



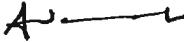
City of Richmond

Report to Committee

To: Finance Committee **Date:** April 16, 2015
From: Andrew Nazareth **File:** 03-0905-01/2015-Vol
General Manager, Finance and Corporate Services 01
Re: **2014 Consolidated Financial Statements**

Staff Recommendation

That the City's audited consolidated financial statements for the year ended December 31, 2014 be approved.


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

Att. 2

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER	
	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 
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 2014 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 from the operating and capital funds that 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**.

Financial Impact

2014 Consolidated Statement of Financial Position

Highlights of the 2014 consolidated statement of financial position:

- \$2.6B – Accumulated surplus (net worth)
 - \$1.9B – Net book value of tangible capital assets
 - \$374.9M – Reserve balance, including \$161.5M committed towards active capital projects
 - \$184.6M – Appropriated surplus for future commitments
- \$602.6M – Net financial assets
 - \$864.7M – Cash and investments
 - \$50.8M – Net debt

The financial position of the City is strong as accumulated surplus increased in 2014 by \$123.9 million to \$2.6 billion and the net financial assets increased by \$53.6 million to \$602.6 million.

2014 Consolidated Statement of operations

Highlights of the 2014 consolidated statement of operations:

- \$123.9 million – Annual surplus (the increase in net worth which includes the increase in capital equity, reserves, appropriated surplus and surplus). The 2014 annual surplus is comprised of:
 - \$70.6M increase in investment in capital assets
 - \$25.1M increase in appropriated surplus for future commitments
 - \$21.1M increase in the reserve balance
 - \$5.7M for the City's 2014 operating surplus
- \$484.8 million total revenues
 - \$183.7M taxation and levies
 - \$93.2M utility fees
 - \$43.8M contributed assets through development
 - \$32.8M sales of services
- \$360.9 million total expenses
 - \$142.2 million wages and benefits
 - \$57.9 million contract services
 - \$53.9 million supplies and materials
 - \$52.1 million amortization expense

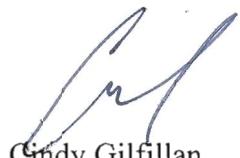
The consolidated revenues exceeded expenses by \$123.9 million. Revenues increased by \$29.9 million to \$484.8 million and expenses increased by \$32.3 million to \$360.9 million.

An 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 2014 audited consolidated financial statements.

Conclusion

The financial statements are legislated reporting requirements and staff recommend that they be approved. 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, 2014, 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)

CG:cg

Att. 1: 2014 City of Richmond Consolidated Financial Statements
2: 2014 Financial Statement Discussion and Analysis

Consolidated Financial Statements of

CITY OF RICHMOND

Year ended December 31, 2014

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, 2014 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, 2014, 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, 2014, with comparative figures for 2013

	2014	2013
Financial Assets		
Cash and cash equivalents	\$ 22,053	\$ 38,368
Investments (note 3)	842,642	716,114
Accrued interest receivable	5,363	3,224
Accounts receivable (note 4)	28,071	19,422
Taxes receivable	7,481	9,447
Development fees receivable	25,360	21,405
Debt reserve fund - deposits (note 5)	708	200
	<u>931,678</u>	<u>808,180</u>
Liabilities		
Accounts payable and accrued liabilities (note 6)	88,331	83,204
Development cost charges (note 7)	82,965	87,212
Deposits and holdbacks (note 8)	65,103	51,841
Deferred revenue (note 9)	41,823	35,870
Debt, net of MFA sinking fund deposits (note 10)	50,815	1,056
	<u>329,037</u>	<u>259,183</u>
Net financial assets	602,641	548,997
Non-Financial Assets		
Tangible capital assets (note 11)	1,947,102	1,877,298
Inventory of materials and supplies	2,415	2,363
Prepaid expenses	1,950	1,594
	<u>1,951,467</u>	<u>1,881,255</u>
Accumulated surplus (note 12)	\$ 2,554,108	\$ 2,430,252

Commitments and contingencies (note 16)

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, 2014, with comparative figures for 2013

	Budget 2014	2014	2013
(notes 2(m) and 22)			
Revenue:			
Taxation and levies	\$ 183,822	\$ 183,687	\$ 176,283
Utility fees	90,428	93,201	90,540
Sales of services	28,707	32,809	34,959
Payments-in-lieu of taxes	13,473	14,546	14,406
Provincial and federal grants	6,782	7,480	7,092
Development cost charges		18,765	11,730
Other capital funding sources	192,122	51,667	55,542
Other revenues:			
Investment income	16,790	16,568	13,490
Gaming revenue	14,908	21,047	17,632
Licenses and permits	7,704	9,819	9,241
Other (note 19)	57,393	35,194	23,947
	612,129	484,783	454,862
Expenses:			
Law and Community safety	87,025	83,820	77,649
Utilities: water, sewer and sanitation	78,108	79,552	75,134
Engineering, public works and project development	55,369	55,899	53,268
Community services	52,021	65,137	49,753
General government	50,754	42,582	41,061
Planning and development	12,806	13,301	11,854
Richmond Olympic Oval	11,565	11,065	10,509
Library services	9,590	9,563	9,390
Lulu Island Energy Company	-	8	-
	357,238	360,927	328,618
Annual surplus	254,891	123,856	126,244
Accumulated surplus, beginning of year	2,430,252	2,430,252	2,304,008
Accumulated surplus, end of year	\$ 2,685,143	\$ 2,554,108	\$ 2,430,252

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, 2014, with comparative figures for 2013

	2014 budget	2014	2013
	(notes 2(m) and 22)		
Surplus for the year	\$ 254,891	\$ 123,856	\$ 126,244
Acquisition of tangible capital assets	(192,122)	(78,946)	(47,447)
Acquired tangible capital assets from developers		(43,835)	(50,887)
Amortization of tangible capital assets	51,433	52,106	50,334
Gain on disposal of tangible capital assets	-	(13,744)	(3,590)
Proceeds on sale of tangible capital assets	-	14,615	4,911
	114,202	54,052	79,565
Acquisition of inventories of supplies	-	(2,415)	(2,363)
Acquisition of prepaid expenses	-	(1,950)	(1,594)
Consumption of inventories of supplies	-	2,363	2,276
Use of prepaid expenses	-	1,594	1,954
	114,202	53,644	79,838
Change in net financial assets			
Net financial assets, beginning of year	548,997	548,997	469,159
Net financial assets, end of year	\$ 663,199	\$ 602,641	\$ 548,997

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 123,856	\$ 126,244
Items not involving cash:		
Amortization	52,106	50,334
(Gain) on disposal of tangible capital assets	(13,744)	(3,590)
Contributions of tangible capital assets	(43,835)	(50,887)
Change in non-cash operating working capital:		
Increase in accrued interest receivable	(2,139)	(102)
(Increase) decrease in accounts receivable	(8,649)	3,057
Decrease (increase) in taxes receivable	1,966	(349)
Increase in development fees receivable	(3,955)	(8,482)
(Increase) decrease in debt reserve fund	(508)	186
(Increase) decrease in prepaid expenses	(356)	360
Increase in inventories of supplies	(52)	(87)
Increase in accounts payable and accrued liabilities	5,157	7,821
Increase in deposits and holdbacks	13,262	11,172
Increase (decrease) in deferred revenue	5,953	(1,437)
(Decrease) increase in development cost charges	(4,247)	24,665
Net change in cash from operating activities	124,815	158,905
Capital activities:		
Cash used to acquire tangible capital assets	(78,945)	(47,447)
Proceeds on disposal of tangible capital assets	14,614	4,911
Net change in cash from capital activities	(64,331)	(42,536)
Financing activities:		
Increase (decrease) in debt	49,759	(2,432)
Principal payments on obligations under capital leases	(30)	(48)
Net change in cash from financing activities	49,729	(2,480)
Investing activities:		
(Decrease) in investments	(126,528)	(125,153)
Net change in cash and cash equivalents	(16,315)	(11,264)
Cash and cash equivalents, beginning of year	38,368	49,632
Cash and cash equivalents, end of year	\$ 22,053	\$ 38,368

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, 2014

1. Operations:

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

2. Significant accounting policies:

The consolidated financial statements of the City are the representation of management prepared in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of 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"), 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. Inter-fund 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 and developer contributions 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, 2014

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, 2014

2. Significant accounting policies (continued):

(i) Non-financial assets:

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

(i) Tangible capital assets:

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

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

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

(ii) Contributions of tangible capital assets:

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

(iii) Natural resources:

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

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

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

(v) Interest capitalization:

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

(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, 2014

2. Significant accounting policies (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 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) Revenue recognition:

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are 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 revenues.

(k) 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.

(l) 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.

(m) Debt:

Debt is recorded net of related sinking fund balances.

CITY OF RICHMOND

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

Year ended December 31, 2014

2. Significant accounting policies (continued):

(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. 9100 on February 24, 2014.

(n) Use of accounting estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures 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 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 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 of Richmond has provided definitions of segments used by the City as well as presented financial information in segment format (note 21).

(p) Public-private partnership projects:

Public-private partnership ("P3") projects are delivered by private sector partners selected to design, build, finance, and maintain the assets. The cost of the assets under construction are estimated at fair value, based on construction progress billings and also includes other costs, if any, incurred directly by the City.

