



Finance Committee

**Anderson Room, City Hall
6911 No. 3 Road**

Monday, May 1, 2017

Immediately Following the General Purposes Committee meeting

Pg. # ITEM

MINUTES

FIN-4 *Motion to adopt the **minutes** of the meeting of the Finance Committee held on April 3, 2017.*



DELEGATION

FIN-9 1. Archie Johnston, Client Relationship and Quality Review Partner, KPMG, C.J. James, Engagement Partner, KPMG and Aanu Adeleye, Senior Manager, KPMG, to present the **2016 Audit findings** on the City's financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

2. **RICHMOND OLYMPIC OVAL CORPORATION 2016 AUDITED FINANCIAL STATEMENTS AND Q4 - 2016**
(File Ref. No.) (REDMS No. 5377625)

FIN-26

See Page FIN-26 for full report

Designated Speaker: Rick Dusanj

STAFF RECOMMENDATION

That the report on the 2016 audited Financial Statements and Financial Information on the fourth quarter ended December 31, 2016 for the Richmond Olympic Oval Corporation from the Controller of the Richmond Olympic Oval Corporation be received for information.



FINANCE AND CORPORATE SERVICES DIVISION

3. **2016 FINANCIAL STATEMENTS FOR THE RICHMOND PUBLIC LIBRARY**

(File Ref. No. 03-0905-01) (REDMS No. 5378201)

FIN-51

See Page FIN-51 for full report

Designated Speaker: Susan Walters

STAFF RECOMMENDATION

That the 2016 Richmond Public Library audited financial statements for the year ended December 31, 2016, as presented in the attached report from the Chief Librarian, be received for information.



LULU ISLAND ENERGY COMPANY

4. **2016 FINANCIAL STATEMENTS FOR THE LULU ISLAND ENERGY COMPANY**

(File Ref. No. 01-0060-20-LIEC1) (REDMS No. 5368673 v. 2)

FIN-73

See Page FIN-73 for full report

Designated Speaker: Jerry Chong

STAFF RECOMMENDATION

That the Lulu Island Energy Company audited financial statements for the year ended December 31, 2016, in the report titled, “2016 Financial Statements for the Lulu Island Energy Company,” dated April 10, 2017 from the Chief Executive Officer and Chief Financial Officer, Lulu Island Energy Company be received for information.



FINANCE AND CORPORATE SERVICES DIVISION

5. **2016 CONSOLIDATED FINANCIAL STATEMENTS**

(File Ref. No. 03-0905-01) (REDMS No. 5373449 v. 2)

FIN-96

[See Page FIN-96 for full report](#)

Designated Speaker: Andrew Nazareth

STAFF RECOMMENDATION

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

☐

ADJOURNMENT

☐



Finance Committee

Date: Monday, April 3, 2017

Place: Anderson Room
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair
Councillor Chak Au
Councillor Derek Dang
Councillor Carol Day
Councillor Ken Johnston
Councillor Alexa Loo
Councillor Bill McNulty
Councillor Linda McPhail
Councillor Harold Steves

Call to Order: The Chair called the meeting to order at 4:29 p.m.

MINUTES

It was moved and seconded

That the minutes of the meeting of the Finance Committee held on February 6, 2017, be adopted as circulated.

CARRIED

FINANCE AND CORPORATE SERVICES DIVISION

1. **RESILIENT ECONOMY STRATEGY (2014-2019) – MID-TERM REPORT AND PROPOSED INITIATIVES**

(File Ref. No. 08-4150-01) (REDMS No. 5290906 v. 2)

The Chair referenced a memorandum dated April 3, 2017 from the Manager, Economic Development, noting that a typo with regard to the City's tax rate has been corrected (attached to and forming part of these minutes as Schedule 1).

Finance Committee

Monday, April 3, 2017

Neonila Lilova, Manager, Economic Development, provided background information and highlighted the following information on the Resilient Economy Strategy:

- 6,700 jobs have been created or maintained to date;
- current trends indicate that opportunities exist in a number of areas for both ongoing programs and new initiatives to further fulfill the Strategy's mandate; and
- the Business Development Program, industrial development policies, and office development in the City Centre are key areas that staff are seeking Council endorsement for implementation.

