M primarily due to the timing of capital expenditures. Reserves increased \$58.8M, development cost charges increased by \$24.7M, deposits and holdbacks increased \$11.2M.

The increase in investments is mainly in the short-term notes and deposits.

Investment Portfolio by Type



Accrued interest receivable

Accrued interest receivable increased by \$0.1M.

Accounts receivable

Accounts receivable decreased by 13.5% to \$19.6M (2012 – 22.7M) due primarily to a reduction in other trade receivables of \$2.9M and grants relating to capital projects of \$1.7M.

Accounts Receivable (\$000's)	2013	2012	Change
Water and sewer utilities	8,949	8,130	819
Casino revenues	4,292	3,580	712
Capital grant	1,350	3,054	(1,704)
Other trade receivables	5,034	7,918	(2,884)
Total	\$19,625	\$22,682	\$(3,057)

Taxes receivable

Taxes receivable increased by \$0.3M to \$9.2M.

Development fees receivable

Developments fees receivable rose by \$8.5M to \$21.4M due to increased development activity. Development cost charges can be paid in instalments where equal instalments are paid at the originating date, and at the one and two year anniversary dates. A letter of credit is held for the receivable balance.

Debt reserve fund

The debt reserve fund decreased by \$0.2M.

Liabilities

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased \$7.8M to \$83.1M. The increase is mainly due to trade and other liabilities, notably the accrual for the 4th quarter RCMP contract invoice.

Deposits and holdbacks

Deposits and holdbacks increased by \$11.2M to \$51.8M primarily due to security deposits increasing by \$8.4M. This amount represents deposits that may in the future become development cost charge contributions. The remaining increase is for other deposits relating to general activities.

Deposits and Holdbacks (\$000's)	2013	2012	Change
Security deposits	35,859	27,490	8,369
Developer contribution	6,164	6,002	162
Contract holdbacks	1,598	1,667	(69)
Transit Oriented Development	1,523	1,523	0
Other	6,697	3,987	2,710
Total deposits and holdbacks	\$51,841	\$40,669	\$11,172

Deferred revenue

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

Deferred revenues decreased by \$1.4M mainly due to the reduction in capital grants of \$1.2M. The remaining balance relates to offsetting activity in taxes and utilities, and timing of building permit and business license revenue recognition.

Development cost charges

The development cost charge balance of \$87.2M (2012 - \$62.5M) represents the total balance including fees collected and receivable. These amounts are restricted and may only be used on authorized capital expenditures.

Contributions of \$35.4M were received in 2013 which was an increase of \$15.7M from the previous year due to increased development activity.

Development Cost Charges (\$000's)	2013	2012	Change
Balance, beginning of year	62,547	52,379	10,168
Contributions	35,424	19,772	15,652
Interest	971	876	95
Revenue recognized	(11,730)	(10,480)	(1,250)
Balance, end of year	\$87,212	\$62,547	\$24,665

The \$87.2M balance includes amounts that have been allocated to active capital projects but that remain unspent. At December 31st, there is \$22.6M (2012 - \$15.1M) committed to active capital projects. Additional funding of \$19.7M was approved as part of the 2014 Capital Budget.

Liabilities

Obligations under capital leases

There were no new capital leases entered into during 2013.

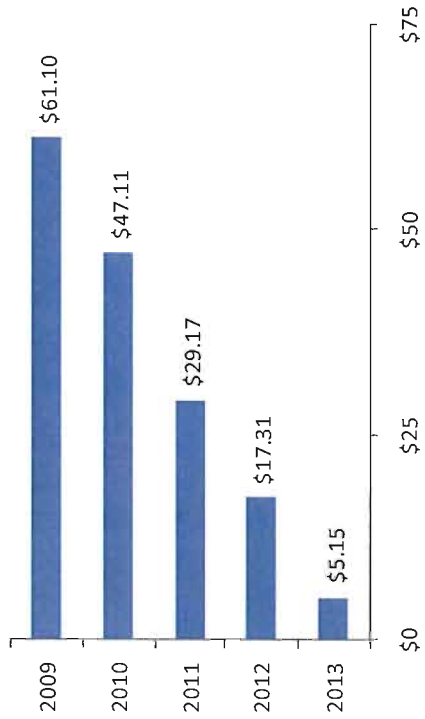
Debt, net of MFA sinking fund deposits

Debt decreased by \$2.4M to \$1.1M (2012 - \$3.5M). During 2013, the No. 2 Road and the Sewer Debt were fully repaid. The original borrowings in 1993 were \$17.6M and \$1.0M respectively.

The current \$1.1M balance relates to debt obtained for Terra Nova property acquisitions and will be fully repaid in 2014.

The debt per capita has decreased over the past 5 years as no additional debt was obtained. The debt per capita as at December 31, 2013 was \$5.15.