The asset cost includes development costs estimated at fair value. Interest during construction is not included in the asset cost. When available for operations, the project assets are amortized over their estimated useful lives. Correspondingly, an obligation for the cost of capital and financing received to date, net of the contributions received is recorded as a liability and included as debt on the statement of financial position.

CITY OF RICHMOND

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

Year ended December 31, 2014

3. Investments:

	2014		2013	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 298,737	\$ 298,768	\$ 205,162	\$ 205,186
Government and government guaranteed bonds	261,847	265,941	442,963	444,447
Municipal Finance Authority				
Pooled Investment	22,527	22,527	22,033	22,033
Other Bonds	259,531	261,176	45,956	47,100
	\$ 842,642	\$ 848,412	\$ 716,114	\$ 718,766

4. Accounts receivable:

	2014	2013
Water and sewer utilities	\$ 10,358	\$ 8,949
Casino revenues	5,652	4,292
Capital grant	4,279	1,350
Other trade receivables	7,782	4,831
	\$ 28,071	\$ 19,422

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, 2014 are as follows:

	Cash deposits	Contingent demand notes
General Revenue Fund	\$ 708	\$ 2,447

CITY OF RICHMOND

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

Year ended December 31, 2014

6. Accounts payable and accrued liabilities:

	2014	2013
Trade and other liabilities	\$ 57,576	\$ 53,162
Post-employment benefits (note 14)	30,755	30,042
	\$ 88,331	\$ 83,204

7. Development cost charges:

	2014	2013
Balance, beginning of year	\$ 87,212	\$ 62,547
Contributions	13,313	35,424
Interest	1,205	971
Revenue recognized	(18,765)	(11,730)
Balance, end of year	\$ 82,965	\$ 87,212

8. Deposits and holdbacks:

	Balance December 31, 2013	Deposit contributions	Refund expenditures	Balance December 31, 2014
Security deposits	\$ 35,859	\$ 20,727	\$ 8,209	\$ 48,377
Developer contribution	6,164	124	951	5,337
Contract holdbacks	1,598	2,225	1,855	1,968
Transit Oriented Development Fund	1,523	-	-	1,523
Other	6,697	5,200	3,999	7,898
	\$ 51,841	\$ 28,276	\$ 15,014	\$ 65,103

9. Deferred revenue:

Deferred revenue represents revenues that are collected but not earned as of December 31, 2014. 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.

CITY OF RICHMOND

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

Year ended December 31, 2014

9. Deferred revenue (continued):

	Balance December 31, 2013	External restricted inflows	Revenue earned	Balance December 31, 2014
Taxes and Utilities	\$ 16,843	\$ 19,983	\$ 18,369	\$ 18,457
Building permits/business licenses	9,235	5,855	5,206	9,884
Capital grants	3,187	6,844	6,560	3,471
Parking easement/leased land	2,409	47	43	2,413
Other	4,196	3,994	592	7,598
	\$ 35,870	\$ 36,723	\$ 30,770	\$ 41,823

10. Debt:

The rates of interest on the principal amount of the MFA debentures vary between 3.15% and 3.30% per annum. The average rate of interest for the year ended December 31, 2014 approximates 3.30%.

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 2014	Net debt 2013
General Fund	\$ 70,815	\$ 20,000	\$ 50,815	\$ 1,056
	\$ 70,815	\$ 20,000	\$ 50,815	\$ 1,056

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

	General Fund	Total
2015	4,232	4,232
2016	4,402	4,402
2017	4,578	4,578
2018	4,761	4,761
2019	4,951	4,951
	\$ 22,924	\$ 22,924

CITY OF RICHMOND

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

Year ended December 31, 2014

11. Tangible capital assets:

Cost	Balance at December 31, 2013	Additions and transfers	Disposals	Balance at December 31, 2014
Land	\$ 671,922	\$ 51,846	\$ (10)	\$ 723,758
Buildings and building improvements	352,937	8,029	-	360,966
Infrastructure	1,561,056	30,109	(5,439)	1,585,726
Vehicles, machinery and equipment	93,386	7,485	(2,812)	98,059
Library's collections, furniture and equipment	9,391	1,320	(1,452)	9,259
Assets under construction	42,232	23,991	-	66,223
	\$ 2,730,924	\$ 122,780	\$ (9,713)	\$ 2,843,991

Accumulated amortization	Balance at December 31, 2013	Disposals	Amortization expense	Balance at December 31, 2014
Buildings and building improvements	\$ 115,392	\$ -	\$ 12,812	\$ 128,204
Infrastructure	673,784	4,632	31,215	700,367
Vehicles, machinery and equipment	59,894	2,785	6,385	63,494
Library's collections, furniture and equipment	4,556	1,426	1,694	4,824
	\$ 853,626	\$ 8,843	\$ 52,106	\$ 896,889

CITY OF RICHMOND

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

Year ended December 31, 2014

11. Tangible capital assets (continued):

	Net book value December 31, 2014	Net book value December 31, 2013
Land	\$ 723,758	\$ 671,922
Buildings and building improvements	232,762	237,545
Infrastructure	885,359	887,272
Vehicles, machinery and equipment	34,565	33,492
Library's collection, furniture and equipment	4,435	4,835
Assets under construction	66,223	42,232
 Balance, end of year	 \$ 1,947,102	 \$ 1,877,298

(a) Assets under construction:

Assets under construction having a value of approximately \$66,223,263 (2013 - \$42,231,645) 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 \$43,834,556 (2013 - \$50,887,000) comprised of infrastructure in the amount of approximately \$18,937,542 (2013 - \$10,934,000), land in the amount of approximately \$24,897,014 (2013 - \$38,892,000), and Library books in the amount of approximately nil (2013 – \$971,000).

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value.

(d) Works of Art and Historical Treasures:

The City manages and controls various works of art and non-operational historical cultural assets including building, artifacts, paintings, and sculptures located at City sites and public display areas. The assets are not recorded as tangible capital assets and are not amortized.

(e) Write-down of tangible capital assets:

There were no write-downs of tangible capital assets during the year (2013 - nil).

CITY OF RICHMOND

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

Year ended December 31, 2014

12. Accumulated surplus:

	General Funds and Reserve	Water Utility Fund	Sanitary Sewer Utility Fund	Richmond Olympic Oval	Library Services	Lulu Island Energy	2014 Total	2013 Total
Investment in tangible capital assets	\$1,935,285	\$ -	\$ -	\$ 7,076	\$ 4,438	\$ -	\$1,946,799	\$1,876,184
Reserves (note 13)	372,274	-	-	2,648	-	-	374,922	353,805
Appropriated Surplus	162,143	8,397	13,223	681	200	-	184,644	159,559
Surplus	19,133	15,536	9,290	1,313	115	23	45,410	38,341
Other equity	2,333	-	-	-	-	-	2,333	2,363
Balance, end of year	\$2,491,168	\$ 23,933	\$ 22,513	\$ 11,718	\$ 4,753	\$ 23	\$2,554,108	\$2,430,252

13. Reserves:

	2013	Change during year	2014
Reserve funds:			
Affordable housing	\$ 20,696	\$ (8,145)	\$ 12,551
Arts, culture and heritage	4,379	(17)	4,362
Capital building and infrastructure	46,394	9,257	55,651
Capital reserve	101,834	1,972	103,806
Capstan station	3,862	4,379	8,241
Child care development	2,696	(495)	2,201
Community legacy and land replacement	16,353	367	16,720
Drainage improvement	35,555	8,950	44,505
Equipment replacement	17,820	(579)	17,241
Leisure facilities	3,551	70	3,621
Local improvements	6,527	116	6,643
Neighborhood improvement	6,335	389	6,724
Public art program	2,282	272	2,554
Sanitary sewer	37,233	2,271	39,504
Steveston off-street parking	287	6	293
Steveston road ends	684	(61)	623
Waterfront improvement	104	555	659
Watermain replacement	42,481	3,894	46,375
Oval Capital Reserve	4,732	(2,084)	2,648
	\$ 353,805	\$ 21,117	\$ 374,922

CITY OF RICHMOND

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

Year ended December 31, 2014

14. Post-employment benefits:

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

	2014	2013
Balance, beginning of year	\$ 30,042	\$ 28,414
Current service cost	1,791	2,212
Interest cost	1,054	1,038
Amortization of actuarial loss	430	389
Benefits paid	(2,562)	(2,011)
 Balance, end of year	 \$ 30,755	 \$ 30,042

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2013 and the results are extrapolated to December 31, 2014. The difference between the actuarially determined accrued benefit obligation of approximately \$29,201,000 and the liability of approximately \$30,755,000 as at December 31, 2014 is an unamortized net actuarial gain of \$1,554,000. This actuarial gain is being amortized over a period equal to the employees' average remaining service lifetime of 10 years.

	2014	2013
Actuarial benefit obligation:		
Liability, end of year	\$ 30,755	\$ 30,042
Unamortized actuarial loss (gain)	(1,554)	1,093
 Balance, end of year	 \$ 29,201	 \$ 31,135

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

	2014	2013
Discount rate	3.10%	3.50%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary range increases	2.50%	2.50%

CITY OF RICHMOND

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

Year ended December 31, 2014

15. 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 182,000 active members and approximately 75,000 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 \$10,649,936 (2013 - \$10,311,445) for employer contributions to the Plan in fiscal 2014. Employees paid \$8,780,321 (2013 - \$8,677,397) for employee contributions to the Plan in fiscal 2013.

