



# City of Richmond

## Report to Committee

**To:** Finance Committee  
**From:** Andrew Nazareth  
General Manager, Finance and Corporate  
Services  
**Re:** 2016 Consolidated Financial Statements



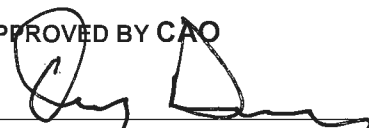
**Date:** April 19, 2017  
**File:** 03-0905-01/2017-Vol  
01

### Staff Recommendation

That the City's audited consolidated financial statements for the year ended December 31, 2016 be approved.

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

Att. 2

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER  for A. NAZARETH	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 
APPROVED BY CAO 	

## Staff Report

### Origin

Section 167 of the Community Charter requires that annual audited financial statements be prepared and presented to Council. The City's audited consolidated financial statements for 2016 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 Chartered Professional Accountants of Canada.

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 financial management.

An analysis of the consolidated financial statements as prepared by management is provided in the Financial Statement Discussion and Analysis (FSD&A) included in Attachment 1. 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 2016 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 are included in Attachment 2.

## Financial Impact

### 2016 Consolidated Statement of Financial Position

The financial position of the City and its subsidiaries is strong as accumulated surplus increased in 2016 by \$105.5 million to \$2.8 billion. These figures reflect the cumulative balance of all previous activity as of the reporting date December 31, 2016.

Highlights of the 2016 consolidated statement of financial position:

- \$2.8B – Accumulated surplus (net worth)
  - \$2.2B – Net book value of tangible capital assets
  - \$471.8M – Reserve balance, including \$187.2M committed towards active capital projects
  - \$201.0M – Appropriated surplus for future commitments
  - \$18.0M – Surplus
- \$662.8M – Net financial assets
  - \$997.0M – Cash and investments
  - (\$117.6M) – Development cost charge balance, including \$37.6M committed towards active capital projects
  - (\$72.8M) – Deposits and holdbacks
  - (\$66.3M) – Deferred revenue
  - (\$42.2M) – Net debt

### 2016 Consolidated Statement of Operations

The consolidated revenues exceeded expenses by \$105.5 million. These figures represent the activity during 2016 from January 1 to December 31.

Highlights of the 2016 consolidated statement of operations:

- \$105.5 million – Annual surplus (the increase in net worth which includes the increase in capital equity, reserves, appropriated surplus and surplus). The 2016 annual surplus is comprised of:
  - \$87.3M increase in investment in capital assets
  - \$10.7M increase in the reserve balance
  - \$5.9M increase in appropriated surplus for future commitments
  - \$1.5M net increase in surplus and other, inclusive of an increase of \$7.0M for the City's 2016 operating surplus
- \$484.9 million total revenues
  - \$198.6M taxation and levies
  - \$97.8M utility fees
  - \$38.2M sales of services
  - \$24.4M contributed assets through development
- \$379.4 million total expenses
  - \$152.3 million wages and benefits
  - \$63.6 million contract services, including RCMP
  - \$60.2 million supplies, materials and other
  - \$55.9 million amortization expense

## **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, 2016, 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, CPA, CMA  
Manager, Financial Reporting  
(604-276-4077)

- Att. 1: 2016 Financial Statement Discussion and Analysis
- 2: 2016 City of Richmond Consolidated Financial Statements

2016 | City of Richmond

# FINANCIAL STATEMENT DISCUSSION & ANALYSIS

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# Introduction

The Community Charter requires that annual audited financial statements be prepared and presented to Council. The City's audited consolidated financial statements for the year ended December 31, 2016 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 has been prepared by management and is intended to be read in conjunction with the 2016 audited consolidated financial statements.

The consolidated financial statements combine the accounts of the City of Richmond, Richmond Olympic Oval (Oval), Richmond Public Library (Library) and Lulu Island Energy Company Ltd. (LIEC). All future references to the "City" reflect the financial results for all entities. Further information about the basis of consolidation is listed in Note 2 to the Consolidated Financial Statements.

The consolidated financial statements include the following statements:

- **Consolidated statement of financial position** summarizes the assets (financial and non-financial), liabilities, net debt, and accumulated surplus as at December 31<sup>st</sup>, 2016 and 2015.
- **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 financial assets as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
- **Consolidated statement of cash flows** summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.



# Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position 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 financial assets, which represents the amount available in the future.

The City maintained its strong financial position in 2016 allowing for flexibility and financial sustainability well into the future.

- Financial Assets increased by \$40.9M to \$1.1B
- Liabilities increased by \$42.1M to \$395.6M
- Net financial assets decreased by \$0.1M to \$662.7M
- Non-financial assets increased by \$106.7M to \$2.2B
- Accumulated surplus increased by \$105.5M to \$2.8B

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

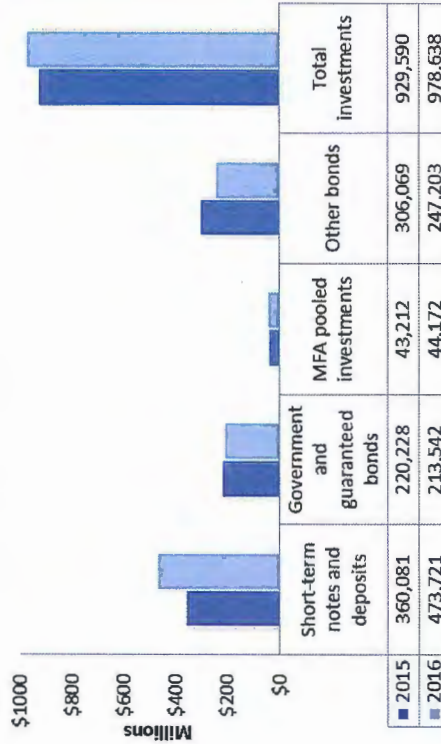
## Cash and cash equivalents

Cash and cash equivalents decreased by \$3.5M to \$18.3M mainly due to timing of cash out of the investment portfolio.

## Investments

Investments increased by \$49.0M to \$978.6M primarily due to the timing of capital expenditures. The increase is mainly attributed to an increase in deferred revenue of \$17.6M and an increase in deposit and holdbacks of \$13.9M.

### Investment Portfolio by Type (\$000's)



## Accrued interest receivable

Accrued interest receivable increased by \$0.7M due to the increased investment balance and timing of the investments.

## Accounts receivable

Accounts receivable decreased by \$2.4M to \$27.8M primarily due to collections of other trade receivables of \$3.0M in 2016. The decrease was offset by a net increase in water and utilities receivables.

Accounts Receivable (\$000's)	2016	2015	Change
Water and sewer utilities	\$12,541	\$11,381	\$1,160
Casino revenues	3,951	4,532	(581)
Gaming grant	2,345	2,482	(137)
Other trade receivables	8,929	11,767	(2,838)
Total	\$27,766	\$30,162	(\$2,396)

## Taxes receivable

Taxes receivable increased by \$1.4M to \$9.4M due to increased utility rates and timing of collections.

## Development fees receivable

Development fees receivable decreased by \$4.4M to \$16.7M due to development cost charges being paid in instalments at the originating date, one year after the originating date, and final installment at the two year anniversary date. There has also been a decrease in use of letter of credits.

## Debt reserve fund

The debt reserve fund balance did not change from 2015 as the City did not receive payments from the Municipal Finance Authority (MFA) in 2016.

# Liabilities

## Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by \$9.0M to \$96.7M. The increase is attributable to payroll accruals and increased capital project activity such as the Minoru Aquatic Facility, Firehall No.1, and No.2 Road Pump Station.

## Development cost charges

The development cost charge (DCC) balance of \$117.6M (2015 - \$111.6M) represents the total balance of unspent DCC's and includes amounts that have been allocated to capital projects but remain unspent as at December 31<sup>st</sup>, 2016. These amounts are restricted and may only be used on authorized capital expenditures.

Net contributions of \$20.9M and earned interest of \$1.8M were received in 2016. Balance was offset by \$16.6M for capital projects funded by DCC in the year.

Development Cost Charges (\$000's)	2016	2015	Change
Balance, beginning of year	\$111,591	\$82,965	\$28,626
Contributions	20,886	44,934	(24,048)
Interest	1,752	1,510	242
Revenue recognized	(16,632)	(17,818)	1,186
Balance, end of year	\$117,597	\$111,591	\$6,006

The \$117.6M balance includes amounts that have been allocated to active capital projects but that remain unspent. At December 31<sup>st</sup>, 2016 there is \$37.6M (2015 - \$30.9M)

committed to active capital projects. Additional DCC funding of \$18.9M was approved as part of the 2017 Capital Budget.