In reply to queries from Committee, Ms. Lilova advised that (i) staff will report to Council on the industrial land intensification initiative as opportunities arise, (ii) tools within the City Centre Area Plan may lend to encouraging office development as part of mixed-used projects, (iii) although Richmond hotels' occupancy are high, the demand has not reached a point where other means of accommodation need to be explored, and (iv) staff respond to all queries from the business community, however, continue to liaise on an on-going basis with approximately 500 key businesses.

It was moved and seconded

- (1) *That the proposed additional work program for 2017-2018 towards fulfillment of the City's Resilient Economy Strategy, as described in the staff report dated March 13, 2017, from the General Manager, Finance and Corporate Services, be endorsed; and*
- (2) *That staff be directed to further develop new initiatives specifically related to industrial and new office development, and report back to Council.*

CARRIED

2. **2016 ANNUAL PROCUREMENT REPORT**

(File Ref. No. 02-0600-01) (REDMS No. 5326715 v. 3)

It was moved and seconded

That the staff report titled "2016 Annual Procurement Report" dated March 20, 2017 from the Director of Finance be received for information.

CARRIED

Finance Committee
Monday, April 3, 2017

3. **2016 ANNUAL DEVELOPMENT COST CHARGES**

(File Ref. No. 03-0905-05-01) (REDMS No. 5344466)

It was moved and seconded

That the staff report titled, "2016 Annual Development Cost Charges," dated March 19, 2017 from the Director, Finance be received for information.

CARRIED

ADJOURNMENT

It was moved and seconded

That the meeting adjourn (4:51 p.m.).

CARRIED

Certified a true and correct copy of the Minutes of the meeting of the Finance Committee of the Council of the City of Richmond held on Monday, April 3, 2017.

Mayor Malcolm D. Brodie
Chair

Hanieh Berg
Legislative Services Coordinator



Schedule 1 to the Minutes of the Finance Committee meeting of Richmond City Council held on Monday, April 3, 2017.

**City of
Richmond**

RE: Item #1 - Finance Committee

Memorandum

Finance and Corporate Services Division

To: Mayor and Councillors

Date: April 3, 2017

From: Neonila Lilova
Manager, Economic Development

File:

Re: Error Correction: Resilient Economy Strategy (2014-2019) – Mid-Term Report and Proposed Initiatives

The attached page replaces page FIN-28 in the above report, on the agenda for the April 3, 2017 Finance Committee meeting. The bullet "2017 City Budget Approved" in the draft Economic Advisory Committee minutes erroneously records the City's 2017 tax increase at 3.45%. The actual tax increase is 2.95%, after Council's approved reduction of 0.5% due to the use of a stabilization rate. FIN-28 in the Finance Committee package has been updated to correct the error. The draft EAC minutes have been corrected as well and will be re-distributed to the EAC for finalization.

For more information, please contact the undersigned.

Neonila Lilova
Manager, Economic Development

pc: SMT

- The Agricultural Land Commission also approved the GMTR project on February 27, 2017
- Staff continue to work on technical implementation aspects related to the project through bi-weekly working group meetings
- 2017 City Budget Approved
 - \$103 million capital budget
 - \$376 million operating budget, 2.95% increase:
 - 1.89% tax increase at same levels of service
 - additional level increase at net impact of 0.56% (including 0.48% for 11 additional RCMP and 3 support staff)
 - additional 1% transfer to reserves per Council's long term financial management strategy
 - 0.5% reduction due to use of stabilization rate
- Canada 150 Community Celebrations
 - The Canada 150 celebration in Richmond is a multi-faceted year-long initiative with over 60 events
 - A full program can be found at <http://www.richmondcanada150.com/>
- City Grants
 - Council approved approximately \$800,000 in health, social, cultural, recreational and child care community grants
- Major Facility Priorities
 - Council considered the next phase of facility projects, after Minoru and the Brighthouse Fire Hall. Top candidates are the City Centre Community Centre North (which was recently secured through the Yuanheng development project), the Steveston Community Centre and Library project, the Lawn Bowling Clubhouse, the Britannia Shipyards National Historic Site Completion project and a new animal shelter.
 - Council has approved \$2 million towards feasibility studies for these projects.