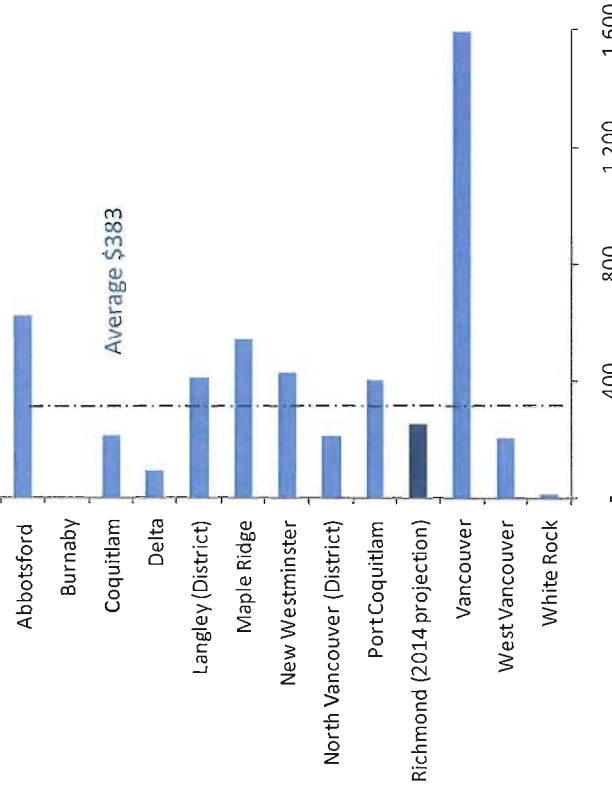
City of Richmond Debt Per Capita 2009-2013



Due to the low interest rate environment, the City obtained approval to borrow an additional \$50.8M of long-term debt in 2014 for the Integrated Older Adults' Centre, Aquatic Centre and Minoru Pavilion. The debt is for a term of 10 years and at a rate of 3.30% for the duration of the term.

The addition of \$50.8M debt will result in an estimated debt per capita figure of approximately \$253 per person. This is still below the 2012 regional average of \$383.

Debt Per Capita by City



- Source data obtained from the Ministry of Community Sport & Cultural Development - 2012 Local Government Statistics
- Richmond figure adjusted to reflect 2013 balance plus an additional \$50.8M debt borrowed in April 2014

Non-Financial Assets

Tangible Capital Assets

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

Tangible capital assets increased by \$46.7M to \$1.9B. The \$46.7M change is a result of \$98.3M of asset additions, less net disposal of \$1.3M and amortization of \$50.3M.

Tangible Capital Assets (\$000's)	2013	2012	Change
Land	671,922	633,580	38,342
Buildings and improvements	237,545	244,818	(7,273)
Infrastructure	887,272	881,594	5,678
Machinery and equipment	35,470	33,045	2,425
Library's collections, furniture and equipment	4,835	4,092	743
Assets under construction	40,254	33,490	6,764
Total	\$1,877,298	\$1,830,619	\$46,679

Land increased by \$38.3M due to land received through development valued at \$39.0M and offset by dispositions.

Buildings decreased by \$7.3M due mainly to amortization expense of \$12.5M and offset by additions of \$5.4M.

Infrastructure increased by \$5.7M due to additions of \$36.7M including contributed assets of \$10.9 received through development, offset mainly by \$30.8M of amortization expense.

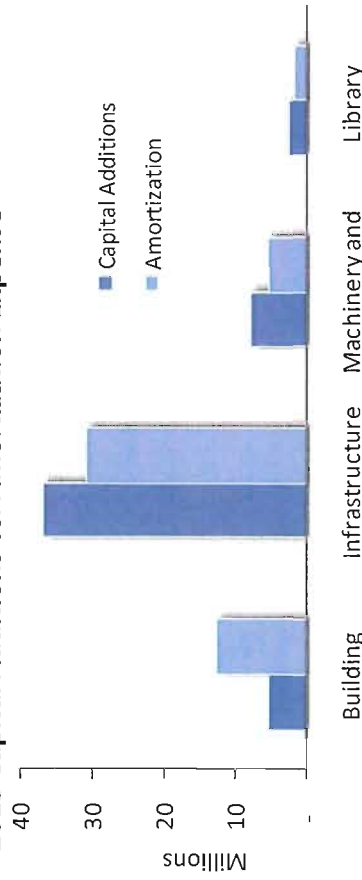
Machinery and equipment increased by \$2.4M due to additions of \$7.8M less amortization of \$5.4M.

Library's collections, furniture and equipment increased by \$0.7M mainly due to additions of \$2.4M including a donation of 26,105 Chinese language books valued at \$0.97M, and offset by \$1.6M amortization expense.

Assets under construction increased due to the timing of project completion.

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2013 Capital Additions vs. Amortization Expense



Inventory of materials and supplies

Inventory increased by \$0.1M.

Prepaid expenses

Prepaid expenses decreased by \$0.4M to \$1.6M due to the net utilization of expenses.

Accumulated Surplus

Accumulated Surplus is equivalent to the net worth of an organization. The accumulated surplus increased by \$126.2M to \$2.4B. The annual increase is presented on the Statement of Operations.