## Deposits and holdbacks

Deposits and holdbacks increased by \$13.9M to \$72.8M primarily due to security deposits increasing by \$10.6M. City capital construction resulted in a \$3.0M increase in contract holdbacks. The remaining increase is from other deposits relating to general activities.

Deposits and Holdbacks (\$000's)	2016	2015	Change
Security deposits	\$50,970	\$40,326	\$10,644
Developer contribution	5,643	5,546	97
Contract holdbacks	5,764	2,809	2,955
Transit Oriented Development			
Fund	1,057	1,523	(466)
Other	9,362	8,692	670
Total deposits and holdbacks	\$72,796	\$58,896	\$13,900

## Deferred revenue

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

Deferred revenues increased by \$17.6M mainly due to a grant received for \$16.6M from the BC Ministry of Transportation

# Liabilities

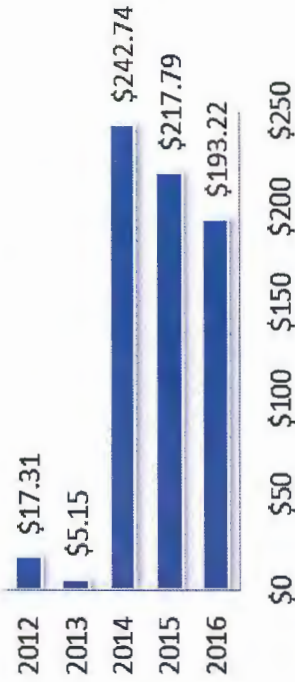
for the 2016 Flood Protection Program. The remaining balance relates to offsetting activity in capital, Oval, business licences, and other revenues.

## Debt, net of MFA sinking fund deposits

Debt decreased by \$4.4M to \$42.2M as a result of a repayment made in 2016 towards the borrowing for the construction of the integrated older adult Minoru aquatic facility. The debt has a 10 year term and was entered in 2014 at a rate of 3.30% for the duration of the term.

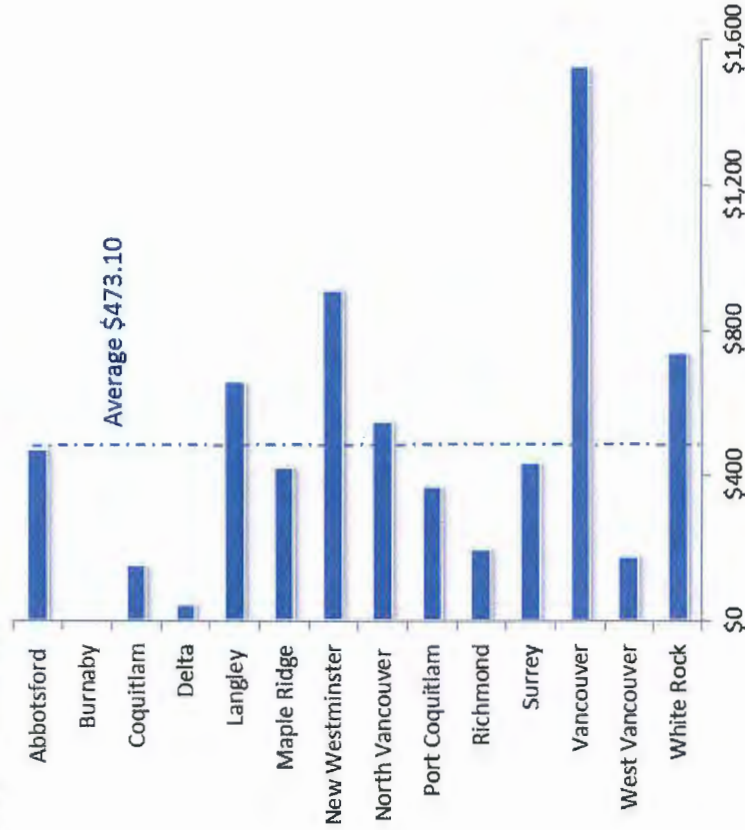
The debt per capita decreased to \$193.22 per person in 2016 from \$217.79 as of December 31, 2015. The decrease in debt per capita is the result of principal payments and increase in population.

## City of Richmond Debt Per Capita 2012-2016



Richmond's 2016 debt per capita figure of \$193.22 is well below the 2015 regional average of \$473.10. The 2015 values for the other municipalities are the most current figures available.

## Debt Per Capita by City



- Source data obtained from the Ministry of Community Sport & Cultural Development - 2015 Local Government Statistics.
- Richmond figure adjusted to reflect 2016 net debt balance. The 2016 population statistics used are obtained from Policy Planning.

# Non-Financial Assets

## Tangible Capital Assets

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

TCA increased by \$105.4M to \$2.2B. The change is a result of \$164.2M of asset additions, less net disposal of \$2.9M and amortization of \$55.9M.

Tangible Capital Assets (\$000's)	2016	2015	Change
Land	\$845,905	\$803,645	\$42,260
Buildings and building improvements	229,239	233,140	(3,901)
Infrastructure	930,112	916,089	14,023
Vehicles, machinery and equipment	44,073	43,315	758
Library's collections, furniture and equipment	3,494	4,339	(845)
Assets under construction	115,436	62,367	53,069
Total	2,168,259	\$2,062,895	\$105,364

Land increased by \$42.3M mainly due to \$44.0M of land acquired during the year which included \$30.6M for 7080 River Road (net of \$6.5M building) acquired through a cash payment of \$22.5M and land exchanges, and land received through development valued at \$7.1M.

Buildings decreased by \$3.9M due mainly to \$14.2M for amortization expense offset by additions of \$10.3M including

\$6.5M for 7080 River Road and \$1.2M for Richmond Gymnastics.

Infrastructure increased by \$14.0M due to additions of \$48.2M including contributed assets of \$17.3M received through development, and offset by \$33.2M of amortization expense and net disposals of \$1.0M.

Machinery and equipment increased by \$0.8M due to additions of \$8.3M, including \$2.3M for garbage collection carts, and offset by \$7.5M of amortization expenses.

Library's collections, furniture and equipment decreased by \$0.8M as a result of certain electronic media subscriptions that were previously recorded as tangible capital assets but should have been expensed. The reclassification is not material upon consolidation and is fully reflected in 2016.

Assets under construction increased by \$53.1M including \$34.8M from Minoru Complex and Fire Hall 3, due to the timing of project completion.

## Inventory of materials and supplies

Inventory increased by \$0.8M due to bulk purchases made during the year.

## Prepaid expenses

Prepaid expenses increased by \$0.6M 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 \$105.5M to \$2.8B. The annual increase is presented on the Consolidated Statement of Operations.

Accumulated Surplus (\$000's)	2016	2015	Change
Investment in TCA	\$2,142,824	\$2,055,479	\$87,345
Reserves	471,846	461,178	10,668
Appropriated Surplus	200,966	195,050	5,916
Surplus	18,001	17,265	736
Other equity	3,024	2,222	802
<b>Total</b>	<b>\$2,836,661</b>	<b>\$2,731,194</b>	<b>\$105,467</b>

## Investment in TCA

Investment in TCA represents the equity held in assets. This balance is equal to the net book value of tangible capital assets less any outstanding debt relating to capital, restricted capital deferred revenue (for Oval) and concession liability.

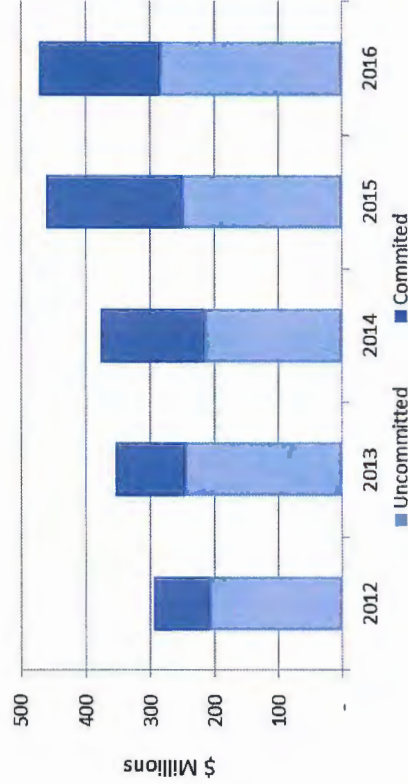
This balance is based on the historical cost of the asset net of accumulated amortization in accordance with accounting standards. This does not reflect market value or replacement value of the assets.

The investment in TCA balance increased by \$87.3M. This is the net activity of asset additions, amortization, disposals and debt reduction.