5) Other Business

- An EAC member requested more global trends, best practices and comparatives to other jurisdictions



City of Richmond
April 24, 2017

This letter is for the use of the Finance Committee for the purposes of carrying out and discharging its responsibilities and should not be used for any other purpose. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this document has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

A handwritten signature in black ink, reading "Chin Jan Ling".

C.J. James, CPA, CA
Engagement Partner
604-527-3635

A handwritten signature in black ink, reading "Archie G. Johnston".

Archie G. Johnston, FCPA, FCA, CIA
Client Relationship and Quality
Review Partner 604-527-3757

Enclosures:

Appendix 1 – Management representation letter



City of Richmond
April 24, 2017

AUDIT STATUS AND OPINION

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

- Completion of our discussions with the Finance Committee.
- Completing subsequent event review procedures up to the date of approval of the financial statements, including updating our discussions with management.
- Obtaining signed management representation letter.
- Obtaining evidence that those with approved authority to take responsibility for the City's consolidated financial statements have done so.

We will update the Finance Committee on any significant matters arising from the completion of the above procedures, as additional procedures or adjustments to the financial statements may be necessary.

Our audit report will be dated no earlier than the date on which we have obtained sufficient appropriate audit evidence on which to base our audit opinion on the financial statements, including evidence that:

- all the statements that comprise the financial statements, including the related notes, have been prepared; and
- Council has accepted the consolidated financial statements.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

Alexandra District Energy Utility ("ADEU")

On December 16, 2016, the City and its wholly-owned subsidiary Lulu Island Energy Company Ltd ("Corporation"), entered into an Asset Purchase Agreement to transfer the tangible capital assets and operations of ADEU along with other district energy utility assets from the City to the Corporation. As per the Agreement, the Corporation issued 350 common shares to the City valued at \$26,997,114 as consideration for the assets. The transfer of the assets occurred at two different times - December 2016 and March 2017. As at December 31, 2016, \$23,157,226 of tangible capital assets, representing its net book value, was transferred from the City to the Corporation. Subsequent to year-end on March 31, 2017, an additional \$3,839,888 was transferred. The share capital was issued on March 31, 2017. We reviewed the asset purchase agreement and noted that all ADEU assets transferred at December 31, 2016 have been properly recorded on the financial statements of the Corporation. The impact of this transaction had no impact on the consolidated financial statements of the City, but it was a significant intercompany transaction that warranted attention.



City of Richmond
April 24, 2017

Concession Agreement with Corix Utilities Inc. ("Corix")

On October 30, 2014, the Corporation and Corix entered into a 30 year Concession Agreement (the "Agreement"), which is a public-private partnership project, where Corix will design, construct, finance, operate, and maintain the infrastructure for the district energy utility at the Oval Village community. The total estimated concession liability to finance the construction of the Oval Village District Energy Utility at full build out is \$31,931,000 and will be accrued over time. The total concession liability balance outstanding as of December 31, 2016 is \$6,075,115 (2015 - \$3,926,341), of which \$77,593 (2015 - \$38,057) represents interest.

In addition, on October 30, 2014, Corix and the City entered into a Limited Guarantee Agreement. The City is the Guarantor and agreed to guarantee the performance of the Corporation's obligations under the Concession Agreement described above up to \$18.2 million.

We reviewed the limited guarantee agreements and the concession agreement and noted that all related liabilities relating to the concession agreement have been properly recorded and disclosed in the financial statements.



SIGNIFICANT QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

The following items being reported relate to the qualitative aspects of accounting practices of the City:

Significant Accounting Policies	<ul style="list-style-type: none">• Critical accounting policies and practices adopted by the City are appropriate and properly disclosed in the consolidated financial statements.• There were no significant changes in accounting policies during 2016.• There are no significant accounting policies in controversial or emerging areas.• The transactions were correctly recorded in relation to the period in which they are related to.• There were no significant unusual transactions undertaken during the year.
Significant Accounting Estimates	<ul style="list-style-type: none">• Management's identification of accounting estimates and process for making such accounting estimates are appropriate.• There were no indicators of possible management bias noted during our audit.• Disclosure of estimation uncertainty in the consolidated financial statements is appropriate.
Significant Disclosures	<ul style="list-style-type: none">• There are no particularly sensitive financial statement disclosures.• The disclosures in the consolidated financial statements are consistent and clear. Any potential effect on the consolidated financial statements of significant risks, exposures and uncertainties have been appropriately disclosed.