Accumulated Surplus (\$000's)	2013	2012	Change
Investment in TCA	1,876,184	1,827,025	49,159
Reserves	353,805	295,001	58,804
Appropriated Surplus	159,559	150,895	8,664
Obligation to be funded	0	(4)	4
Surplus	38,341	28,839	9,502
Other equity	2,363	2,252	111
Total	\$2,430,252	\$2,304,008	\$126,244

Investment in Tangible Capital Assets

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

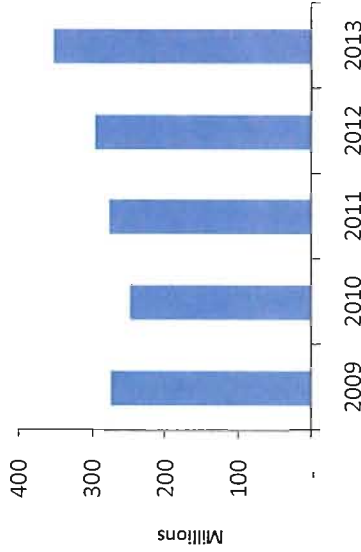
This balance is based on the historical cost of the asset net of accumulated amortization in accordance with accounting standards. This does not reflect market value or replacement value of the assets.

The investment in tangible capital asset balance increased by \$49.2M to \$1.9B. This is the net activity of asset additions of \$98.3M, amortization of \$50.3M, disposals and debt reduction.

Reserves

Reserves are established by Bylaw for specific purposes, mainly capital expenditures. The balance of \$353.8M includes amounts that have been approved for expenditure but remain unspent as at December 31 as prescribed by accounting standards. The uncommitted reserve balance is \$246.1M (2012 - \$207.0M).

Reserve Balance 2009-2013



The increase in the reserve balance is mainly attributable to the reduced amount spent on capital \$19.4M (2012 - \$47.0M) due to the timing and nature of the projects undertaken.

From the available \$246.1M, \$107.0M has been approved for the 2014 Capital Budget. The 2014 contributions will partially offset this allocation and are expected to result in an overall uncommitted reserve balance that is in line with the previous years' balances.

Accumulated Surplus

Appropriated Surplus

Appropriated surplus is internally restricted for specific purposes and its use requires Council authorization. The balance increased by \$8.7M to \$159.6M mainly due to the gaming revenue surplus of \$5.3M and the allocation of RCMP surplus of \$2.3M for future contract costs.

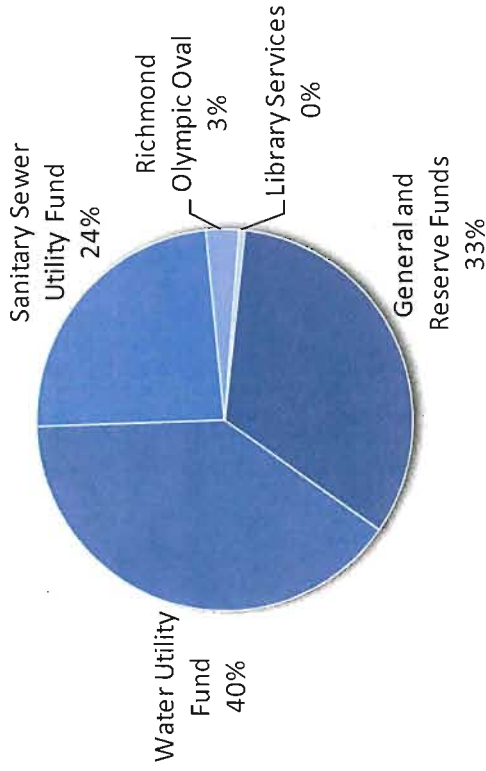
Surplus

The surplus increased by \$9.5M to \$38.3M. This increase includes a \$5.0M internal repayment from gaming revenue relating to the construction of the Richmond Olympic Oval. The final payment of \$5.0M will be made in 2014 for a total of \$50.0M.

The remaining increase relates mainly to the current year operating surplus of \$5.5M, repayments from the roads development cost charges of \$1.9M, the Oval operating surplus of \$0.7M, less the transfer of the previous year's operating surplus to the Rate Stabilization Provision of \$3.7M in accordance with Council direction.

The surplus balance is comprised of multiple funds and entities. The balance represents the cumulative activity since the inception of the fund or entity. The distribution is shown in the following graph.

Surplus Distribution



Obligations to Be Funded and Other Equity

Obligations to be funded and other equity increased by \$0.1M to \$2.4M.

Consolidated Statement of Operations

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

The 2013 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash requirement" basis and amounts recorded in these financial statements on a "full accrual" basis.

Note 22 outlines the adjustments to the approved budget, particularly exclusion of intercity and intercompany payments, principal payments, transfers to other funds and tangible capital asset purchases. These adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The accrual based budget typically results in a surplus, as the City must fund reinvestment in assets at amounts greater than their historical cost.

Revenues

Total revenues were \$454.0M compared to \$400.3M from the previous year.