## Reserves

Reserves are established by Bylaw for specific purposes, mainly capital expenditures. The balance of \$471.8M includes amounts that have been approved for expenditure but remain unspent as at December 31<sup>st</sup> as prescribed by accounting standards. The uncommitted reserve balance is \$284.6M (2015 - \$250.5M).

## Reserve Balance 2012-2016



The increase in the reserve balance is mainly attributable to the timing of capital expenditures. There are several facility construction projects approved including the Minoru Complex and Fire Hall 3 that have reserve funds allocated towards the project but have not been spent as of the reporting date December 31, 2016.

From the available \$284.6M at December 31, 2016, \$66.0M has been approved for the City's 2017 Capital Budget.

# Accumulated Surplus

## Appropriated Surplus

Appropriated surplus is internally restricted for future commitments and potential liabilities. The balance increased by \$5.9M to \$201.0M as a result of a various transfers, including the transfer during 2016 of the 2015 general operating surplus to the rate stabilization account of \$8.7M offset by \$1.4M for RCMP wage settlement accrual and \$1.1M for General Solid Waste funding.

## Surplus

The consolidated surplus increased by \$0.7M to \$18.0M. The increase is attributed to:

- \$7.0M City's 2016 operating surplus
- \$2.1M internal repayments from previously funded capital projects
- (\$8.7M) transfer of the City's 2015 operating surplus to the rate stabilization account

## Other Equity

Other equity relates to equity in the City's inventory. The balance increased to \$3.0M in 2016.



# Consolidated Statement of Operations

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The Consolidated Statement of Operations is the equivalent to the private sector's Income Statement and Statement of 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 2016 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 23 outlines the adjustments to the approved budget, particularly the exclusion of principal payments, transfers to reserves and other funds, and tangible capital asset acquisitions. These adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. As the accrual based budget does not include transfers to reserves, investment in assets and other items, the budget presented on the financial statements can show a surplus or deficit while the budget as approved by Council is a balanced budget.



# Revenues

## 2016 Budget to Actual Comparison

Total consolidated revenues were \$484.9M compared to the budgeted revenues of \$499.0M.

Revenues (\$000's)	2016 Budget	2016 Actual	Variance
Taxation and levies	\$197,965	\$198,612	\$647
Utility fees	98,773	97,819	(954)
Sales of services	33,692	38,231	4,539
Payments-in-lieu of taxes	13,473	14,770	1,297
Provincial and federal grants	7,376	9,101	1,725
Development cost charges	26,875	16,632	(10,243)
Other capital funding sources	69,115	26,601	(42,514)
Investment income	14,694	17,614	2,920
Gaming revenue	18,088	17,559	(529)
Licences and permits	9,184	12,422	3,238
Other	9,799	35,543	25,744
<b>Total</b>	<b>\$499,034</b>	<b>\$484,904</b>	<b>(\$14,130)</b>

Taxation and levies had a favourable variance of \$0.6M due to supplemental adjustments to the assessment roll by BC Assessment.

Utility fees decreased by \$1.0M due to lower than budgeted revenues from water billing and garbage utilities.

Sales of service had a favourable variance mainly due to increased Public Works receivable activity, rental and lease revenue, admissions and program revenue.

Payments in lieu of taxes had a favourable variance due to conservative estimates.

Provincial and federal grants were favourable by \$1.7M mainly due to traffic fine sharing revenue, gas and carbon tax.

Development cost charges had an unfavourable variance of \$10.2M due to the timing of capital expenditures. DCC revenue is recognized when the amounts are spent, while the budget represents the 2016 allocation of DCC's towards capital projects that can be spent over multiple years.

The other capital funding variance is the result of lower than anticipated amounts relating to contributed assets received through development at \$24.4M (2015 - \$61.8M) along with external grants for capital projects.

Investment income had a favourable variance due to use of a higher yield investment strategy and timing of capital expenditures that resulted in a higher than expected investment balance throughout the year.

Gaming revenue is under budget by \$0.5M which reduced the transfer to the capital building infrastructure reserve based on the allocation model approved by Council on March 23, 2015.

Licences and permits had a favourable variance of \$3.2M mainly due to building permits, other permits and business licences.

Other revenue had a favourable variance of \$25.7M due to \$10.1M of developer community amenity contributions received in 2016 and \$13.9M gain on the disposal of land that are not budgeted.

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# Revenues

## 2016 to 2015 Actual Comparison

Total 2016 consolidated revenues were \$484.9M compared to \$527.1M in 2015.

Revenues (\$000's)	2016 Actual	2015 Actual	Change
Taxation and levies	\$198,612	\$189,136	\$9,476
Utility fees	97,819	94,290	3,529
Sales of services	38,231	34,186	4,045
Payments-in-lieu of taxes	14,770	15,109	(339)
Provincial and federal grants	9,101	8,654	447
Development cost charges	16,632	17,818	(1,186)
Other capital funding sources	26,601	72,575	(45,974)
Investment income	17,614	16,303	1,311
Gaming revenue	17,559	19,555	(1,996)
Licences and permits	12,422	10,747	1,675
Other	35,543	48,755	(13,212)
<b>Total</b>	<b>\$484,904</b>	<b>\$527,128</b>	<b>(\$42,224)</b>

Taxation and levies increased by \$9.5M due to the 3.11% tax rate increase and assessment growth offset by appeals.

Utility fees increased by \$3.5M due to the Council approved rate increases, consumption activity and increased recycling activity.

Sales of services increased by \$4.0M mainly due to receivable income.

Payments-in-lieu of taxes and provincial and federal grants are consistent with 2015.

Development cost charges decreased by \$1.2M due to timing of capital expenditures. DCC revenue is recognized when the amounts are spent.

Other capital funding sources decreased by \$46.0M due to the timing of developer contributed assets. 2015 included \$50.6M of dedicated land and road while \$7.1M was received in 2016.

Investment income increased by \$1.3M due to the higher average investment balance throughout the year and improved yield on investments.

Gaming revenue for the City decreased by \$2.0M due to decreased revenues at River Rock Casino.

Licences and permits increased by \$1.7M mainly due to increase in building permit revenue.

Other revenue decreased by \$13.2M mainly due to \$19.6M decrease in developer community amenity contributions.

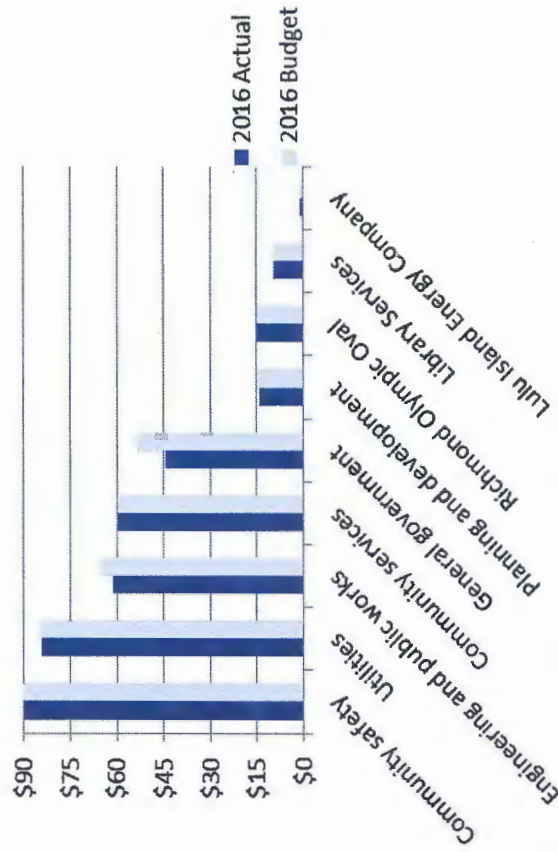
# Expenses

## 2016 Budget to Actual Comparison

Total consolidated expenses were \$379.4M compared to the budget of \$396.7M.

Included in the \$379.4M actual expenses are \$9.4M 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.

## 2016 Expenses by Function



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

Law and community safety had a favourable variance of \$3.6M mainly due to RCMP contract savings from lower than budgeted complement and indirect costs.

Utilities had a favourable variance of \$1.0M due mainly to savings in water purchase costs.

Engineering and public works had a favourable variance of \$4.4M mainly due to timing of programs scheduled to be completed in 2017.

Community services was consistent with budget for the year.

General government had a favourable variance of \$9.1M mainly due to vacancies and lower than budgeted professional services expenses.

Planning and development was consistent with budget for the year.

Richmond Olympic Oval had an unfavourable variance of \$0.2M mainly due to amortization and salaries.

Library services was consistent with budget.

Lulu Island Energy Company was consistent with budget.

# Expenses

## 2016 to 2015 Actual Comparison

Total 2016 consolidated expenses were \$379.4M compared to \$373.6M in 2015.