City of Richmond
April 24, 2017

MISSTATEMENTS

Audit Misstatements – Identification

Misstatements identified during the audit have been categorized as follows:

- uncorrected audit misstatements, including disclosures; and
- corrected audit misstatements, including disclosures.

Corrected Audit Misstatements

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

Uncorrected Audit Misstatements

The management representation letter includes an adjustment identified as a result of the Library e-books reclassification that was recorded in the current year figures in the consolidated financial statements.

Based on both qualitative and quantitative considerations, management has decided not to correct this difference and represented to us that the difference in management's judgement, is not material to the financial statements.

We concur with management's representation that the difference is not material to the financial statements. Accordingly, the differences have no effect on our auditors' report.

CONTROL DEFICIENCIES

As your auditors, we are required to obtain an understanding of internal control over financial reporting ("ICFR") relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described in the preceding paragraph and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

Identification

We did not identify any control deficiencies that we consider to be significant deficiencies in ICFR.



City of Richmond
April 24, 2017

DOCUMENTS CONTAINING OR REFERRING TO THE AUDITED FINANCIAL STATEMENTS

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

INDEPENDENCE

We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2016 up to the date of this letter.

CURRENT DEVELOPMENTS

The following is a summary of the current developments that are relevant to the City:

Related Party Disclosures and Inter-Entity Transactions

- Two new Handbook sections were approved in December 2014, effective for fiscal years beginning on or after April 1, 2017.
- Related parties include entities that control or are controlled by a reporting entity, entities that are under common control and entities that have shared control over or that are subject to shared control of a reporting entity.
- Individuals that are members of key management personnel and close members of their family are related parties. Disclosure of key management personnel compensation arrangements, expense allowances and other similar payments routinely paid in exchange for services rendered is not required.
- Determining which related party transactions to disclose is a matter of judgment based on assessment of:
 - the terms and conditions underlying the transactions;
 - the financial significance of the transactions;
 - the relevance of the information; and



- the need for the information to enable users' understanding of the financial statements and for making comparisons.
- Related party transactions, if recognized, should be recorded at the exchange amount. A public sector entity's policy, budget practices or accountability structures may dictate that the exchange amount is the carrying amount, consideration paid or received or fair value.

Revenue

- PSAB is proposing a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. A Statement of Principles was issued in 2013 and an Exposure Draft is anticipated to be published in early 2017.
- Adoption of these principles would result in a need to assess current accounting policies.
- In the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.
- For unilateral revenues, recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

Assets, Contingent Assets and Contractual Rights

- Three new Handbook sections were approved in March 2015, effective for fiscal years beginning on or after April 1, 2017.
- The intended outcome of the three new Handbook Sections is improved consistency and comparability.
- The standard includes enhanced guidance on the definition of assets and disclosure of assets to provide users with better information about the types of resources available to the public sector entity.
- Disclosure of contingent assets and contractual rights is required to provide users with information about the nature, extent and timing of future assets and potential assets and revenues available to the public sector entity when the terms of those contracts are met.



Employee Future Benefit Obligations

- Given the complexity of issues involved and potential implications of any changes that may arise from review of PS3250 Retirement Benefits and PS3255 Post-Employment Benefits, PSAB is undertaking this project in phases. Phase I will address specific issues related to measurement of employment benefits. Phase II will address accounting for plans with risk sharing features, multi-employer defined benefit plans and sick leave benefits. An Invitation to Comment was issued in November 2016, closing March 2017, seeking guidance on whether the deferral provisions in existing public sector standards remain appropriate and justified and the appropriateness of accounting for various components of changes in the value of the accrued benefit obligation and plan assets.
- Separate invitations to comment will be issued in the future on discount rate and other aspects of the PSAB project.
- The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.