	2013 Budget	2013 Actual	Variance
Revenues (\$000's)			
Taxation and levies	174,825	176,283	1,458
Utility fees	74,321	79,613	5,292
Sales of services	40,366	45,941	5,575
Licences and permits	7,537	9,178	1,641
Investment income	16,792	13,490	(3,302)
Payments in lieu of taxes	13,199	14,406	1,207
Provincial and federal grants	7,256	7,092	(164)
Gaming revenue	12,364	17,632	5,268
Development cost charges	1,280	11,730	10,450
Other capital funding sources	71,768	55,542	(16,226)
Other	7,662	23,096	15,434
Total	\$427,370	\$454,003	\$26,633

Taxation and levies had a favourable variance of approximately 1% due to growth of the assessment base.

Utility fees' favourable variance is mainly due to additional water consumption relative to budget.

Sales of service and licences and permits had favourable variances mainly due to increased development activity.

Investment income variance from budget is due to the low interest rate environment coupled with limited gains.

Payments in lieu of taxes had a positive variance due to increases in the grant roll.

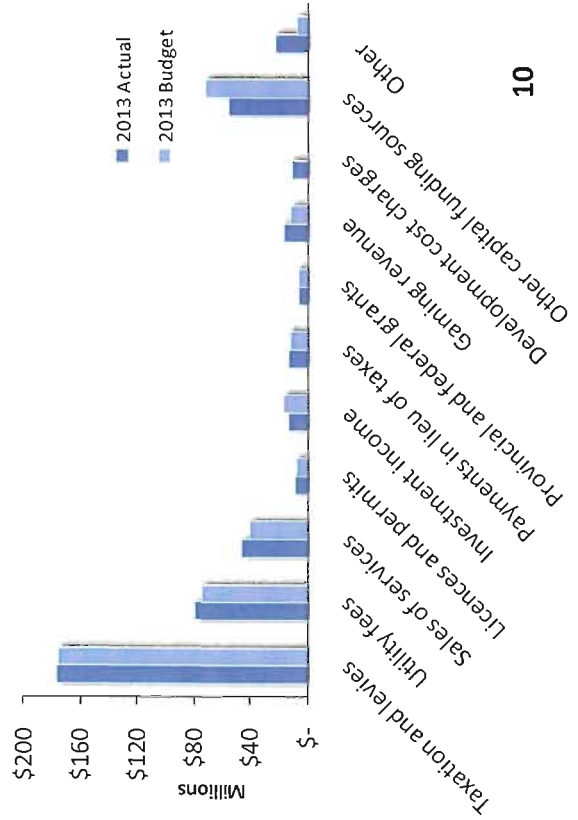
Provincial and federal grants were on budget.

Gaming revenue had a large variance due to increased revenues at River Rock Casino. Any surplus gaming revenue is transferred to the Gaming provision account.

Development cost charges and other capital funding variances are a result of the timing of capital expenditures. These revenues are recognized when capital expenditures are made.

Other revenue had a favourable variance due to development activity and gain on disposal of land.

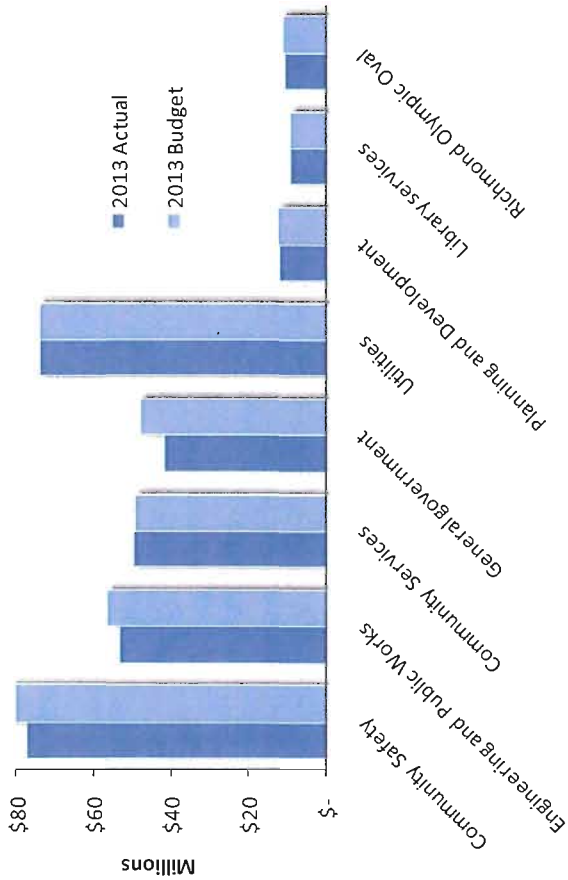
2013 Revenue Distribution by Source



Expenses

Total expenses were \$327.8M compared to \$317.4M from the previous year.

2013 Expenses by Function



The budgeted expenses were \$344.7M. The variance of \$16.9M is prior to any transfers to provision/reserve.

Law and Community Safety had a positive variance mainly due to RCMP contract savings from the Health Modernization Initiative and officer complement, and Fire Rescue staff vacancies. The RCMP variance of \$2.26M was appropriated for potential settlement of future RCMP contract costs.

Engineering and Public Works variance is mainly due to deferred programs to be completed in 2014.