Expenses (\$000's)	2016 Actual	2015 Actual	Change
Law and Community Safety	\$89,752	\$85,386	\$4,366
Utilities: water, sewer and sanitation	84,183	83,650	533
Engineering, public works and project development	61,243	56,294	4,949
Community services	59,592	68,246	(8,654)
General government	44,583	43,438	1,145
Planning and Development	14,233	13,211	1,022
Richmond Olympic Oval	15,120	13,395	1,725
Library services	9,788	9,513	325
Lulu Island Energy Company	943	491	452
<b>Total</b>	<b>\$379,437</b>	<b>\$373,574</b>	<b>\$5,863</b>

Law and community safety expenses increased by \$4.4M due to the increase in the RCMP contract and to the accrual of the RCMP wage settlement for 2015 and 2016.

Utilities expenses increased by \$0.5M mainly due increase in contract costs related to recycling and organics operations.

Engineering, public works and project development increase of \$4.9M is mainly due to increased activities in roads and facilities.

Community services decreased by \$8.7M due to one-time affordable housing contributions during 2015.

General government expenses increased by \$1.1M mainly due to filling of vacancies compared to prior year.

Planning and development costs increased by \$1.0M mainly due to filling of vacancies and traffic signals maintenance completed in 2016.

The expenses for the Oval increased by \$1.7M due to the costs required to service several new initiatives which had their first full year of operations in 2016, the increase in amortization expense due to the first full year of amortization for large capital projects, and to meet the growth in the Oval's memberships, admissions, and program revenue.

Library services increased by \$0.3M due to subscription expenses related to e-books and the reclassification from tangible capital assets.

LIEC increased by \$0.5M due to amortization, and electrical and natural gas expenses.

# Expenses

## Expenses by Object

	2016 Actual	2015 Actual	Change
Expenses (\$000's)			
Wages and salaries	\$152,286	\$147,996	\$4,290
Public works maintenance	14,368	15,294	(926)
Contract services	63,583	59,073	4,510
Supplies and Materials	60,227	55,750	4,477
Interest and finance	22,602	21,391	1,211
Transfer from (to) capital for tangible capital assets	9,417	19,349	(9,932)
Amortization of tangible capital assets	55,933	53,966	1,967
Loss on disposal of tangible capital assets	1,021	755	266
<b>Total</b>	<b>\$379,437</b>	<b>\$373,574</b>	<b>\$5,863</b>

Wages and salaries increased by \$4.3M due to filling vacancies and other collective agreement increases.

Public works maintenance decreased by \$0.9M due to timing of programs scheduled to be completed in 2017.

Contract services increased by \$4.5M mainly due to the RCMP contract services and IT infrastructure maintenance contracts.

Supplies and materials increased by \$4.5M mainly due to increase in water and equipment purchases.

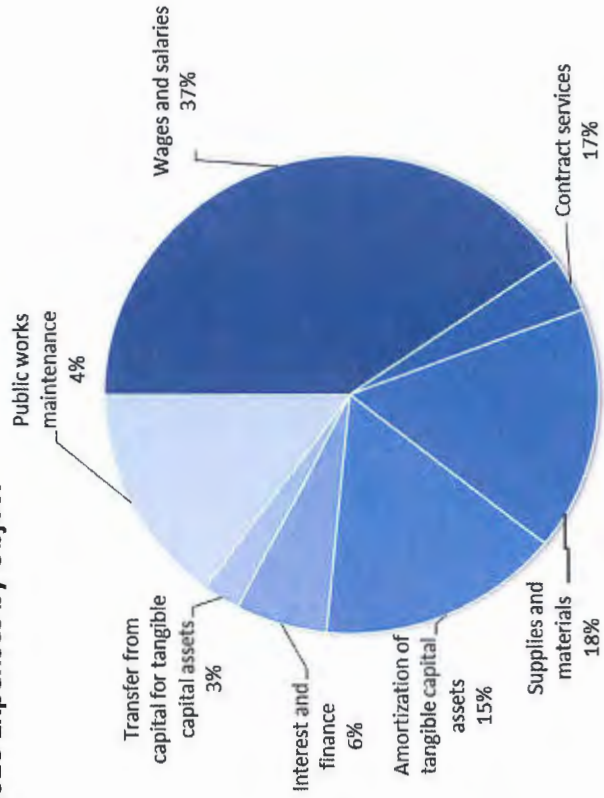
Interest and finance increased by \$1.2M due to increased debt payment to the Greater Vancouver Sewage and Drainage District Sewage Usage.

Transfer from (to) capital for tangible capital assets decreased by \$9.9M mainly due to the Kiwanis and Storeys affordable housing contributions made in 2015.

Amortization of tangible capital assets increased by \$2.0M due to new asset additions.

Loss on the disposal of tangible capital assets increased by less than \$0.3M.

## 2016 Expenses by Object



# Annual Surplus

The 2016 consolidated annual surplus of \$105.5M 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 City's 2016 operating surplus of \$7.0M is one component of the 2016 annual surplus of \$105.5M. The remaining portion of the annual surplus relates to transactions that impact the capital equity, reserves, appropriated surplus and other accumulated surplus items.

## Annual Surplus Distribution

The largest driver of the \$105.5M annual surplus is the change in investment in capital assets of \$87.3M. This amount is the net activity of asset additions \$164.2M offset by amortization expense of \$55.9M, disposals and debt reduction.

Appropriated surplus increased by \$5.9M relating to future commitments and potential liabilities.

Reserves increased by \$10.7M due to the timing of capital expenditures. Included in the total reserve balance is \$187.2M committed towards active capital projects.

Surplus increased by \$0.7M due to allocation towards capital projects.

Other surplus increased by \$0.8M relating to increased inventory.



# 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 assets as at December 31, 2016 decreased by \$1.3M to \$662.7M (2015 - \$664.0M).



# 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 \$3.5M to \$18.3M while investments increased by \$49.0M to \$978.6M. The increase in investments largely reflects the increases in liabilities.

In 2016, cash provided by operating activities was \$174.0M, compared to \$170.2M in 2015.

Cash used in capital activities was \$124.0M, compared to \$79.3M in 2015.

Cash used in investing activities was \$49.0M, compared to \$95.6M in 2015.

Cash used in financing activities was \$4.4M, compared to cash to \$4.2M in 2015, and was used to pay down MFA debentures.

# Ratio Analysis

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

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 2014-2016:

	2016	2015	2014
<b>Sustainability ratios:</b>			
Assets to liabilities (times)	8.2	8.7	8.8
Financial assets to liabilities (times)	2.7	2.9	2.8
Net debt to total revenues	8.7%	8.8%	10.2%
Net debt to the total assessment	0.1%	0.1%	0.1%
Expenses to the total assessment	0.6%	0.6%	0.6%
<b>Flexibility ratios:</b>			
Debt charges to revenues	0.3%	0.3%	0.3%
Net book value of capital assets to cost	68.6%	68.7%	68.7%
Net book value of capital assets (excluding land) to cost	57.1%	57.2%	57.7%
Own source revenue to the assessment	0.7%	0.7%	0.8%
<b>Vulnerability ratios:</b>			
Government transfers to total revenues	5.5%	5.4%	5.8%
Government transfers (excluding gaming revenue) to total revenues	1.9%	1.6%	1.5%

An explanation of each of the ratios is provided below.

#### Assessment of sustainability

- Assets to liabilities, indicates sustainability by the extent to which the government entity finances its

operations by issuing debt. A higher ratio indicates a greater ability to cover liabilities.

- Financial assets to liabilities, indicates sustainability by the degree that future revenues are required to pay for past transactions and events. A higher ratio indicates a greater ability to cover liabilities.
- Net debt to total revenue, indicates the financial burden over the earning capacity and also indicates how future revenues will be needed for financing of past transactions and events. A lower percentage indicates a lesser reliance on future revenues to finance existing debt.
- Net debt to total assessment, indicates the relationship between the level of debt and the state of the local economy. A lower percentage indicates a lesser reliance on the current assessment base to finance existing debt.
- Expenses to total assessment, indicates the trend of the government spending in connection to the state of the local economy. A lower percentage indicates a lesser reliance on the current assessment base to finance existing expenses.

### Assessment of flexibility

- Debt charges to revenues, indicates the extent to which past borrowing decisions present a constraint on a government's ability to meet its financial commitments. A lower ratio indicates a lesser reliance on existing revenues to finance debt charges.
- Net book value of capital assets to cost, indicates the estimated useful life of the capital assets to provide services. A higher ratio indicates a newer asset inventory.
- Net book value of capital assets (excluding land) to cost, indicates the estimated useful life remaining of depreciable capital assets. Land is not a depreciable asset and its inclusion can distort the net book value to cost ratio. A higher ratio indicates a newer asset inventory.
- Own source revenue to assessment, indicates the degree to which represents the percentage of taxes taken from its own tax base. A lower ratio indicates a lesser proportion of existing revenues from own sources on the current assessment base.