16. 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, 2014, the City was committed to operating lease payments for premises and equipment in the following approximate amounts:

2015	\$ 4,654
2016	4,324
2017	4,215
2018	4,147
2019 and thereafter	17,847

CITY OF RICHMOND

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

Year ended December 31, 2014

16. Commitments and contingencies (continued):

(c) Litigation:

As at December 31, 2014, 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.

On October 30, 2014, Lulu Island Energy Company Ltd. (LIEC) and Corix Utilities Inc. ("Corix") entered into a 30 year Concession Agreement (the "Agreement"), where Corix will design, construct, finance, operate, and maintain the infrastructure for the district energy utility at the River Green community. The total estimated concession liability to finance the construction is \$31,964,000 and will be accrued over time. As part of the agreement, the infrastructure will be owned by the LIEC.

In addition, on October 30, 2014, Corix and the City entered into a Limited Guarantee Agreement whereby the City agreed to guarantee the performance of LIEC's obligations under the Concession Agreement described above up to a total of \$18,000,000.

(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.

CITY OF RICHMOND

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

Year ended December 31, 2014

16. Commitments and contingencies (continued):

(g) Community Associations:

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

17. Trusts:

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

	2014	2013
Richmond Community Associations	\$ 1,127	\$ 1,107

18. 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 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:

	2014	2013
Province of British Columbia - Schools	\$ 133,539	\$ 133,660
Greater Vancouver Regional District and others	41,046	39,918
	<hr/> \$ 174,585	<hr/> \$ 173,578

CITY OF RICHMOND

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

Year ended December 31, 2014

19. Other revenue:

	2014	2013
Developer reserve contribution	\$ 10,382	\$ 9,248
Tangible capital assets gain on land	14,419	4,024
Taxes and fines	2,844	2,433
Parking program	1,932	1,994
Debt funding	478	1,291
Sponsorship	217	188
Donation	73	1,022
Other	4,849	3,747
	<hr/> \$ 35,194	<hr/> \$ 23,947

20. Government transfers:

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

	2014	2013
Operating		
Province of BC	\$ 25,161	\$ 21,319
TransLink	2,200	1,993
Government of Canada	1,166	1,412
Capital		
Government of Canada	2,742	2,132
TransLink	1,292	135
Province of BC	459	537
	<hr/> \$ 33,020	<hr/> \$ 27,528

CITY OF RICHMOND

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

Year ended December 31, 2014

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 economic, arts, culture, and community issues that the City encounters.

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, 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.

CITY OF RICHMOND

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

Year ended December 31, 2014

21. Segmented reporting (continued):

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. The financial statements include the Oval's 50% proportionate share of operations of VROX Sport Simulation Ltd (VROX). VROX is a government partnership established to develop, manufacture and sell sport simulators to the Richmond Olympic Experience and third party customers.

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.

CITY OF RICHMOND

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

Year ended December 31, 2014

21. Segmented reporting (continued):

	Law and Community Safety	Utilities	Engineering, public works and project development	Community services	General government	Planning and development	Total City
Revenues:							
Taxation and levies	\$ -	\$ -	\$ -	\$ 183,687	\$ -	\$ -	\$ 183,687
User fees	-	82,866	10,335	-	-	-	93,201
Sales of services	5,348	2,855	2,358	9,001	4,288	1,909	25,759
Development cost charges	-	-	-	-	14,546	-	14,546
Provincial and Federal Grants	84	14	2,312	20	2,339	28	4,797
Other Capital Funding Sources	-	950	2,749	1,883	12,297	886	18,765
Payments-in-Lieu of taxes	8	3,526	20,503	2,474	24,898	169	51,578
Other revenue from own sources:							
Investment Income	-	592	-	-	15,976	-	16,568
Gaming revenue	628	-	1,400	-	19,019	-	21,047
Licenses and permits	246	-	75	-	3,743	5,724	9,788
Other	2,141	1,558	475	297	28,981	88	33,540
	8,455	92,361	40,207	13,675	309,774	8,804	473,276
Expenditures:							
Wages and Salaries	38,415	10,978	20,625	28,357	20,250	9,982	128,607
Contract Services	40,764	7,252	2,262	2,873	3,241	1,209	57,601
Supplies and Materials	2,176	28,310	879	11,136	6,206	514	49,221
Amortization of tangible capital assets	2,380	7,347	22,617	5,309	11,408	978	50,039
Interest and Finance	32	18,984	-	3	2,336	-	21,355
Transfer from(to) capital for tangible capital assets	13	707	1,928	14,651	352	614	18,265
PW Maintenance	40	5,563	7,332	2,808	(1,211)	4	14,536
Loss(gain) on disposal of tangible capital assets	-	411	256	-	-	-	667
	83,820	79,552	55,899	65,137	42,582	13,301	340,291
Annual surplus (deficit)	\$ (75,365)	\$ 12,809	\$ (15,692)	\$ (51,462)	\$ 267,192	\$ (4,497)	\$ 132,985

	Total City (from above)	Richmond Olympic Oval	Richmond Public Library	Lulu Island Energy Company	2014 Consolidated	2013 Consolidated
Revenues:						
Taxation and levies	\$ 183,687	\$ -	\$ -	\$ 183,687	\$ 176,283	
User fees	93,201	-	-	-	93,201	90,540
Sales of services	25,759	6,878	172	-	32,809	34,959
Development cost charges	14,546	-	-	-	14,546	14,406
Provincial and Federal Grants	4,797	2,271	412	-	7,480	7,092
Other Capital Funding Sources	18,765	-	-	-	18,765	11,730
Payments-in-Lieu of taxes	51,578	-	89	-	51,667	55,542
Other revenue from own sources:						
Investment Income	16,568	-	-	-	16,568	13,490
Gaming revenue	21,047	-	-	-	21,047	17,632
Licenses and permits	9,788	-	-	31	9,819	9,241
Other	33,540	1,413	241	-	35,194	23,947
	473,276	10,562	914	31	484,783	454,862
Expenditures:						
Wages and Salaries	128,607	6,940	6,622	-	142,169	137,648
Contract Services	57,601	126	219	-	57,946	50,539
Supplies and Materials	49,221	3,626	1,077	-	53,924	53,222
Amortization of tangible capital assets	50,039	373	1,694	-	52,106	50,333
Interest and Finance	21,355	-	4	8	21,367	19,783
Transfer from(to) capital for tangible capital assets	18,265	-	(73)	-	18,192	2,414
PW Maintenance	14,536	-	12	-	14,548	14,246
Loss(gain) on disposal of tangible capital assets	667	-	8	-	675	433
	340,291	11,065	9,563	8	360,927	328,618
Annual surplus (deficit)	\$ 132,985	\$ (503)	\$ (8,649)	\$ 23	\$ 123,856	\$ 126,244

CITY OF RICHMOND

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

Year ended December 31, 2014

22. Budget data:

The budget data presented in these consolidated financial statements is based on the 2014 operating and capital budgets approved by Council on February 25, 2014 and the approved budget for Richmond Olympic Oval. Below is the reconciliation of the approved budget to the budget amount reported in these financial statements.