Community Services had an unfavourable variance due to the re-classification of current year expenses from capital. These items were budgeted in capital. The re-classification had no impact to operating surplus.

General government had a favourable variance for the year due to vacancies, and savings on contract and training costs.

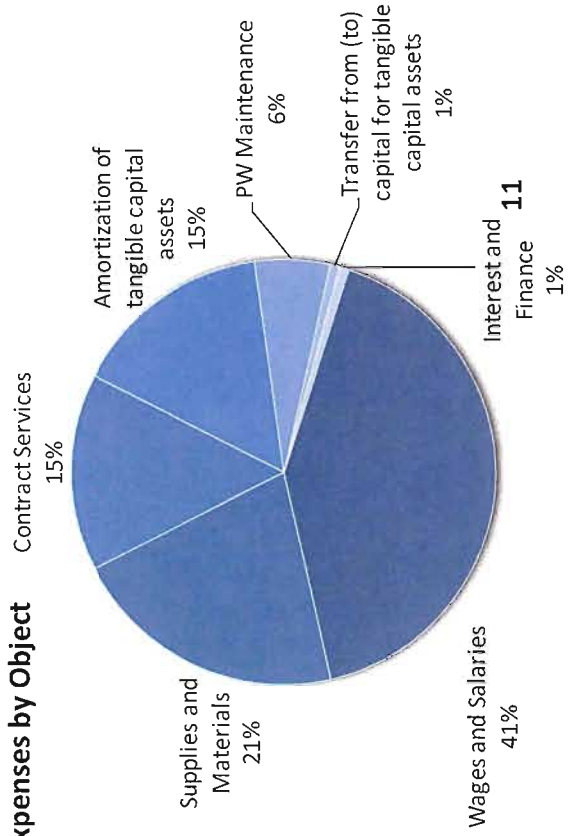
Utility expenses were on budget for the year.

Planning and Development had a moderate variance due to vacancies.

Library had a favourable variance mainly due to savings on employee post employment expenses.

Richmond Olympic Oval had a favourable variance mainly due to unallocated contingencies.

2013 Expenses by Object



Annual Surplus

The 2013 annual surplus of \$126.2M is calculated as the difference between revenues and expenses. The annual surplus is reflected in the year over year change in the accumulated surplus on the Statement of Financial Position.

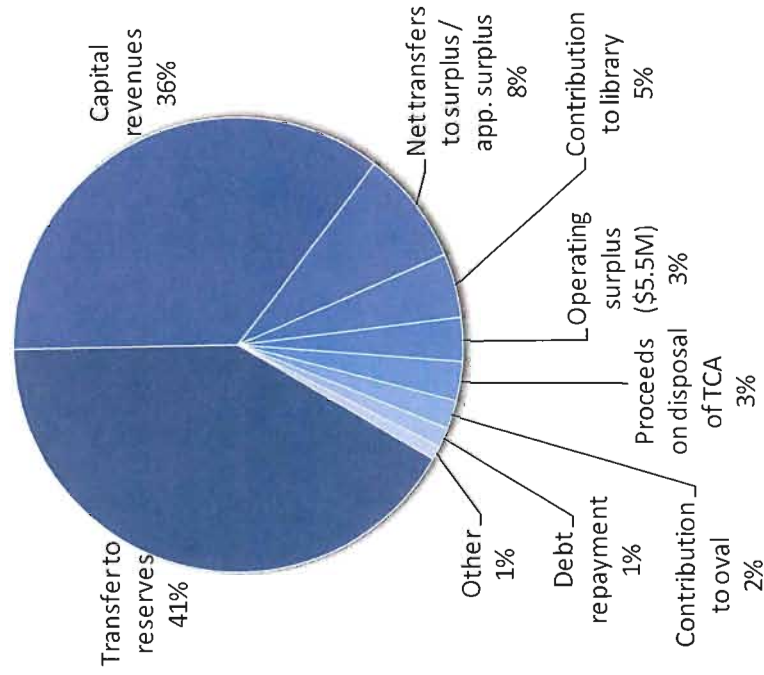
The annual surplus as presented in the financial statements is different from surplus in the context of the operating surplus. The primary difference is that the annual surplus does not reflect contributions to and from reserves, principal payments on debt and capital contributions. Another important distinction is that the annual surplus as presented in the financial statements is consolidated and includes the results for other funds and entities.

The 2013 operating surplus of \$5.5M is one component of the 2013 annual surplus of \$126.2M. The remaining portion of the annual surplus relates to transactions that impact the capital equity, reserves, appropriated surplus and other accumulated surplus items.

The following chart details the distribution of the items that comprise the annual surplus. Note that the annual operating budget surplus of \$5.5M is included in the total distribution and comprises 3% of the adjusted annual surplus figure.

Transfers to reserves is the largest component at 41% of the annual surplus. This includes budgeted transfers that are eliminated from the financial statement budget presentation (the details are in note 22), contributions to reserves collected through development and other transfers.

Capital revenues comprise 36% of the total annual surplus. This amount is comprised of contributed assets and a portion of development cost charges and external grant funding relating to capital projects.