Asset Retirement Obligations

- A new standard is under development addressing the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. PSAB currently contains no specific guidance in this area.
- The proposed ARO standard would require the City to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (TCA). Some of the typical costs associated with AROs include: asbestos removal; site restoration required under the terms of a lease of land; hazardous materials removal (as components of the asset rather than by-products of operation) and; post retirement monitoring and maintenance, if applicable. Costs associated with retiring TCAs both in productive use and not in productive use are within the scope of this section, and it is therefore more all-encompassing than the most recent standard adopted related to liabilities for contaminated sites.
- The standard would have a proposed effective date of April 1, 2021 and would be effective for the City's fiscal 2022 year end.

Public Private Partnership

- A taskforce was established in 2016 as a result of increasing use of public private partnerships for the delivery of services and provision of assets. A phased approach will address the definition and measurement of transactions with P3s. A Statement of Principles is anticipated in 2017.

APPENDIX 1: MANAGEMENT REPRESENTATION LETTER

KPMG LLP
Metrotower I
Suite 2400 – 4710 Kingsway
Burnaby, BC V5H 4M2

[Date of Council's acceptance of the financial statements]

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the City of Richmond ("the City") as at and for the period ended December 31, 2016.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

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

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 4, 2013, for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework
 - b) providing you with all relevant information, such as all financial records and related data, including the names of all related parties and information regarding all relationships and transactions with related parties, and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and Committees of Council that may affect the financial statements, and access to such relevant information
 - c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
 - d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

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

Commitments & Contingencies:

- 4) There are no:
 - a) Other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation.

Subsequent events:

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

Related parties:

- 6) We have disclosed to you the identity of the City's related parties.

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

Estimates:

- 9) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Non-SEC registrants or non-reporting issuers:

- 10) We confirm that the City is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the City will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.
- 11) We have recognized authority to take, and have taken, responsibility for the financial statements.

Assets & Liabilities - General:

- 12) The City has satisfactory title to all owned assets.
- 13) We have no knowledge of any liens or encumbrances on assets and /or assets that have been pledged or assigned as security for liabilities, performances of contracts, etc., not disclosed in the financial statements.
- 14) We have no knowledge of any plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

Receivables:

- 15) Receivables reported in the financial statements represent valid claims against taxpayers and other debtors for taxes, fees or other charges arising on or before the balance sheet date. Receivables have been appropriately recorded at their net realizable value.

Contractual Agreements:

- 16) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

Environmental Matters:

- 17) The City has appropriately recognized, measured and disclosed environmental matters in the financial statements.

Employee Future Benefits:

- 18) The employee future benefit costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 19) We have no knowledge of arrangement (contractual or otherwise) by which programs have been established to provide post-employment benefits, except as disclosed to you.
- 20) The significant accounting policies the City has adopted in applying PS 3255, Post-employment benefits, compensated absences and termination benefits (hereinafter referred to as "PS 3255") are disclosed in notes to the financial statements.
- 21) All arrangements (contractual or otherwise) by which programs have been established to provide post-employment benefits have been disclosed to you and included in the determination of pension and post-employment costs and obligations. This includes:
 - a) pension and other retirement benefits expected to be provided after retirement to employees and their beneficiaries.
 - b) post-employment benefits expected to be provided after employment but before retirement to employees and their beneficiaries. These benefits include unused sick leave and severance benefits.
 - c) compensated absences for which it is expected employees will be paid. These benefits include accumulating sick days; and
 - d) termination benefits.
- 22) The post-employment benefit costs, assets and obligations have been determined, accounted for and disclosed in accordance with PS 3255. In particular:
 - a) each of the best estimate assumptions used reflects management's judgment of the most likely set of conditions affecting future events; and
 - b) the best estimate assumptions used are, as a whole, consistent within themselves, and with the valuation method adopted for purposes of this evaluation.
- 23) The assumptions included in the actuarial valuation are those that management instructed Mercer Human Resource Consulting ("Mercer") to use in computing amounts to be used by

us in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with PS 3255.

- 24) In arriving at these assumptions, management has obtained the advice of Mercer, but has retained the final responsibility for them.
- 25) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
- 26) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension and other post-employment benefit costs.
- 27) We agree with Mercer's findings in evaluating the accuracy and completeness of employee future benefits and have adequately considered their qualifications in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give nor cause any instructions to be given to Mercer with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on Mercer's independence and objectivity.