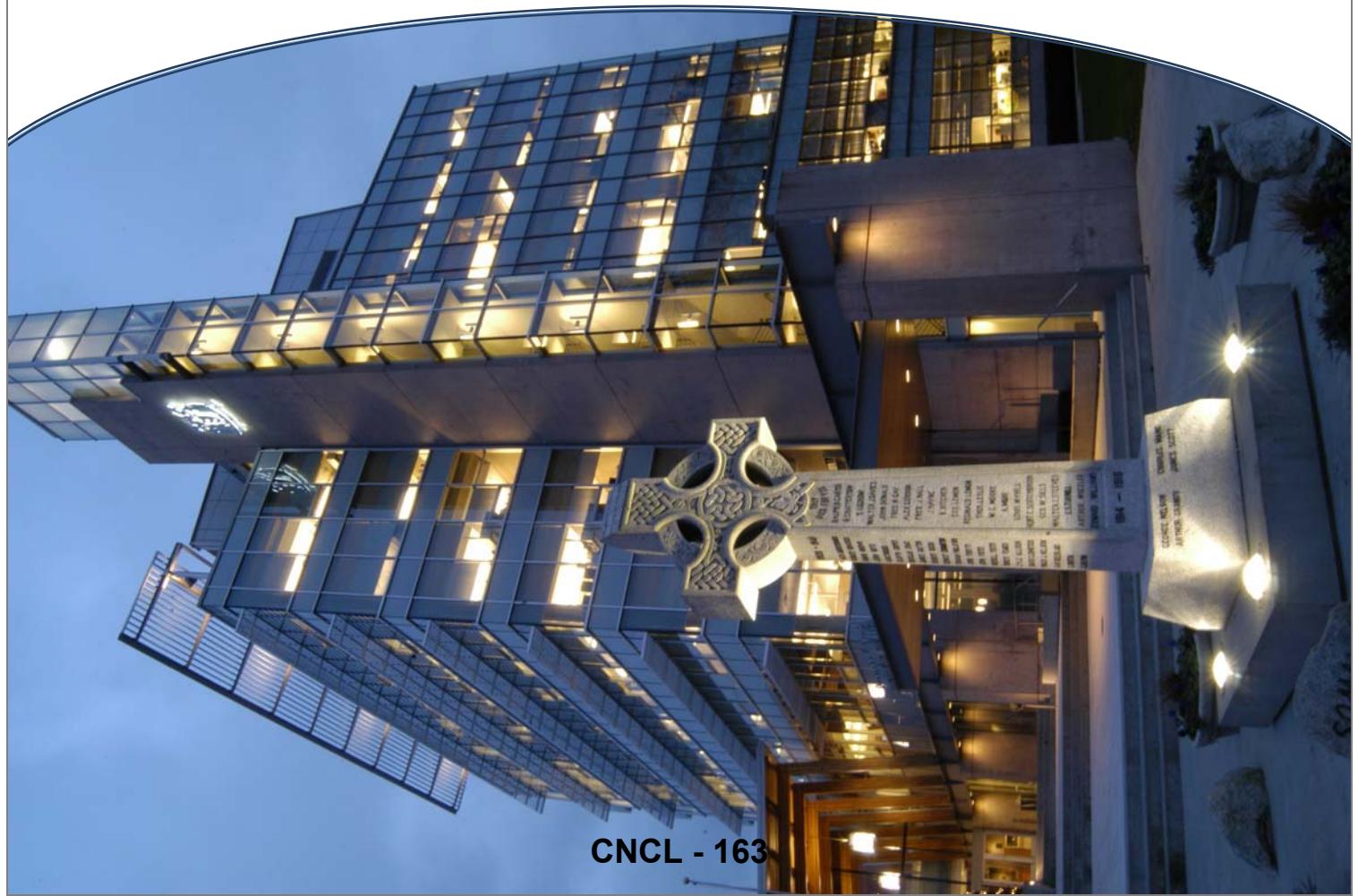
	Budget Amount
Revenues:	
Approved operating budget	\$ 460,924
Approved capital budget	392,801
Approved Oval budget	13,140
Less:	
Transfer from other funds	10,924
Intercity recoveries	39,925
Intercompany recoveries	3,208
Carried forward capital expenditures	200,679
Total revenue	612,129
Expenses:	
Approved operating budget	460,924
Approved capital budget	392,801
Approved Oval budget	11,565
Less:	
Transfer to other funds	71,108
Intercity payments	39,925
Intercompany payments	3,208
Capital expenditures	192,122
Debt principal payments	1,010
Carried forward capital expenditures	200,679
Total expenses	357,238
Annual surplus per statement of operations	\$ 254,891

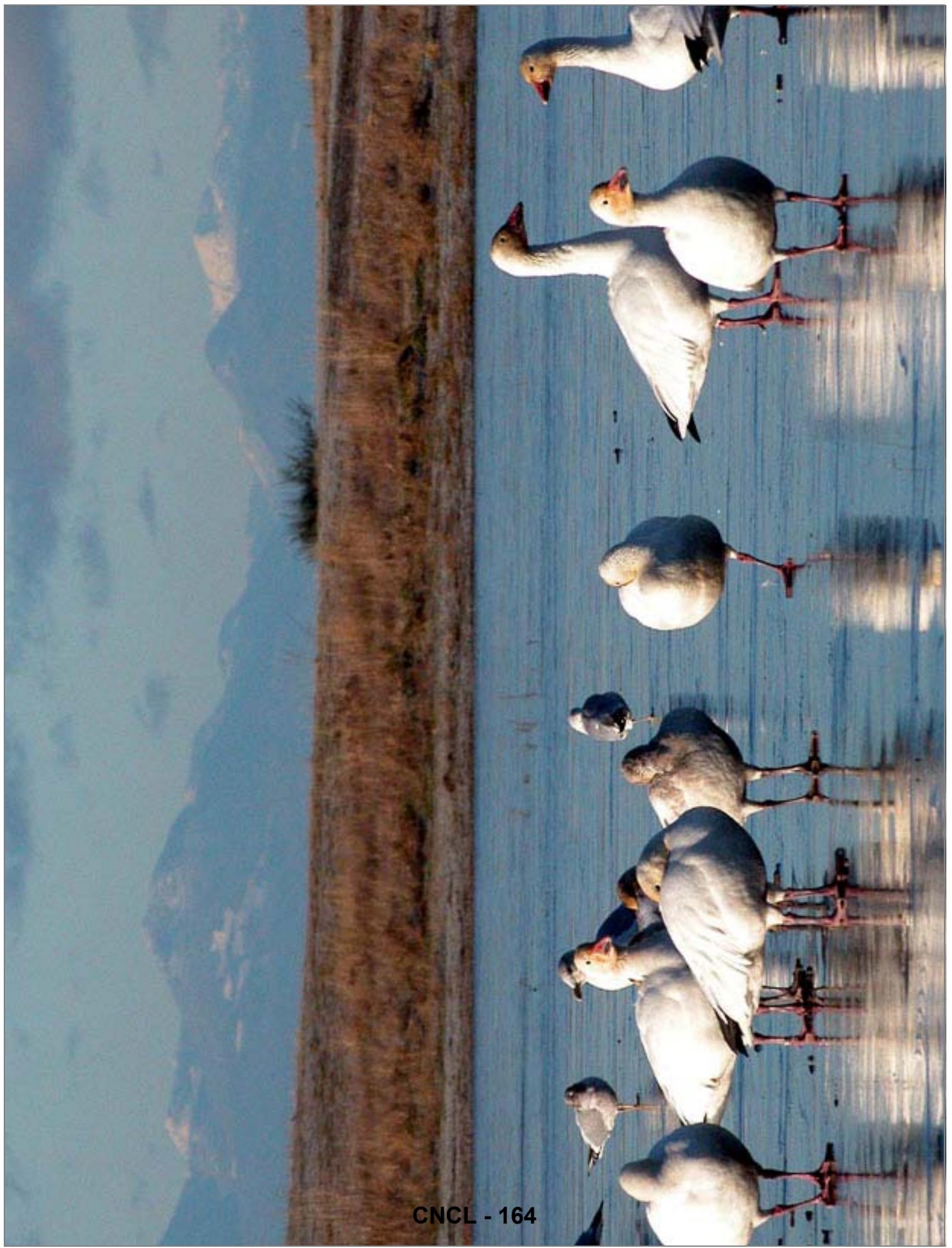
23. Comparative Figures:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted for the current year.

2014 | City of Richmond

FINANCIAL STATEMENT DISCUSSION & ANALYSIS





CNCL - 164

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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 2014 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 2014 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 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 2014 allowing flexibility and financial sustainability well into the future.

- Financial Assets increased by \$123.5M to \$931.7M
- Liabilities increased by \$69.9M to 329.0M
- Net financial assets increased by \$53.6M to \$602.6M
- Non-financial assets increased by \$70.2M to \$2.0B
- Accumulated surplus increased by \$123.9M to \$2.6B

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

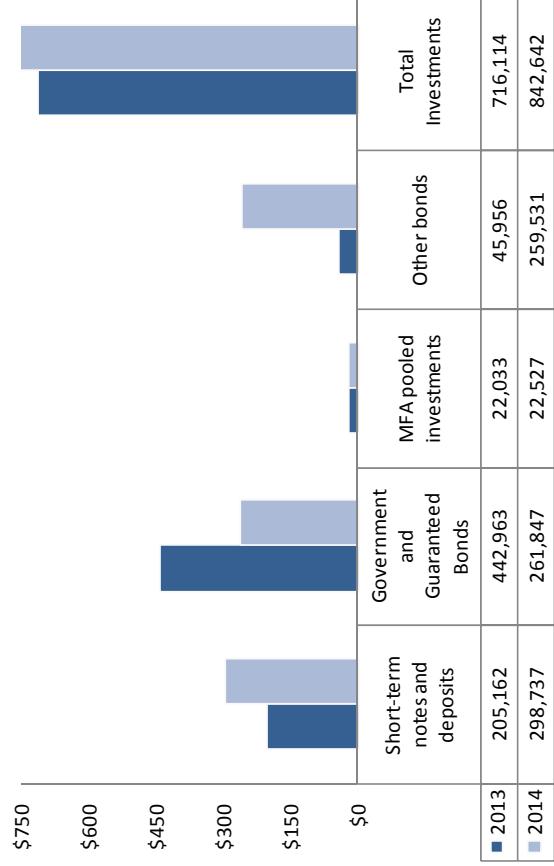
Cash and cash equivalents decreased by \$16.3M to \$22.1M mainly due to the timing of expenditures and maintenance for cash flow.

Investments

Investments increased by \$126.5M to \$842.6M primarily due to the timing of capital expenditures. The increase can be attributed to:

- Liabilities increased \$69.9M, including \$50.8M of new debt,
- Appropriated surplus increased \$25.1M,
- Reserves increased \$21.1M, and
- Surplus and other \$10.4M

Investment Portfolio by Type



Accrued interest receivable

Accrued interest receivable increased by \$2.1M due to increase in investment balance and timing of the investments.

Accounts receivable

Accounts receivable increased by 44.5% to \$28.1M (2013 – 19.4M) due primarily to an increase in other trade receivables of \$2.9M and grants relating to capital projects of \$2.9M.