Consolidated Statement of Changes in Net Financial Assets

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

An important measure of any government's financial condition is its Net 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 Assets as at December 31, 2013 increased by \$79.8M to \$549.0M (2012 - \$469.2M). This increase is primarily due to the City's annual surplus during 2013, and is reflected in the reserves, appropriated surplus and surplus balances.

Consolidated Statement of Cash Flows

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

The City's cash and cash equivalents decreased by \$11.3M to \$38.4M while investments increased by \$125.2M to \$716.1M. The increase in investments largely reflects the increases in capital and operating reserves.

In 2013, cash provided by operating activities was \$158.9M, compared to \$128.3M in 2012.

Cash used in capital activities was \$42.5M, compared to \$59.9M in 2012, and includes:

- Additions to capital assets of \$47.4M
- Proceeds from sale of tangible capital assets of \$4.9M

Cash used in investing activities was \$125.2M, compared to \$27.8M in 2012.

Cash provided by financing activities was \$2.5M, compared to \$2.8M in 2012.

Ratio Analysis

Ratio analysis enables the readers of financial reports not only to interpret the financial reports but also to also assess the quality of financial management.

The following ratio analysis was conducted as recommended by the Statement of Recommended Practice SOPR-4 “Indicators of financial condition” issued by the Canadian Institute of Chartered Accountants.

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

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

The following table presents the ratio analysis for the three-year period 2011-2013:

	2013	2012	2011
Sustainability ratios:			
Assets to liabilities (times)	10.9	11.6	11.2
Financial assets to liabilities (times)	3.1	3.1	2.8
Net debt to total revenues	0.5%	1.2%	1.8%
Net debt to the total assessment	0.0%	0.0%	0.0%
Expenses to the total assessment	0.5%	0.6%	0.6%
Flexibility ratios:			
Public debt charges to revenues	0.0%	1.1%	1.2%
Net book value of capital assets to cost	69.0%	69.7%	70.4%
Own source revenue to the assessment	0.7%	0.7%	0.8%
Vulnerability ratios:			
Government transfers to total revenues	1.6%	2.6%	1.9%

-All ratios calculated based on 3 year average

An explanation of each of the ratios is provided below.

Assessment of sustainability

- Assets to liabilities, indicates sustainability by the extent to which the government entity finances its operations by issuing debt. A higher ratio indicates a greater ability to cover liabilities.
- Financial assets to liabilities, indicates sustainability by the degree that future revenues are required to pay for

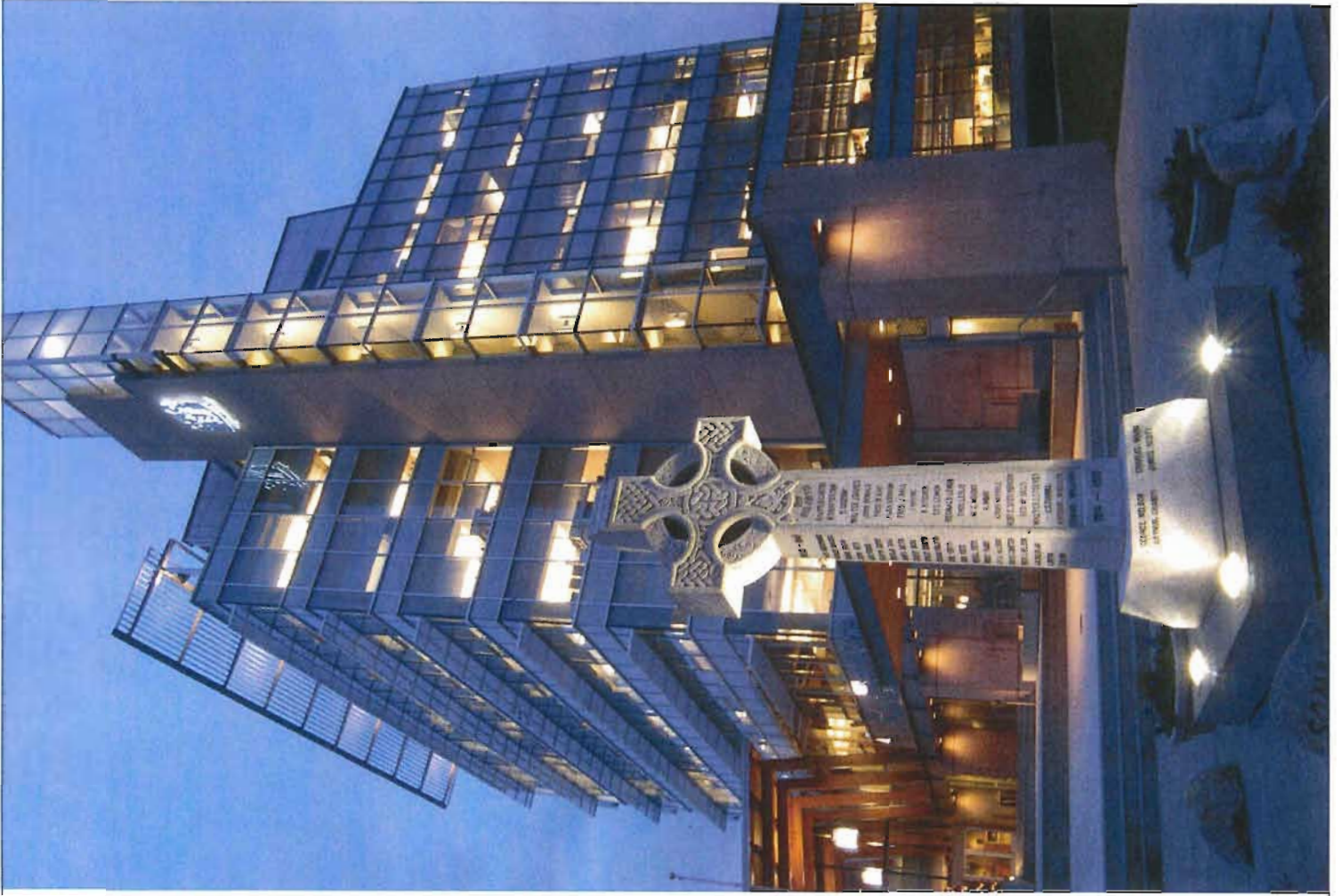
past transactions and events. A higher ratio indicates a greater ability to cover liabilities.