Other information:

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

Other:

- 29) Expenditures have been appropriately authorized and actual expenditures have not exceeded budgeted expenditures detailed in the budget bylaw.
- 30) We have appropriately prepared the Form C2 – Home Owner Grant: Treasurer/Auditor Certification in accordance with the financial reporting provisions of Section 12(1) of the Home Owner Grant Act.
- 31) We have complied with subsection 2 and 3, in section 124 of Part 8 of the School Act.
- 32) All transfers out of statutory reserves have been approved by bylaw except for those transfers allowed by Council resolution.

Misstatements:

- 33) The effects of the uncorrected misstatement described in [Attachment II](#) is immaterial to the financial statements as a whole.

Yours very truly,

Andrew Nazareth, General Manager, Finance & Corporate Services

Jerry Chong, Director of Finance

Cindy Gilfillan, Financial Reporting Manager

cc: Finance Committee

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

Fraud & error

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

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

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

Related parties

In accordance with Canadian public sector accounting standards, a *related party* exists when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management and immediate family members.

In accordance with Canadian public sector accounting standards, a related party transaction is defined as a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Attachment II – Summary of Audit Misstatements Schedule

Summary of Corrected audit misstatements

There were no corrected audit misstatements for the year ended December 31, 2016.

Summary of Uncorrected audit misstatements

Ref	Description	Assets Increase/ (Decrease)	Liabilities (Increase)/ Decrease	Annual Surplus Increase/ (Decrease)	Accumulated Surplus Increase/ (Decrease)
1.	Dr. Opening Accumulated Surplus Cr. Subscription Expense To adjust for the Richmond Public Library electronic media (e-books) that relate to prior years.	\$ - -	\$ - -	\$ - 110,699	\$ (110,699) -
	Total	\$ -	\$ -	\$110,699	\$ (110,699)



City of Richmond

Report to Committee

To: Finance Committee

Date: April 20, 2017

From: George Duncan
Chief Administrative Officer
& President and CEO
Richmond Olympic Oval

File:

Andrew Nazareth
General Manager, Finance and Corporate Services
& Chief Financial Officer, Richmond Olympic Oval

Re: **Richmond Olympic Oval Corporation 2016 Audited Financial Statements and Q4 - 2016**

Staff Recommendation

That the report on the 2016 audited Financial Statements and Financial Information on the fourth quarter ended December 31, 2016 for the Richmond Olympic Oval Corporation from the Controller of the Richmond Olympic Oval Corporation be received for information.

George Duncan
Chief Administrative Officer
& President and CEO
Richmond Olympic Oval

Andrew Nazareth
General Manager, Finance and Corporate Services
& Chief Financial Officer,
Richmond Olympic Oval

DATE: April 25, 2017

TO: George Duncan
Chief Executive Officer, Richmond Olympic Oval Corporation

Andrew Nazareth
Chief Financial Officer, Richmond Olympic Oval Corporation

John Mills
Chief Operating Officer, Richmond Olympic Oval Corporation

FROM: Rick Dusanj, CPA, CA
Controller, Richmond Olympic Oval Corporation

Re: **Richmond Olympic Oval Corporation 2016 audited financial statements and Q4 2016**

Origin

This staff report deals with the Richmond Olympic Oval Corporation's (the "Corporation") 2016 audited financial statements (attachment #1) and the Q4 – 2016 statement of operations (shown on page 5) which were unanimously approved by the Corporation's Board of Directors ("BOD").

Highlights

The following are some of the highlights of the activities undertaken by the Corporation during Q4.

Community Use

Several groups used the Oval facility in Q4, including, but not limited to: Air Attack Volleyball, Aura Rhythmic Gymnastics, Brazilian Soccer School, Connaught Figure Skating Club, DRIVE Basketball, Greater Vancouver Canadians, Kajaks Track and Field, Richmond Ball Hockey, Richmond Football Club, Richmond Girls Soccer Club, Richmond Ravens, Richmond Ringette, Richmond Rockets Speed Skating Club, Richmond Minor Hockey Association, Seafair Minor Hockey, Shoseikan Karate, and the Steveston Selects. At the end of Q4 2016, 82% of Oval members were Richmond residents.