Accounts Receivable (\$000's)	2014	2013	Change
Water and sewer utilities	\$10,358	\$8,949	\$1,409
Casino revenues	5,652	4,292	1,360
Capital grant	4,279	1,350	2,929
Other trade receivables	7,782	4,831	2,951
Total	\$28,071	\$19,422	\$8,649

Taxes receivable

Taxes receivable decreased by \$2.0M to \$7.5M, mainly due to decreased balances in the tax sale receivable account.

Development fees receivable

Development fees receivable rose by \$4.0M to \$25.4M due to increased use the instalment payment option. 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 increased by \$0.5M.

Liabilities

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased \$5.1M to \$88.3M. The increase is mainly due to trade liabilities, notably the accrual for the 4th quarter RCMP contract invoice along with the accrued liability for the settlement of the Fire Rescue Collective Agreement.

Development cost charges

The development cost charge balance of \$83.0M (2013 - \$87.2M) represents the total balance including fees collected and receivable. These amounts are restricted and may only be used on authorized capital expenditures.

Contributions of \$13.3M were received in 2014 which was a decrease of \$22.7M from the previous year mainly due to timing. \$18.4M was received in the 4th quarter of 2013.

Deposits and holdbacks

Deposits and holdbacks increased by \$13.3M to \$65.1M primarily due to security deposits increasing by \$12.5M. 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)	2014	2013	Change
Security deposits	\$48,377	\$35,859	\$12,518
Developer contribution	5,337	6,164	(827)
Contract holdbacks	1,968	1,598	370
Transit Oriented Development	1,523	1,523	0
Other	7,898	6,697	1,201
Total deposits and holdbacks	\$65,103	\$51,841	\$13,262

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.

Development Cost Charges (\$000's)	2014	2013	Change
Balance, beginning of year	\$87,212	\$62,547	\$24,665
Contributions	13,313	35,424	(22,111)
Interest	1,205	971	234
Revenue recognized	(18,765)	(11,730)	(7,035)
Balance, end of year	\$82,965	\$87,212	(\$4,247)

The \$83.0M balance includes amounts that have been allocated to active capital projects but that remain unspent. At December 31st, there is \$25.0M (2013 - \$22.6M) committed to active capital projects. Additional funding of \$23.7M was approved as part of the 2015 Capital Budget.

Deferred revenues increased by \$6.0M mainly due to funds received for future roadway acquisition of \$3.4M and taxes and utilities of \$1.6M. The remaining balance relates to offsetting activity in capital, and timing of building permit and business license revenue recognition.

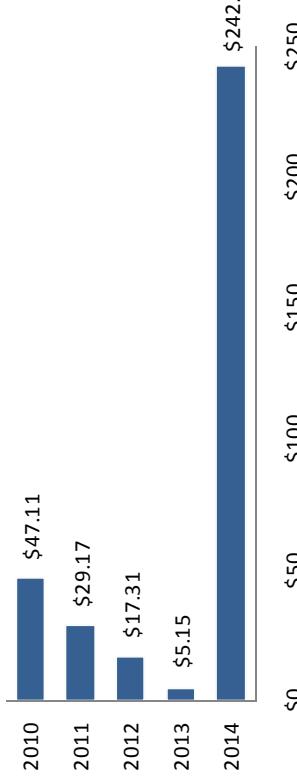
Liabilities

Debt, net of MFA sinking fund deposits
Debt increased by \$49.8M to \$50.8M (2013 - \$1.1M). During 2014, the Terra Nova debt was fully repaid and new debt in the amount of \$50.8M for the construction of the integrated older adult Minoru aquatic facility was obtained. The new debt is for 10 years at a rate of 3.30% for the duration of the term.

The annual servicing cost on the debt of approximately \$5.9M is funded by the \$5.0M of annual gaming revenue that was used to pay for the construction of the Oval and reallocation of the tax revenues used for the debt servicing on the Terra Nova debt. The final payment for each of the previous was made in 2014.

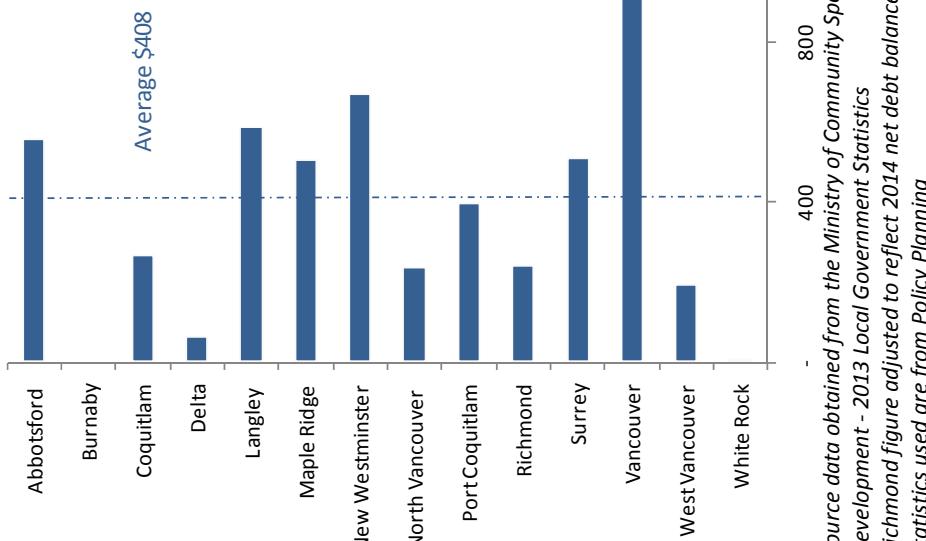
The debt per capita has decreased over the past 4 years as no additional debt was obtained until the \$50.8M was received in 2014. This new debt increases the debt per capita as at December 31, 2014 to \$242.74.

City of Richmond Debt Per Capita 2010-2014



The addition of \$50.8M debt will result in an estimated debt per capita figure of approximately \$243 per person. This is well below the 2013 regional average of \$408.

Debt Per Capita by City



- Source data obtained from the Ministry of Community Sport & Cultural Development - 2013 Local Government Statistics
- Richmond figure adjusted to reflect 2014 net debt balance and the population statistics used are from Policy Planning

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 \$69.8M to \$1.9B. The \$69.8M change is a result of \$122.8M of asset additions, less net disposal of \$0.9M and amortization of \$52.1M.

Tangible Capital Assets (\$000's)	2014	2013	Change
Land	723,758	671,922	51,836
Buildings and improvements	232,762	237,545	(4,783)
Infrastructure	885,359	887,272	(1,913)
Machinery and equipment	34,565	33,492	1,073
Library's collections, furniture and equipment	4,435	4,835	(400)
Assets under construction	66,223	42,232	23,991
Total	\$1,947,102	\$1,877,298	\$69,804

Land increased by \$51.8M mainly due to land received through development valued at \$24.9M, a land exchange for properties on Cambie Road for \$14.4M and other acquisitions.

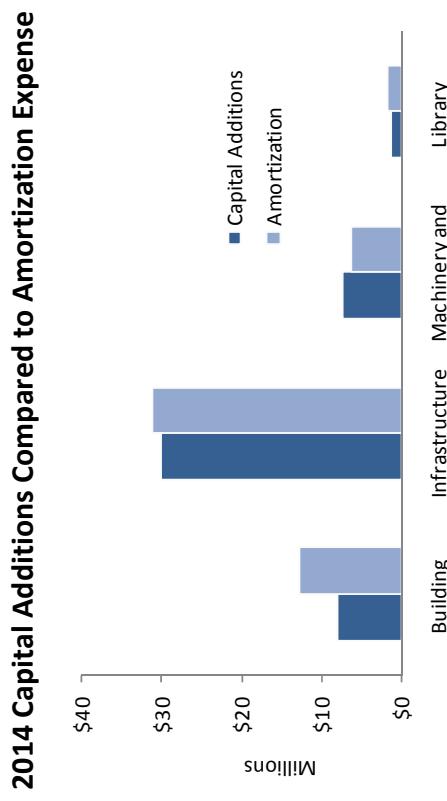
Buildings decreased by \$4.8M due mainly to amortization expense of \$12.8M and offset by additions of \$8.0M.

Infrastructure decreased by \$1.9M due to additions of \$30.1M including contributed assets of \$18.9 received through development, offset mainly by \$31.2M of amortization expense and net disposal of \$0.8M.

Machinery and equipment increased by \$1.1M due to net additions of \$7.5M less amortization of \$6.4M.

Library's collections, furniture and equipment decreased by \$0.4M mainly due to additions of \$1.3M offset by \$1.7M amortization expense.

Assets under construction increased by \$24.0M due to the timing of project completion.



Inventory of materials and supplies

Inventory increased by \$0.1M.

Prepaid expenses

Prepaid expenses increased by \$0.4M to \$2.0M due to the timing of utilization of expenses.

Accumulated Surplus

Accumulated Surplus is equivalent to the net worth of an organization. The accumulated surplus increased by \$123.9M to \$2.5B. The annual increase is presented on the Statement of Operations.