- 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.
- 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.



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

The following section highlights:

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

The term goals help guide the development and implementation of the City's work programs and operations during the term of office. The following are the 2011-2014 Council Term Goals:

1. Community Safety

Ensure Richmond remains a safe and desirable community to live, work and play in, through the delivery of effective public safety services that are targeted to the City's specific needs and priorities.

2. Community Social Services

Develop and implement an updated social services strategy that clearly articulates and communicates the City's roles, priorities and limitations with respect to social services issues and needs.

3. Economic Development

Enhance the City's economic well being and financial sustainability through the development and implementation of strategies and initiatives that lead to long-term business retention, expansion and attraction by clearly defining the businesses and industries we want to attract and retain; placing a stronger focus on tourism and Asia Pacific Gateway business development opportunities; and incorporating a broad business community engagement model.

4. Facility Development

Ensure provision of quality public facilities and amenities in Richmond that keep pace with the rate of growth, through implementation of an updated comprehensive Facility Development Plan that includes an analysis of existing facilities, the identification of required new facilities, and the recommended timing, financial strategies and public process for implementing the plan.

5. Financial Management

Develop and implement effective and innovative financial policies and strategies that help the City to successfully manage the challenges of tough economic times, while taking advantage of financial opportunities, and balance current and long term financial needs.

6. Intergovernmental Relations

Strengthen relationships with other levels of government and government agencies to ensure City needs and priorities are well represented, understood and proactively advanced.

7. Managing Growth and Development

Ensure effective growth management for the City, including the adequate provision of facility, service and amenity requirements associated with growth.

8. Sustainability

Demonstrate leadership in sustainability through continued implementation of the City's Sustainability Framework.

Term Goals

9. Arts and Culture

Continue to support the development of a thriving, resilient and diverse cultural sector and related initiatives in creating a vibrant healthy and sustainable City.

10. Community Wellness

Continue to collaborate with community organizations and agencies to optimize resources in the implementation of the City's adopted Wellness Strategy.

11. Municipal Infrastructure Improvement

Continue to invest in the City's infrastructure networks and systems in a manner that meets community needs and responds to the issues of aging components of the system, growth related capacity issues and the requirements due to changing climate and environmental impacts.

12. Waterfront Enhancement

Place greater emphasis on protecting and enhancing the City's waterfront while successfully integrating a balance between urban development, public access and events, and a healthy river environment.

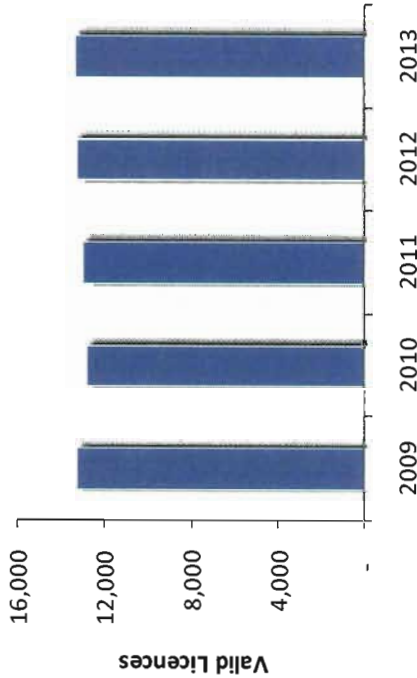
13. A Well Informed Public

Ensure a well informed public regarding Council priorities, activities and achievements.

Business Licences

The number of new business licences issued in Richmond increased from 2012 by 4.3% or 1,571 while the total number of business licences issued in 2013 edged up 0.3%, with 13,371 and 13,336 licences issued in 2013 and 2012 respectively.