### Assessment of vulnerability

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



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 Licences
  - Housing Activity
  - Population
- City Services

# Term Goals

Council decisions guide and influence the City's social and physical development, the quality of life and lifestyle choices available to residents, the relative safety and protection of residents and businesses, and the role the City plays within the region. To help Council manage this important agenda, a "Term Goal Setting" process is undertaken at the start of each new term of office to determine Council's desired focus and priorities in order to ensure City work programs are appropriately aligned. This process forms an integral part of City operations, and helps to ensure a focused and productive workforce that makes the most effective use of public resources. In alphabetical order, the nine goal areas for the 2014-2018 term of Council include:

- 1. A Safe Community**  
Maintain emphasis on community safety to ensure Richmond continues to be a safe community.
- 2. A Vibrant, Active, and Connected City**  
Continue the development and implementation of an excellent and accessible system of programs, services, and public spaces that reflect Richmond's demographics, rich heritage, diverse needs, and unique opportunities, and that facilitate active, caring, and connected communities.
- 3. A Well-Planned Community**  
Adhere to effective planning and growth management practices to maintain and enhance the livability, sustainability and desirability of our City and its neighbourhoods, and to ensure the results match the intentions of our policies and bylaws.
- 4. Leadership in Sustainability**  
Continue advancement of the City's sustainability framework and initiatives to improve the short and long term livability of our City, and that maintain Richmond's position as a leader in sustainable programs, practices and innovations.
- 5. Partnerships and Collaboration**  
Continue development and utilization of collaborative approaches and partnerships with intergovernmental and other agencies to help meet the needs of the Richmond community.



# Term Goals

**6. Quality Infrastructure Networks**

Continue diligence towards the development of infrastructure networks that are safe, sustainable, and address the challenges associated with aging systems, population growth, and environmental impact.

**7. Strong Financial Stewardship**

Maintain the City's strong financial position through effective budget processes, the efficient and effective use of financial resources, and the prudent leveraging of economic and financial opportunities to increase current and long-term financial sustainability.

**8. Supportive Economic Development Environment**

Review, develop and implement plans, policies, programs and practices to increase business and visitor appeal and promote local economic growth and resiliency.

**9. Well-Informed Citizenry**

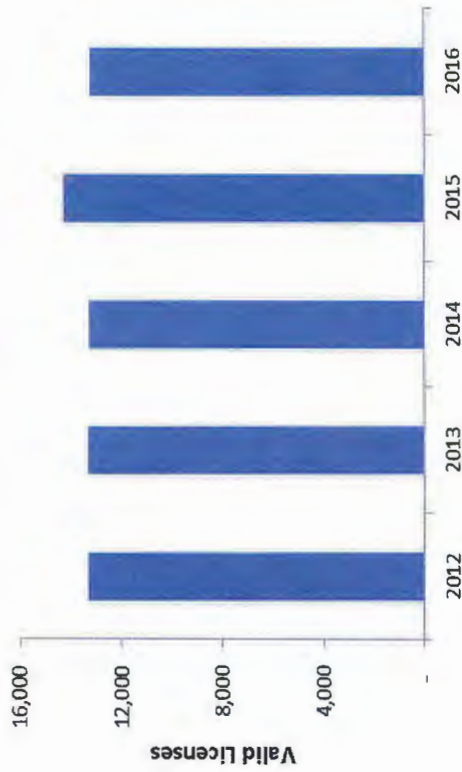
Continue to develop and provide programs and services that ensure the Richmond community is well-informed and engaged on City business and decision making.



## Business Licences

The total number of business licences issued decreased to 13,253 in 2016 compared to 14,351 licences issued in 2015.

### Business Licences 2012-2016



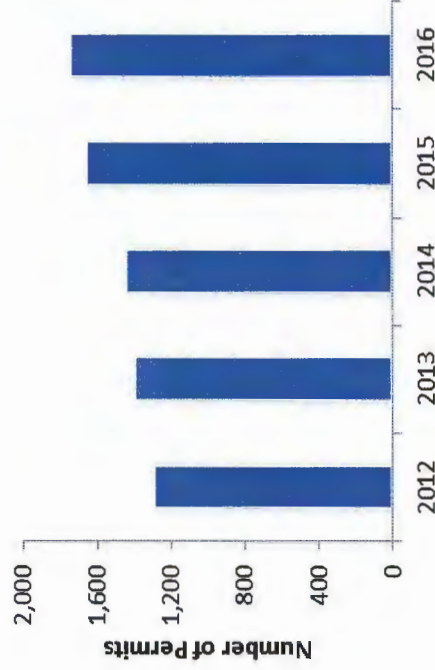
## Housing Activity

Richmond house prices increased by 9.9%, with a 2016 detached median house price of \$1,847,000. The total number of sales decreased year-over-year by 9% to 5,263.

In 2016, the total number of building permits issued was 1,740 which was a 5.1% increase from 2015. Overall, the building

permit fees collected increased by 34.8% since 2012, a sign of increasing development activity in Richmond. The actual permit fees collected for 2016 was \$8.4M.

### Building Permits 2012-2016



The construction value of permits issued in 2016 was \$707.2M, which decreased by approximately 29.1% from 2015's record year of \$998.0M.

The number of development applications received in 2016 decreased 3.3% from 2015 to 235 from 243 applications. However, total fees collected in 2016 increased by 3.1%.



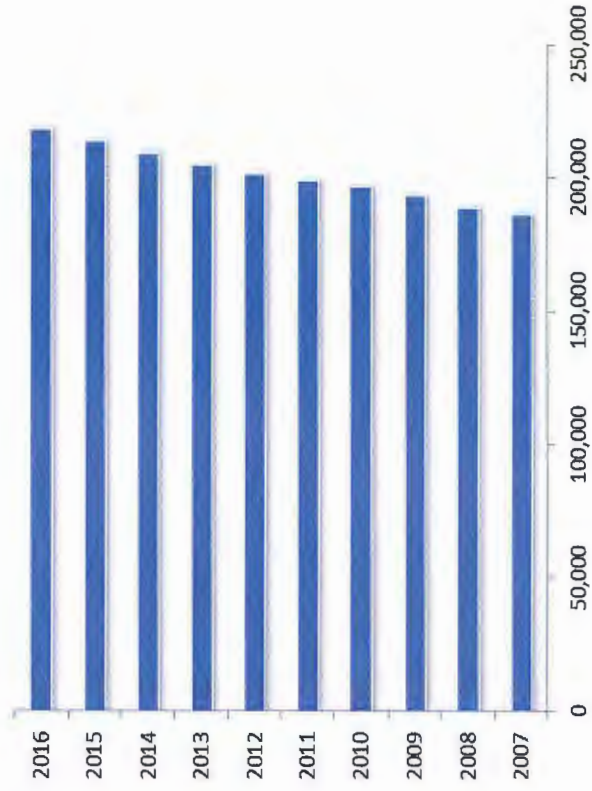


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## Population

Richmond's current population is estimated at 218,307<sup>1</sup>, which is a 2.06% increase from 2015. Richmond is the fourth most populous municipality in the Greater Vancouver region.

### Richmond Population 2007-2016



<sup>1</sup>City of Richmond Policy Planning

# Services

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

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

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

These services are provided through the use of funds as approved by Council in the 2016 operating, capital and utility budgets.

	2014	2015	2016
Population growth (per annum)	2.05%	2.17%	2.06%
Capital construction costs (\$mil) <sup>1</sup>	\$193.23	\$159.55	\$92.30
City Grants Program (\$mil)	\$0.76	\$0.76	\$0.78
Other grants (\$mil) <sup>2</sup>	\$1.52	\$1.60	\$1.93
Registration in recreation programs	141,175	134,786	141,125
RCMP calls for services	67,118	67,276	69,800
Fire Rescue responses	9,643	10,326	10,947

<sup>1</sup>This figure represents the amended capital budget excluding internal transfers and debt repayment

<sup>2</sup> Other grants are in addition to the City Grant Program and include contributions towards Gateway Theatre, Richmond Center for Disability, Richmond Therapeutic Equestrian Society and various youth grants.