Accumulated Surplus (\$000's)	2014	2013	Change
Investment in TCA	\$1,946,798	\$1,876,184	\$70,614
Reserves	374,922	353,805	21,117
Appropriated Surplus	184,645	159,559	25,086
Surplus	45,410	38,341	7,069
Other equity	2,333	2,363	30
Total	\$2,554,108	\$2,430,252	\$123,856

Investment in Tangible Capital Assets

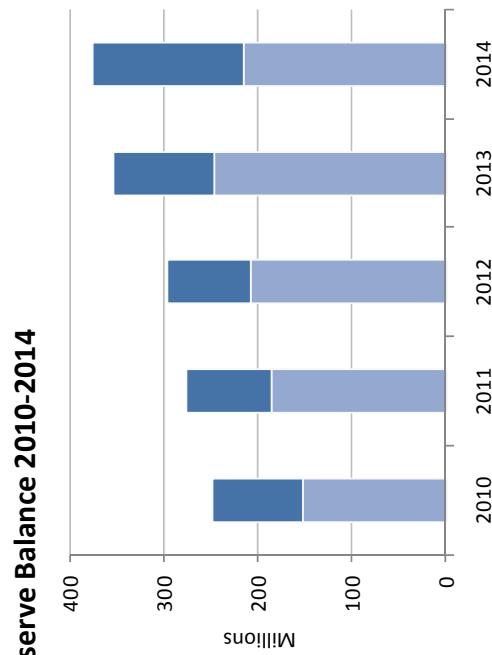
Investment in tangible capital assets represents the equity held in assets. This balance is equal to the net book value of tangible capital assets less any outstanding debt and capital leases.

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 \$70.6M to \$1.9B. This is the net activity of asset additions of \$122.8M, amortization of \$52.1M, disposals and debt reduction.

Reserves

Reserves are established by Bylaw for specific purposes, mainly capital expenditures. The balance of \$374.9M 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 \$213.4M (2013 - \$246.0M).



The increase in the reserve balance is mainly attributable to the timing of capital expenditures. There are several facility construction projects approved in 2014 that will have significant capital expenditures 2015-2017.

From the available \$210.8M, \$39.8M has been approved for the 2015 Capital Budget.

Accumulated Surplus

Appropriated Surplus

Appropriated surplus is internally restricted for specific purposes and its use requires Council approval. The balance increased by \$25.1M to \$184.6M mainly due to the gaming revenue surplus of \$6.1M, transfer of 2013 general operating surplus to the rate stabilization account of \$5.5M, \$3.6M for the Water Fund rate stabilization, and \$1.5M to the Sanitary Sewer Fund rate stabilization.

Surplus

The surplus increased by \$7.1M to \$45.4M. This increase includes the final payment of \$5.0M from gaming revenue relating to the construction of the Richmond Olympic Oval.

The remaining increase relates mainly to the current year operating surplus of \$5.7M, repayments from the roads development cost charges of \$1.7M, less the transfer of the previous year's operating surplus to the Rate Stabilization Provision of \$5.5M in accordance with Council direction.

Surplus Distribution

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 chart.

	Surplus (\$000s)	2014	2013	Change
General and Reserve Funds	\$19,133	\$12,674	\$6,459	
Water Utility Fund	15,536	15,229	307	
Sanitary Sewer Fund	9,290	9,186	104	
Richmond Olympic Oval	1,313	1,065	248	
Library	115	187	(72)	
LIEC	23	0	23	
Total	\$45,410	\$38,341	\$7,069	

The 2015 Capital Budget included the allocation of \$10.5M of Water Surplus towards funding Phase 3 of the Alexandra District Energy Utility. This amount will be repaid with interest through the customer rates.

Other Equity

Other equity relates to equity in inventory and prepaid expenses. The balance decreased by less than \$0.1M to \$2.3M.

Consolidated Statement of Operations

The Consolidated Statement of Operations is the 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 2014 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

2014 Budget to Actual Comparison

Total revenues were \$484.8M compared to the budgeted revenues of \$612.1M.

Revenues (\$000's)	2014 Budget	2014 Actual	Variance
Taxation and levies	\$183,822	\$183,687	(\$135)
Utility fees	90,428	93,201	2,773
Sales of services	28,707	32,809	4,102
Gaming revenue	14,908	21,047	6,139
Investment income	16,790	16,568	(222)
Payments-in-lieu of taxes	13,473	14,546	1,073
Provincial and federal grants	6,782	7,480	698
Licenses and permits	7,704	9,819	2,115
Other capital funding sources	192,122	51,667	(140,455)
Development cost charges	-	18,765	18,765
Other	57,393	35,194	(22,199)
Total	\$612,129	\$484,783	(\$127,346)

Taxation and levies had an unfavourable variance of \$0.1M due appeals on assessment values.

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

Sales of service had favourable variance mainly due to increased Public Works receivable activity and Oval membership, admissions and programs.

Gaming revenue had a large variance due to increased revenues at River Rock Casino.

The Investment income variance to budget is minor and is due to the low interest rate environment.

Payments in lieu of taxes had a positive variance due to conservative estimates for the new Canada Post facility and development of YVR properties.

Licenses and permits had a favourable variance of \$2.1M mainly due to \$1.1M for building permits, \$0.4M for other permits and \$0.5M for business licenses.

The other capital funding variance is the result of the timing of capital expenditures. The budget of \$192.1M is the approved total 2014 Capital budget including all sources of funding. The actual revenue figure of \$51.7M relates to external funding for all projects regardless of the year the project was approved.

These revenues are recognized when the expenditures are made. Included in the 2014 revenue is \$43.8M for contributed assets.

Development cost charges had a favourable variance of \$18.8M due to capital expenditures being budgeted under other capital funding sources.

Other revenue had an unfavourable variance due to the Community Charter S.165(1)(e) requirement to budget for proceeds on borrowing of \$50.8M which is not consistent with accounting standards.

Revenues

2014 to 2013 Actual Comparison

Total 2014 revenues were \$484.8M compared to \$454.9M in 2013.

Revenues (\$000's)	2014 Actual	2013 Actual	Change
Taxation and levies	\$183,687	\$176,283	\$7,404
Utility fees	93,201	90,540	2,661
Sales of services	32,809	34,959	(2,150)
Gaming revenue	21,047	17,632	3,415
Investment income	16,568	13,490	3,078
Payments-in-lieu of taxes	14,546	14,406	140
Provincial and federal grants	7,480	7,092	388
Licenses and permits	9,819	9,241	578
Other capital funding sources	51,667	55,542	(3,875)
Development cost charges	18,765	11,730	7,035
Other	35,194	23,947	11,247
Total	\$484,783	\$454,862	\$29,921

Investment income increased by \$3.1M mainly due to the \$126.5M increase in the investment portfolio balance.

Payments-in-lieu of tax revenue was consistent with 2013.

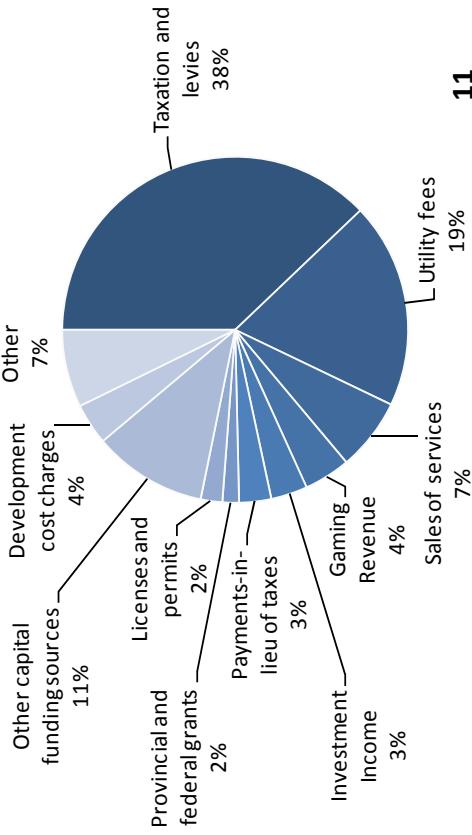
Taxation and levies increased by \$7.4M due to the 2.96% tax rate increase and assessment growth offset by assessment appeals.

Utility fees increased by \$2.7M mainly due to rate increases.

Sales of services decreased by \$2.2M mainly due to a \$1.7M refund from a benefit carrier received in 2013 which is set aside for future programs.

Gaming revenue increased by \$3.4M due to activity at River Rock Casino.

2014 Revenue Distribution

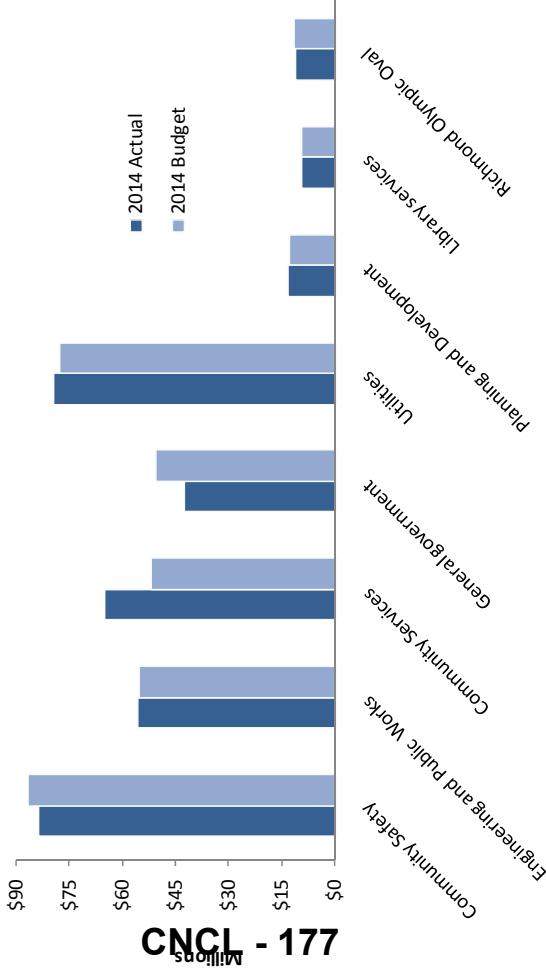


Expenses

2014 Budget to Actual Comparison

Total expenses were \$360.9M compared to the budgeted expenses of \$357.2M. Included in the \$360.9M actual expenses are \$18.2M of expenses that were budgeted in the Capital Budget that did not meet the capitalization eligibility criteria. This amount does not impact the operating surplus.