Business Licences 2009-2013



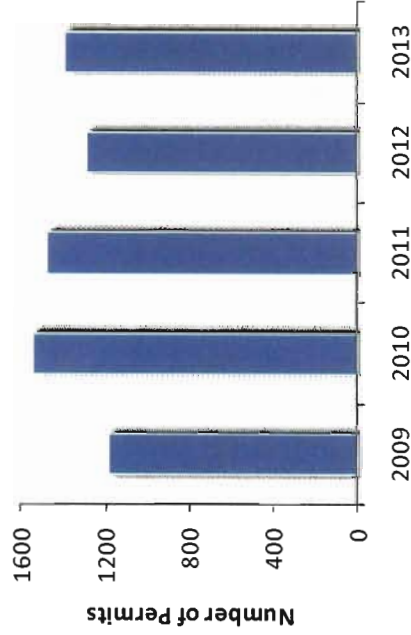
Housing Activity

Richmond house prices increased 7.1%, with a 2013 detached median house price of \$1,242,000. The total number of sales increased year-over-year by 28% to 3,619.

In 2013, the total number of building permits issued was 1,393 which was a 7% increase from 2012. Overall, the building

permit fees collected increased by 28% reflecting the greater proportion of multi residential applications. The actual permit fees collected for 2013 was \$7.1M.

Building Permits 2009-2013



The construction value of permits issued in 2013 was \$679.1M, which is an increase of approximately 49% from 2012.

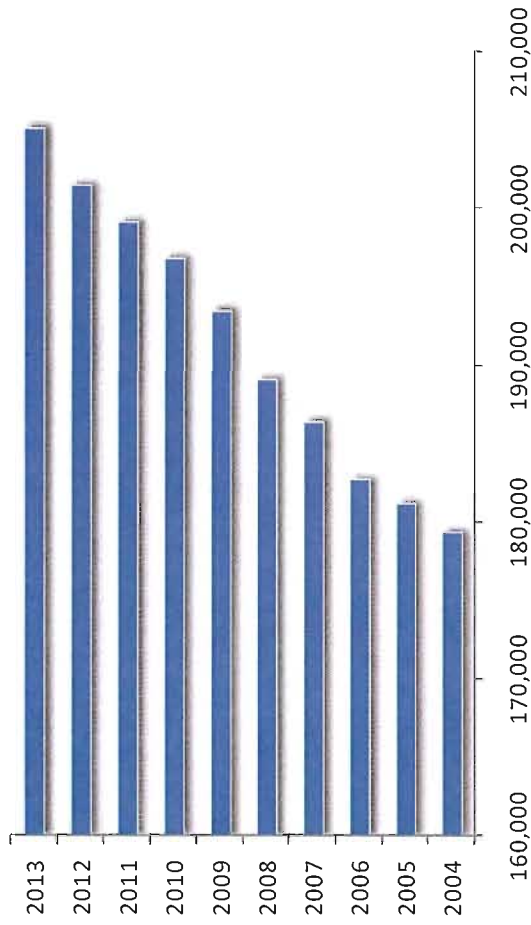
The number of development applications received in 2013 was the same as 2012 at 206 applications. Total fees collected in 2013 decreased by 13% compared to 2012.

Environment

Population

Richmond's current population is estimated at 205,133¹, which is a 1.82% increase from 2012. Richmond has had an average population growth rate of about 1.5% per year over the period of 2006 to 2012 and is the fourth most populous municipality in the Greater Vancouver region.

Richmond Population 2004-2013



¹City of Richmond Projections (with Urban Futures Inc.)



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Services

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

- Performing land use and transportation planning, building approvals, property use administration and zoning.
- Providing and maintaining roads, dykes, water and sewerage systems, drainage and irrigation systems.
- Providing sanitation and recycling services.
- Providing for the safety and protection of its citizens by maintaining a police force, fire-rescue services, bylaw enforcement, emergency programs and environmental programs.
- Providing for the recreational and cultural needs of its citizens by: funding library services; and building and maintaining recreational and cultural facilities, including pools, arenas, community centres, art centres, a theatre and numerous heritage sites.
- Designing, constructing, and maintaining a recreational trail system and a system of parks with playing fields, playgrounds, and various amenities including tennis courts 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 advice, services and information to Council, staff and the public.
- Working to safeguard and enhance the livability and social, financial, and environmental sustainability of our community and surrounding environment.
- Representing the interests of our citizens on various regional bodies responsible for providing services such as transit, drinking water, waste disposal, and air quality monitoring and reporting.

These services are provided through the use of funds as approved by Council in the 2013 operating, capital and utility budgets.

	2011	2012	2013
Population Growth (per annum)	1.10%	1.20%	1.82%
Capital construction costs (\$mil) ¹	\$75.16	\$80.58	\$71.77
City Grants	\$541,507	\$707,664	\$747,995
Registration in Recreation Programs	122,784	129,526	126,410
RCMP Calls for Services	72,423	70,861	68,484
Fire Rescue Responses	9,141	9,596	9,710

¹This figure represents the amended capital budget excluding internal transfers and debt repayment

Conclusion

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

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

The Consolidated Financial Statements and FSD&A provide details about past activity and the balances at December 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 2014 – 2018 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>