# Conclusion

The City's prudent financial management has positioned Richmond 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 31<sup>st</sup> 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 2017 – 2021 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>



Consolidated Financial Statements of

**CITY OF RICHMOND**

Year ended December 31, 2016

## 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, 2016 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.

*City of Richmond*  
*Page 2*

*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, 2016, 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 Professional Accountants

May 1, 2017  
Burnaby, Canada

# CITY OF RICHMOND

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

December 31, 2016, with comparative information for 2015

	2016	2015
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 18,335	\$ 21,800
Investments (note 3)	978,638	929,590
Accrued interest receivable	6,972	6,287
Accounts receivable (note 4)	27,766	30,162
Taxes receivable	9,422	8,010
Development fees receivable	16,712	21,135
Debt reserve fund - deposits (note 5)	508	508
	<u>1,058,353</u>	<u>1,017,492</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 6)	96,720	87,701
Development cost charges (note 7)	117,597	111,591
Deposits and holdbacks (note 8)	72,796	58,896
Deferred revenue (note 9)	66,320	48,711
Debt, net of MFA sinking fund deposits (note 10)	42,181	46,583
	<u>395,614</u>	<u>353,482</u>
Net financial assets	662,739	664,010
<b>Non-Financial Assets</b>		
Tangible capital assets (note 11)	2,168,259	2,062,895
Inventory of materials and supplies	3,138	2,359
Prepaid expenses	2,525	1,930
	<u>2,173,922</u>	<u>2,067,184</u>
Accumulated surplus (note 12)	<u>\$ 2,836,661</u>	<u>\$ 2,731,194</u>

Commitments and contingencies (note 16)

See accompanying notes to consolidated financial statements.

General Manager, Finance and Corporate Services

DRAFT - April 24, 2017

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# CITY OF RICHMOND

Consolidated Statement of Operations  
(Expressed in thousands of dollars)

Year ended December 31, 2016, with comparative information for 2015

	2016 Budget	2016	2015
	(Notes 2(n) and 22)		
<b>Revenue:</b>			
Taxation and levies	\$ 197,965	\$ 198,612	\$ 189,136
Utility fees	98,773	97,819	94,290
Sales of services	33,692	38,231	34,186
Payments-in-lieu of taxes	13,473	14,770	15,109
Provincial and federal grants	7,376	9,101	8,654
Development cost charges	26,875	16,632	17,818
Other capital funding sources	69,115	26,601	72,575
Other revenues:			
Investment income	14,694	17,614	16,303
Gaming revenue	18,088	17,559	19,555
Licenses and permits	9,184	12,422	10,747
Other (note 19)	9,799	35,543	48,755
	499,034	484,904	527,128
<b>Expenses:</b>			
Law and community safety	93,357	89,752	85,386
Utilities: water, sewer and sanitation	85,159	84,183	83,650
Engineering, public works and project development	65,630	61,243	56,294
Community services	59,019	59,592	68,246
General government	53,665	44,583	43,438
Planning and development	14,324	14,233	13,211
Richmond Olympic Oval	14,890	15,120	13,395
Library services	9,754	9,788	9,463
Lulu Island Energy Company	939	943	491
	396,737	379,437	373,574
Annual surplus	102,297	105,467	153,554
Accumulated surplus, beginning of year	2,731,194	2,731,194	2,577,640
Accumulated surplus, end of year	\$ 2,833,491	\$ 2,836,661	\$ 2,731,194

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, 2016, with comparative information for 2015

	2016 Budget (Notes 2(n) and 22)	2016	2015
Surplus for the year	\$ 102,297	\$ 105,467	\$ 153,554
Acquisition of tangible capital assets	(121,102)	(139,781)	(86,941)
Contributed tangible capital assets	(55,000)	(24,441)	(61,807)
Amortization of tangible capital assets	55,347	55,933	53,966
Gain on disposal of tangible capital assets	-	(12,859)	(5,157)
Proceeds on sale of tangible capital assets	-	15,784	7,678
	(18,458)	103	61,293
Acquisition of inventories of supplies	-	(3,138)	(2,359)
Acquisition of prepaid expenses	-	(2,525)	(1,930)
Consumption of inventories of supplies	-	2,359	2,415
Use of prepaid expenses	-	1,930	1,971
Change in net financial assets	(18,458)	(1,271)	61,390
Net financial assets, beginning of year	664,010	664,010	602,620
Net financial assets, end of year	\$ 645,552	\$ 662,739	\$ 664,010

See accompanying notes to consolidated financial statements.

# CITY OF RICHMOND

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

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 105,467	\$ 153,554
Items not involving cash:		
Amortization	55,933	53,966
Gain on disposal of tangible capital assets	(12,859)	(5,157)
Contributions of tangible capital assets	(24,441)	(61,807)
Change in non-cash operating working capital:		
Accrued interest receivable	(685)	(924)
Accounts receivable	2,396	(2,112)
Taxes receivable	(1,412)	(529)
Development fees receivable	4,423	4,225
Debt reserve fund	-	200
Prepaid expenses	(595)	41
Inventories of supplies	(779)	56
Accounts payable and accrued liabilities	9,019	(608)
Deposits and holdbacks	13,900	(6,207)
Deferred revenue	17,609	6,888
Development cost charges	6,006	28,626
Net change in cash from operating activities	173,982	170,212
Capital activities:		
Cash used to acquire tangible capital assets	(139,781)	(86,941)
Proceeds on disposal of tangible capital assets	15,784	7,678
Net change in cash from capital activities	(123,997)	(79,263)
Financing activities:		
Decrease in debt	(4,402)	(4,232)
Principal payments on obligations under capital leases	-	(22)
Net change in cash from financing activities	(4,402)	(4,254)
Investing activities:		
Purchase of investments	(49,048)	(95,626)
Net change in cash and cash equivalents	(3,465)	(8,931)
Cash and cash equivalents, beginning of year	21,800	30,731
Cash and cash equivalents, end of year	\$ 18,335	\$ 21,800

See accompanying notes to consolidated financial statements.

# CITY OF RICHMOND

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

Year ended December 31, 2016

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## 1. Operations:

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

## 2 Significant accounting policies:

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

### (a) Basis of consolidation:

These 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 (the "Oval") and the Lulu Island Energy Company Ltd. ("LIEC"). The Library is consolidated as the Library Board is appointed by the City. The Oval and LIEC are consolidated as they are wholly-owned municipal corporations of the City and operate as other government organizations. Interfund transactions, fund balances and activities have been eliminated on consolidation.

#### (i) General Revenue Fund:

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

#### (ii) General Capital and Loan Fund:

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

#### (iii) Waterworks and Sewerworks Funds:

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

#### (iv) Reserve Funds:

Certain funds are established by bylaws for specific purposes. They are funded primarily by budgeted contributions from the General Revenue Fund 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, 2016

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## 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, 2016

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## 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 these consolidated financial statements.

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

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

(v) Interest capitalization:

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

# CITY OF RICHMOND

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

Year ended December 31, 2016

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## 2. Significant accounting policies (continued):

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

#### (vi) Labour capitalization:

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

#### (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 City's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

#### (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.

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, 2016

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## 2. Significant accounting policies (continued):

(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.

(n) Budget information:

Budget information, presented on a basis consistent with that used for actual results, was included in the City's 5 Year Consolidated Financial Plan (2016-2020) ("Consolidated Financial Plan") and was adopted through Bylaw No. 9521 on March 14, 2016.

(o) Contaminated sites:

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

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

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

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

(p) Use of accounting estimates:

The preparation of these 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.

# CITY OF RICHMOND

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

Year ended December 31, 2016

## 2. Significant accounting policies (continued):

### (p) Use of accounting estimates (continued):

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.