2014 Expenses by Function



Law and Community Safety had a positive variance of \$3.2M mainly due to \$1.0M savings on policing contract costs which resulted in appropriated surplus funding not being utilized, \$1.4M relating to Fire Rescue staffing and \$0.6M for Law and Community Safety administration.

Library was on budget for the year.

Richmond Olympic Oval had a favourable variance of \$0.5M mainly due to \$0.2M salaries and benefits and \$0.2M in general and administration.

Expenses

2014 to 2013 Actual Comparison

Total 2014 expenses were \$360.9M compared to \$328.6M in 2013.

	2014 Actual	2013 Actual	Change
Law and Community Safety	\$83,820	\$77,649	\$6,171
Utilities	79,552	75,134	4,418
Community Services	65,137	49,753	15,384
Engineering, Public Works and Project Development	55,899	53,268	2,631
General government	42,582	41,061	1,521
Planning and Development	13,301	11,854	1,447
Richmond Olympic Oval	11,065	10,509	556
Library services	9,563	9,390	173
Lulu Island Energy Company	8	0	8
Total	\$360,927	\$328,618	\$32,309

Community Services increased expenses of \$15.4M mainly relates to a net increase of \$13.5M of expenses reclassified from capital.

Engineering, Public Works and project development increase of \$2.6M is mainly due to increases of \$0.7M amortization expense, \$0.6M materials, \$0.4M net increase of expenses transferred from capital, \$0.3M loss on disposal of asset and \$0.3M receivable works.

General government expenses increased by \$1.5M mainly due to \$1.0M increase of long term interest and financing costs relating to the \$5.8M debt obtained in 2014.

Planning and development costs increased by \$1.4M mainly due to \$0.7M salary increase due to filling vacancies and a net increase of \$0.6M of expenses transferred from capital.

Law and Community Safety expenses increased by \$6.2M mainly due to a \$3.2M increase for the RCMP contract and YVR policing costs and an additional accrual of \$2.3M for the Fire Rescue retroactive wage settlement.

Utilities expenses increased by \$4.4M mainly due to \$1.5M increased remittance to Metro Vancouver for collection of Greater Vancouver Sewerage and Drainage District development cost charges, \$1.2M for new recycling contracts due to Multi-Material BC regulations, \$1.0M for the net change of the transfer of capital expenses and \$0.3M for the garbage contract.

Library services increased by \$0.2M due to \$0.1M increase in salaries and benefits, \$0.2M supplies and equipment, \$0.1M program services, 0.1M professional fees offset by a reduction in utilities of \$0.1M.

Lulu Island Energy Company expenses for 2014 relate to interest expense on work-in-progress for a concession agreement.

Expenses

Expenses by Object

Expenses (\$000's)	2014 Actual	2013 Actual	Change
Wages and Salaries	\$142,169	\$137,648	\$4,521
Contract Services	57,946	50,539	7,407
Supplies and Materials	53,924	53,222	702
Amortization of tangible capital assets	52,106	50,333	1,773
Interest and Finance	21,367	19,783	1,584
Transfer from (to) capital for tangible capital assets	18,192	2,414	15,778
PW Maintenance	14,548	14,246	302
Loss on disposal of tangible capital assets	675	433	242
Total	\$360,927	\$328,618	\$32,309

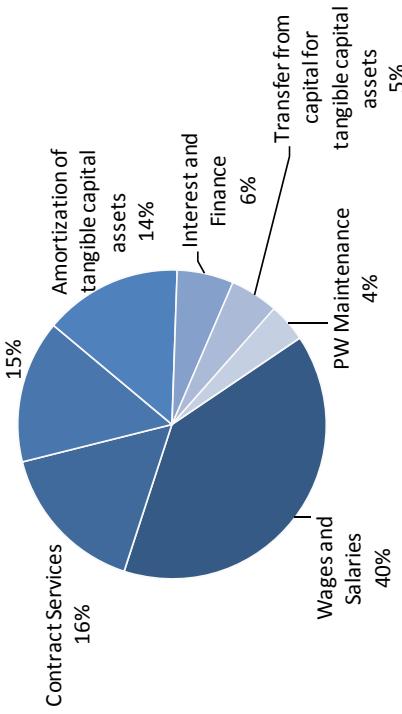
Wages and Salaries increased by \$4.5M due to \$2.3M for the Fire Rescue retroactive contract settlement with the remaining increase a result of filling vacancies and other collective agreement increases.

Contract services increased by \$7.4M mainly due to a \$3.2M increase for the RCMP contract and YVR policing costs, \$1.2M for facility building repairs, \$1.2M for new recycling contracts due to Multi-Material BC regulations and \$0.3M for the garbage contract.

Supplies and materials increased by 1.3% to \$53.9M.

Amortization of tangible capital assets increased by \$1.8M due to new asset additions.

2014 Expenses by Object



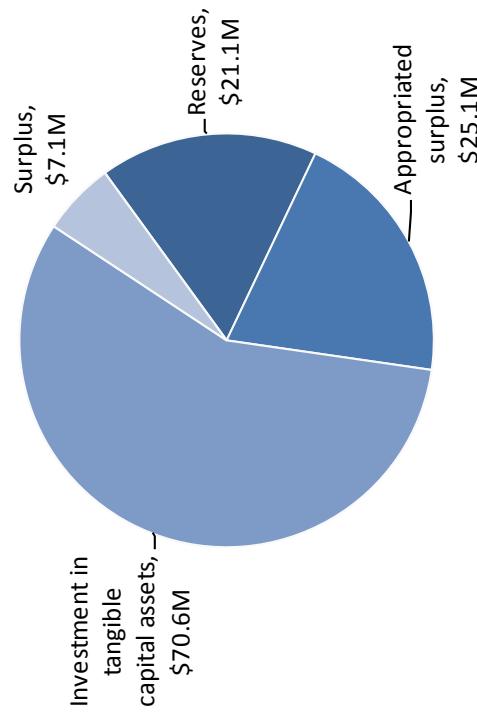
Annual Surplus

The 2014 annual surplus of \$123.9M 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 2014 operating surplus of \$5.7M is one component of the 2014 annual surplus of \$123.9M. 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. These amounts represent the changes during the year. Note that the annual operating budget surplus of \$5.7M is included in the total surplus figure.



The largest driver of the \$123.9M annual surplus is the change in investment in capital assets of \$70.6M. This amount is the net activity of asset additions \$122.8M offset by amortization expense of \$52.1M, disposals and debt reduction.

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 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 asset as at December 31, 2014 increased by \$53.6M to \$602.6M (2013 - \$549.0M). This increase is primarily due to the \$126.5M increase in investments offset by the \$49.8M increase in debt and \$13.3M liability increase for deposits and holdbacks.

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 \$16.3M to \$22.1M while investments increased by \$126.5M to \$842.6M. The increase in investments largely reflects the increases in capital and operating reserves along with the proceeds from debt of \$50.8M.

In 2014, cash provided by operating activities was \$124.8M, compared to \$158.9M in 2013.

Cash used in capital activities was \$64.3M, compared to \$42.5M in 2013.

Cash used in investing activities was \$126.5M, compared to \$125.2M in 2013.

Cash provided by financing activities was \$49.8M, compared to cash used of \$2.5M in 2013. The 2014 activity includes:

- New debt proceeds \$50.8M
- Final Terra Nova debt payment (\$1.0M)

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 2012-2014:

Sustainability ratios:	2014	2013	2012
Assets to liabilities (times)	10.0	11.1	11.3
Financial assets to liabilities (times)	3.0	3.1	2.9
Net debt to total revenues	4.1%	0.8%	1.5%
Net debt to the total assessment	0.0%	0.0%	0.0%
Expenses to the total assessment	0.6%	0.6%	0.6%

Flexibility ratios:

Debt charges to revenues*

	2014	2013	2012
Debt charges to revenues*	0.3%	0.8%	1.3%
Net book value of capital assets to cost	68.8%	69.4%	70.0%

Own source revenue to the assessment

	2014	2013	2012
Own source revenue to the assessment	0.7%	0.7%	0.7%

Vulnerability ratios:

Government transfers to total revenues

	2014	2013	2012
Government transfers to total revenues	5.9%	5.7%	5.5%

Government transfers (excluding gaming revenue) to total revenues

	2014	2013	2012
Government transfers (excluding gaming revenue) to total revenues	1.9%	2.0%	2.0%

-All ratios are calculated based on 3 year average

-Ratios for 2012 and 2013 have been restated based on a 3 year average from 2 years

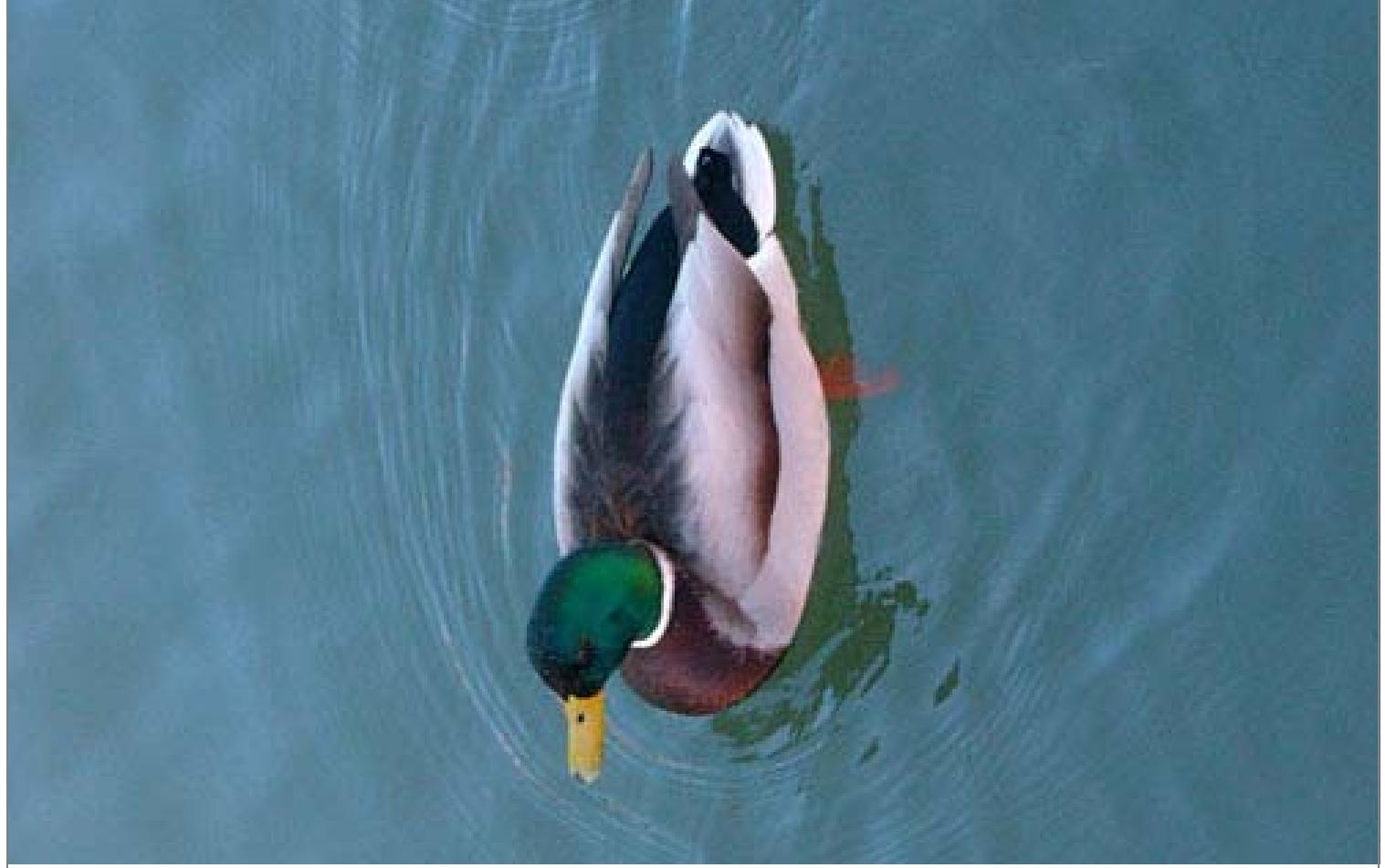
An explanation of each of the ratios is provided below.

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.

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.

*The 2014 ratio continues the declining trend due to the figures being based on a three year trend. The final Terra Nova debt payment was only for a portion of the year as was the first payment for the new debt for the construction of the Minoru Aquatic and Older Adults centre.

- 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.
- 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.

Assessment of vulnerability

Environmental Analysis

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:

- Council Term Goals
- Environment
 - Business Licenses
 - Housing Activity
 - Population
- City Services

Term Goals

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.

Environment

Business Licenses

The number of new business licenses issued in Richmond decreased from 2013 by 4.4% or 1,592 while the total number of business licenses issued in 2014 edged down 0.4%, with 13,322 and 13,371 licenses issued in 2014 and 2013 respectively.

Business Licenses 2010-2014

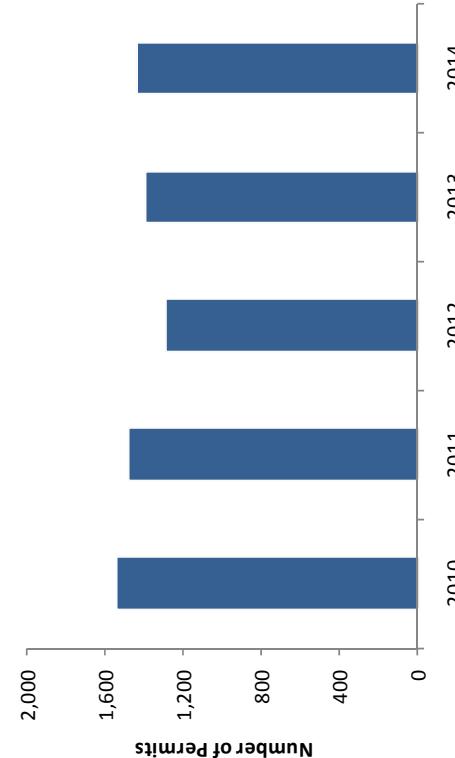


Housing Activity

Richmond house prices decreased 0.2%, with a 2014 detached median house price of \$1,240,000. The total number of sales increased year-over-year by 18.4% to 4,265.

In 2014, the total number of building permits issued was 1,442 which was a 3.5% increase from 2013. Overall, the building permit fees collected decreased by 16.9% a sign of slowing development activity in Richmond compared to the previous year. The actual permit fees collected for 2014 was \$5.9M.

Building Permits 2010-2014



The construction value of permits issued in 2014 was \$481.8M, which is a decrease of approximately 29.1% from 2013 but in line with previous years.

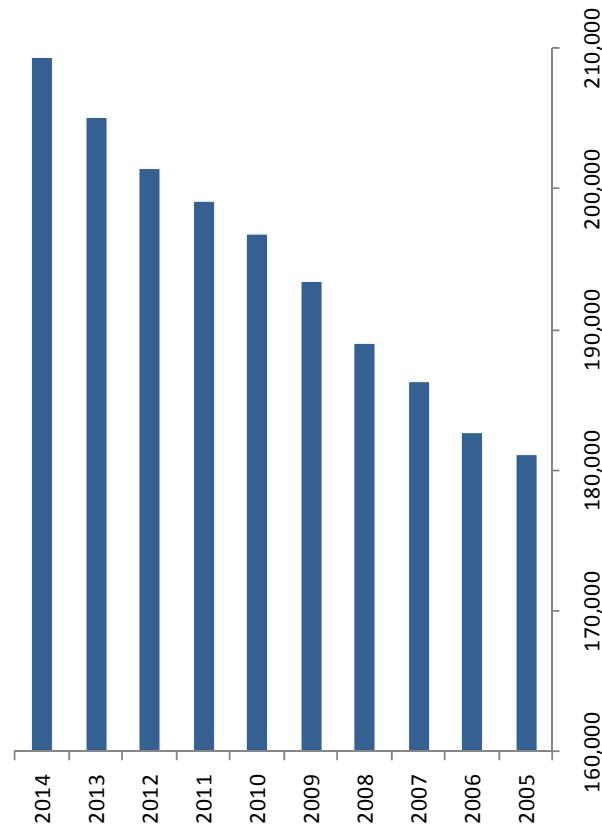
The number of development applications received in 2014 was decreased by 3.4% from 2013 from 206 to 199 applications. Total fees collected in 2014 decreased by 24.1% compared to 2013.

Environment

Population

Richmond's current population is estimated at 209,338¹, which is a 2.05% increase from 2013. Richmond has had an average population growth rate of about 1.6% per year over the period of 2006 to 2014 and is the fourth most populous municipality in the Greater Vancouver region.

Richmond Population 2005-2014



¹City of Richmond Policy Planning



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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 licenses and economic development initiatives.

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

These services are provided through the use of funds as approved by Council in the 2014 operating, capital and utility budgets.

	2012	2013	2014
Population Growth (per annum)	1.17%	1.82%	2.05%
Capital construction costs (\$mil) ¹	\$80.58	\$71.77	\$192.12
City Grants Program	\$707,664	\$747,995	\$763,000
Registration in Recreation Programs	129,526	126,410	141,175
RCMP Calls for Services	70,861	68,484	67,118
Fire Rescue Responses	9,596	9,710	9,643

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 2015 – 2019 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>