### (q) Segment disclosures:

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

## 3. Investments:

	2016		2015	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 473,721	\$ 473,409	\$ 360,081	\$ 360,081
Government and government guaranteed bonds	213,54221	6,895	220,228	227,567
Municipal Finance Authority Pooled Investment	44,172	43,834	43,212	43,212
Other bonds	247,203	249,235	306,06930	7,385
	\$ 978,638	\$ 983,373	\$ 929,590	\$ 938,245

## 4. Accounts receivable:

	2016	2015
Water and sewer utilities	\$ 12,541	\$ 11,381
Casino revenues	3,951	4,532
Capital grant	2,345	2,482
Other trade receivables	8,929	11,767
	\$ 27,766	\$ 30,162



# CITY OF RICHMOND

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

Year ended December 31, 2016

## 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, 2016 are as follows:

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

## 6. Accounts payable and accrued liabilities:

	2016	2015
Trade and other liabilities	\$ 65,417	\$ 55,995
Post-employment benefits (note 14)	31,303	31,706
	\$ 96,720	\$ 87,701

## 7. Development cost charges:

	2016	2015
Balance, beginning of year	\$ 111,591	\$ 82,965
Contributions	20,886	44,934
Interest	1,752	1,510
Revenue recognized	(16,632)	(17,818)
Balance, end of year	\$ 117,597	\$ 111,591

# CITY OF RICHMOND

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

Year ended December 31, 2016

## 8. Deposits and holdbacks:

	Balance, December 31, 2015	Deposit contributions	Refunds/ expenditures	Balance, December 31, 2016
Security deposits	\$ 40,326	\$ 22,129	\$ 11,485	\$ 50,970
Developer contribution	5,546	97	-	5,643
Contract holdbacks	2,809	6,822	3,867	5,764
Transit Oriented Development Fund	1,523	-	466	1,057
Other	8,692	36,720	36,050	9,362
	\$ 58,896	\$ 65,768	\$ 51,868	\$ 72,796

## 9. Deferred revenue:

	Balance, December 31, 2015	External restricted inflows	Revenue earned	Balance, December 31, 2016
Taxes and utilities	\$ 19,370	\$ 19,888	\$ 19,370	\$ 19,888
Building permits/development	12,085	5,952	5,030	13,007
Oval	5,598	10,098	9,877	5,819
Capital grants	4,596	18,856	2,358	21,094
Business licenses	2,509	2,070	2,094	2,485
Parking easement/leased land	2,417	48	44	2,421
Other	2,136	6,997	7,527	1,606
	\$ 48,711	\$ 63,909	\$ 46,300	\$ 66,320

## 10. Debt, net of MFA sinking fund deposits:

The interest rate for the year ended December 31, 2016 on the principal amount of the MFA debentures was 3.30% per annum. Interest expense incurred for the year on the long-term debt was \$1,676,895 (2015 - \$1,676,895).

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

# CITY OF RICHMOND

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

Year ended December 31, 2016

## 10. Debt, net of MFA sinking fund deposits (continued):

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 2016	Net debt 2015
General Fund	\$ 50,815	\$ 8,634	\$ 42,181	\$ 46,583

Repayments on net outstanding debenture debt over the next five years and thereafter are as follows:

2017	\$ 4,578
2018	4,761
2019	4,951
2020	5,149
2021	5,355
Thereafter	17,387
	<u>\$ 42,181</u>

## 11. Tangible capital assets:

Cost	Balance, December 31, 2015	Additions and transfers	Disposals	Balance, December 31, 2016
Land	\$ 803,645	\$ 43,966	\$ (1,706)	\$ 845,905
Buildings and building improvements	374,820	10,324	-	385,144
Infrastructure	1,644,206	48,218	(3,879)	1,688,545
Vehicles, machinery and equipment	110,120	8,271	(1,549)	116,842
Library's collections, furniture and equipment	9,670	374	(1,616)	8,428
Assets under construction	62,367	53,069	-	115,436
	<u>\$ 3,004,828</u>	<u>\$ 164,222</u>	<u>\$ (8,750)</u>	<u>\$ 3,160,300</u>

Accumulated amortization	Balance, December 31, 2015	Disposals	Amortization expense	Balance, December 31, 2016
Buildings and building improvements	\$ 141,680	\$ -	\$ 14,225	\$ 155,905
Infrastructure	728,117	(2,882)	33,198	758,433
Vehicles, machinery and equipment	66,805	(1,518)	7,482	72,769
Library's collections, furniture and equipment	5,331	(1,425)	1,028	4,934
	<u>\$ 941,933</u>	<u>\$ (5,825)</u>	<u>\$ 55,933</u>	<u>\$ 992,041</u>

# CITY OF RICHMOND

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

Year ended December 31, 2016

## 11. Tangible capital assets (continued):

	2016	2015
	Net book value	Net book value
Land	\$ 845,905	\$ 803,645
Buildings and building improvements	229,239	233,140
Infrastructure	930,112	916,089
Vehicles, machinery and equipment	44,073	43,315
Library's collection, furniture and equipment	3,494	4,339
Assets under construction	115,436	62,367
Balance, end of year	\$ 2,168,259	\$ 2,062,895

(a) Assets under construction:

Assets under construction having a value of \$115,436,184 (2015 - \$62,367,664) 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 \$24,441,194 (2015 - \$61,806,695) comprised of infrastructure in the amount of \$17,308,488 (2015 - \$10,874,576), land in the amount of \$7,132,706 (2015 - \$50,606,219), and other assets in the amount of nil (2015 - \$325,900).

(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 (2015 - nil).

# CITY OF RICHMOND

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

Year ended December 31, 2016

## 12. Accumulated surplus:

	General Funds and reserve	Water utility fund	Sanitary Sewer Utility fund	Richmond Olympic Oval	Library services	Lulu Island Energy Co.	2016 Total	2015 Total
Investment in tangible capital assets	\$ 2,104,682	\$ -	\$ -	\$ 8,987	\$ 3,495	\$ 25,660	\$ 2,142,824	\$ 2,055,479
Reserves (note 13)	467,585	-	-	4,261	-	-	471,846	461,178
Appropriated surplus	153,551	30,930	14,998	1,099	388	-	200,966	195,050
Surplus	10,342	244	6,647	552	686	(470)	18,001	17,265
Other equity	3,024	-	-	-	-	-	3,024	2,222
<b>Balance, end of year</b>	<b>\$ 2,739,184</b>	<b>\$ 31,174</b>	<b>\$ 21,645</b>	<b>\$ 14,899</b>	<b>\$ 4,569</b>	<b>\$ 25,190</b>	<b>\$ 2,836,661</b>	<b>\$ 2,731,194</b>

# CITY OF RICHMOND

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

Year ended December 31, 2016

## 13. Reserves:

	2015	Change during year	2016
Reserve funds:			
Affordable housing	\$ 24,934	\$ (1,208)	\$ 23,726
Arts, culture and heritage	4,449	89	4,538
Capital building and infrastructure	60,412	3,064	63,476
Capital reserve	157,778	(2,106)	155,672
Capstan station	9,508	5,449	14,957
Child care development	2,335	1,454	3,789
Community legacy and land replacement	16,994	(8,581)	8,413
Drainage improvement	52,922	2,981	55,903
Equipment replacement	16,882	1,689	18,571
Leisure facilities	5,275	293	5,568
Local improvements	6,767	(545)	6,222
Neighborhood improvement	6,975	(42)	6,933
Public art program	3,056	52	3,108
Sanitary sewer	41,687	2,840	44,527
Steveston off-street parking	299	6	305
Steveston road ends	458	(51)	407
Waterfront improvement	642	(27)	615
Watermain replacement	46,614	4,241	50,855
Oval	3,191	1,070	4,261
	\$ 461,178	\$ 10,668	\$ 471,846

## 14. Post-employment benefits:

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

	2016	2015
Balance, beginning of year	\$ 31,706	\$ 30,755
Current service cost	1,980	1,924
Interest cost	906	912
Past service cost (credit)	(868)	-
Amortization of actuarial loss (gain)	(473)	93
Benefits paid	(1,948)	(1,978)
Balance, end of year	\$ 31,303	\$ 31,706

# CITY OF RICHMOND

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

Year ended December 31, 2016

## 14. Post-employment benefits (continued):

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2016. The difference between the actuarially determined accrued benefit obligation of approximately \$31,556,000 and the liability of approximately \$31,303,000 as at December 31, 2016 is an unamortized net actuarial loss of \$253,000. This actuarial loss is being amortized over a period equal to the employees' average remaining service lifetime of 10-years.

	2016	2015
Actuarial benefit obligation:		
Liability, end of year	\$ 31,303	\$ 31,706
Unamortized actuarial loss (gain)	253	(3,049)
Balance, end of year	\$ 31,556	\$ 28,657

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

	2016	2015
Discount rate	3.30%	3.10%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary range increases	2.50% to 3.00%	2.50%

## 15. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The Board of Trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2015, the plan has about 189,000 active members and approximately 85,000 retired members. Active members include approximately 37,000 contributors from local governments.

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

# CITY OF RICHMOND

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

Year ended December 31, 2016

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## 15. Pension plan (continued):

The most recent valuation for the Municipal Pension Plan as at December 31, 2015, indicated a \$2,224 million funding surplus for basic pension benefits on a going concern basis.

The City of Richmond paid \$11,952,478 (2015 - \$11,766,393) for employer contributions while employees contributed \$9,827,790 (2015 - \$9,736,747) to the plan in fiscal 2016.

The next valuation will be as at December 31, 2018, with results available in 2019.

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

## 16. 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, 2016, the City was committed to operating lease payments for premises and equipment in the following approximate amounts:

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2017	\$ 4,860
2018	4,483
2019	3,716
2020	2,301
2021 and thereafter	16,398

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### (c) Litigation:

As at December 31, 2016, 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.



# CITY OF RICHMOND

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

Year ended December 31, 2016

## 16. Commitments and contingencies (continued):

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

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

(e) Contractual obligation:

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

On October 30, 2014, 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 Oval Village community. As part of the Agreement, the infrastructure will be owned by LIEC.

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

The City is a shareholder of the E-Comm whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City has 2 Class A shares and 1 Class B share (of a total of 28 Class A and 23 Class B shares issued and outstanding as at December 31, 2016). As a Class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.

(g) Community Associations:

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

## 17. Trust funds:

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

	2016	2015
Richmond Community Associations	\$ 1,270	\$ 1,248

# CITY OF RICHMOND

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

Year ended December 31, 2016

## 18. Collections for other authorities:

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:

	2016	2015
Province of British Columbia - Schools	\$ 149,518	\$ 146,405
Greater Vancouver Regional District and others	42,104	41,772
	<u>\$ 191,622</u>	<u>\$ 188,177</u>

## 19. Other revenues:

	2016	2015
Developer contributions	\$ 10,098	\$ 29,648
Tangible capital assets gain on sale of land	13,880	5,912
Taxes and fines	2,730	3,350
Parking program	2,153	2,108
Other	6,682	7,737
	<u>\$ 35,543</u>	<u>\$ 48,755</u>

## 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 source of the government transfers are as follows:

	2016	2015
Operating:		
Province of BC	\$ 22,652	\$ 24,553
TransLink	2,595	2,329
Government of Canada	1,413	1,327
Capital:		
Government of Canada	941	3,098
TransLink	1,049	76
Province of BC	104	474
	<u>\$ 28,754</u>	<u>\$ 31,857</u>

# CITY OF RICHMOND

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

Year ended December 31, 2016

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## 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:

- (a) **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.
- (b) **Utilities** provide such services as planning, designing, constructing, operating, and maintaining the City's infrastructure of water and sewer networks and sanitation and recycling.
- (c) **Engineering, Public Works and Project Development** comprises of General Public Works, Roads and Construction, Storm Drainage, Fleet Operations, Engineering, Project Development, and Facility Management. The services provided are construction and maintenance of the City's infrastructure and all City owned buildings, maintenance of the City's road networks, managing and operating a mixed fleet of vehicles, heavy equipment and an assortment of specialized work units for the City operations, development of current and long-range engineering planning and construction of major projects.
- (d) **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.
- (e) **General Government** comprises of Mayor and Council, Corporate Administration, and Finance and Corporate Services. It is responsible for adopting bylaws, effectively administering city operations, levying taxes, providing sound management of human resources, information technology, City finance, and ensuring high quality services to Richmond residents.
- (f) **Planning and Development** is responsible for land use plans, developing bylaws and policies for sustainable development in the City including the City's transportation systems.

# CITY OF RICHMOND

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

Year ended December 31, 2016

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## 21. Segmented reporting (continued):

- (g) **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.
- (h) **Richmond Public Library** provides public access to information by maintaining 5 branches throughout the City.
- (i) **Lulu Island Energy Company Ltd.** is formed as a municipal corporation wholly-owned by the City. The business of the LIEC is to manage and operate energy utilities, including but not limited to energy production, generation or exchange, transmission, distribution, maintenance, marketing and sale to customers.

# CITY OF RICHMOND

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

Year ended December 31, 2016

## 21. Segmented reporting (continued):

	Law and community safety	Utilities	Engineering public works and project development	Community services	General government	Planning and development	Total City subtotal
<b>Revenue:</b>							
Taxation and levies	\$ -	\$ -	\$ -	\$ -	\$ 198,612	\$ -	\$ 198,612
Utility fees	-	84,986	12,228	-	-	-	97,214
Sales of services	5,338	3,709	3,792	8,851	5,167	2,132	28,989
Payments-in-lieu of taxes	-	-	-	-	14,770	-	14,770
Provincial and federal grants	85	7	2,711	16	3,067	13	5,899
Development cost charges	-	1,671	3,747	7,761	2,361	1,092	16,632
Other capital funding sources	10	1,816	13,829	481	6,859	1,837	24,832
Other revenues:							
Investment income	-	542	-	-	17,072	-	17,614
Gaming revenue	657	-	-	-	16,902	-	17,559
Licenses and permits	294	-	61	-	3,816	8,201	12,372
Other	2,574	2,725	446	658	27,711	93	34,207
	8,958	95,456	36,814	17,767	296,337	13,368	468,700
<b>Expenses:</b>							
Wages and salaries	41,138	12,137	22,672	29,977	21,122	9,927	136,973
Public works maintenance	25	6,690	6,840	1,522	(1,380)	670	14,367
Contract services	43,338	8,460	2,957	2,868	3,587	1,402	62,612
Supplies and materials	2,395	27,860	1,370	13,233	7,916	610	53,384
Interest and finance	42	19,806	-	80	2,553	-	22,481
Transfer from (to) capital for tangible capital assets	274	963	2,383	5,511	185	259	9,575
Amortization of tangible capital assets	2,540	7,783	24,657	6,401	10,600	1,345	53,326
Loss on disposal of tangible capital assets	-	484	364	-	-	20	868
	89,752	84,183	61,243	59,592	44,583	14,233	353,586
<b>Annual surplus (deficit)</b>	<b>\$ (80,794)</b>	<b>\$ 11,273</b>	<b>\$ (24,429)</b>	<b>\$ (41,825)</b>	<b>\$ 251,754</b>	<b>\$ (865)</b>	<b>\$ 115,114</b>

# CITY OF RICHMOND

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

Year ended December 31, 2016

## 21. Segmented reporting (continued):

	Total City (from above)	Richmond Olympic Oval	Richmond Public Library	Lulu Island Energy Company	2016 consolidated	2015 consolidated
<b>Revenue:</b>						
Taxation and levies	\$ 198,612	\$ -	\$ -	\$ -	\$ 198,612	\$ 189,136
Utility fees	97,214	-	-	605	97,819	94,290
Sales of services	28,989	9,218	114	-	38,231	34,186
Payments-in-lieu of taxes	14,770	-	-	-	14,770	15,109
Provincial and federal grants	5,899	2,800	402	-	9,101	8,654
Development cost charges	16,632	-	-	-	16,632	17,818
Other capital funding sources	24,832	-	-	1,769	26,601	72,575
Other revenues:						
Investment income	17,614	-	-	-	17,614	16,303
Gaming revenue	17,559	-	-	-	17,559	19,555
Licenses and permits	12,372	-	-	50	12,422	10,747
Other	34,207	1,085	251	-	35,543	48,755
	468,700	13,013	767	2,424	484,904	527,128
<b>Expenses:</b>						
Wages and salaries	136,973	8,684	6,629	-	152,286	147,996
Public works maintenance	14,367	-	1	-	14,368	15,294
Contract services	62,612	-	581	390	63,583	59,073
Supplies and materials	53,384	5,042	1,545	296	60,227	55,750
Interest and finance	22,481	-	8	113	22,602	21,391
Transfer from (to) capital for tangible capital assets	9,575	-	(158)	-	9,417	19,349
Amortization of tangible capital assets	53,326	1,394	1,029	184	55,933	53,966
Loss on disposal of tangible capital assets	868	-	153	-	1,021	755
	353,586	15,120	9,788	943	379,437	373,574
<b>Annual surplus (deficit)</b>	<b>\$ 115,114</b>	<b>\$ (2,107)</b>	<b>\$ (9,021)</b>	<b>\$ 1,481</b>	<b>\$ 105,467</b>	<b>\$ 153,554</b>

# CITY OF RICHMOND

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

Year ended December 31, 2016

## 22. Budget data:

The budget data presented in these consolidated financial statements is based on the Consolidated Financial Plan adopted by Council on March 14, 2016. The chart below reconciles the adopted Consolidated Financial Plan to the budget figures reported in these consolidated financial statements.

	Financial plan bylaw No. 9521	Financial statement budget
Revenues:		
Consolidated financial plan	\$ 499,034	\$ 499,034
Expenses:		
Consolidated financial plan	397,388	397,388
Add: Acquisition of tangible capital assets	-	1,020
Less: LIEC budget adjustment	-	(369)
	<u>397,388</u>	<u>396,737</u>
Annual surplus	101,646	102,297
Less: Acquisition of tangible capital assets	(441,608)	-
Less: Transfer to reserves	(62,222)	-
Less: Debt principal	(4,402)	-
	<u>(406,586)</u>	<u>-</u>
Add: Capital funding	403,510	-
Add: Transfer from surplus	3,076	-
Annual surplus per consolidated statement of operations	<u>\$ -</u>	<u>\$ 102,297</u>

## 23. Comparative information:

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