Sport Development and Events

Some of the highlights from Sport Hosting and Events held at the Oval during Q4 included the PGA Trade Show, Western Marine Trade Show, Make it Safe Conference, Chinese Women's National Team game, Raven's Hockey Tournament, 150 Alliance Conference, Exile Island, Canadian Tire Jump Start Day, BC Hand ball Cup, Panther Cheer Pink, and the Karate BC Cup. Additionally, on November

26, 2016, the City of Richmond added an additional 17 members to the Richmond Sport Wall of Fame at the Richmond Olympic Oval, bringing the total number of honorees to 33. Some of the events secured by Events/Sport Hosting in Q4 included the Karate BC Open and the 2018 Gymnaestrada.

Q4 was a busy quarter for High Performance events at the Oval and included hosting the following events:

- Petro-Canada Fueling Athlete and Coaching Excellence (FACE) Summit was held at the Oval (Nov 5th – 7th). Petro-Canada selected 50 athletes and coaches to receive financial support and attend educational sessions.
- OvalHP led a training camp for 12 provincial level squash athletes. This was HP's third camp with Squash BC and was delivered by HP Coaches and Practitioners (Nov 18th – 20th).
- BC Wheelchair Sports Association held their bi-annual Athletics Clinic on the 200M Track & Court 12 with approximately 16 para-athletes attending (Nov 27th).

Additional Oval athlete achievements included:

- Six Athletes from the Oval's Speed Skating Performance program travelled to Calgary to compete in Octoberfest against 100+ of the brightest young talent from across Canada. This was the largest group ever from the Richmond Oval to compete at Octoberfest, a preparation event for Nationals held in Feb 2017.
- The Vancouver Angel's Midget Hockey Team won Tier 1 at The Hayley Wickenheiser Female Hockey Festival. The team trains at the Richmond Oval weekly, developing their skills and performance with on-ice and off-ice sessions.
- Oval Athlete Gavin Bains was named to the JR World Cup Team for Field Hockey Canada.

Governance

Meetings of the Corporation's Audit & Finance Committee, Business Planning and Budget Committee and the Board of Directors took place during Q4.

Financial

Please see attachment 1 for the consolidated audited financial statements of the Corporation for the year ended December 31, 2016. The comments below refer to figures included in the audited financial statements which are prepared in accordance with Public Sector Accounting Standards.

Statement of Operations

The 2016 audited financial statements have a net income before amortization of \$2.26M, which represents a favorable variance of \$0.12M when compared to budget.

Revenues

The City applies for and receives funding from the Games Operating Trust ("GOT") Fund. GOT revenue of \$2.80M was received and recognized in 2016. The Corporation also received \$3.31M

from a contribution from the City. With respect to memberships, admissions, events and programs, the Oval's revenue was \$7.89M for 2016.

Other revenue of \$1.98M was recognized in 2016 for items such as parking, space leasing, sponsorship, and external capital funding revenue.

Expenses

2016 represented the first full year of operations for several new business enterprises. As such, the increase in expenses from 2015 were expected and budgeted for. Total salaries and benefits for 2016 was \$8.68M. There were 70 full-time and 230 part-time, seasonal and auxiliary employees on the payroll as of December 31, 2016.

Other costs of \$6.44M primarily included the following: utilities costs of \$1.05M related to the heat, light and power for the Oval, \$1.39M of amortization costs, \$0.79M of supply and equipment costs associated with supplies for operating the facilities including general building maintenance costs, \$0.34M of costs for property and liability insurance, \$0.93M of administration costs related to accounting, information technology and office supplies, \$0.76M of costs related to marketing which included advertising, promotion, and printing costs for the Corporation's programs, camps, membership sales, as well as those costs pertaining to marketing the Corporation's new initiatives such as the ROX, the retail store and Yoga, \$1.12M of costs pertained to programs as well as the sport hosting function out of the Oval and \$0.05M of professional fees related to legal, consulting and audit fees.

As explained during Q2, the amortization expenses were under budgeted for 2016 due to a longer useful life for the ROX being used for budgeting purposes. The review of the useful life of the ROX components and project was completed after the budget was approved and after the majority of the ROX costs were accounted for. The end result is that the ROX project is being amortized at a faster rate than budgeted. The amortization variance is an accounting estimate and does not represent any overspending. In addition, amortization is a non-cash item and does not impact the overall cash balance.

Statement of Financial Position

The total financial assets of the Corporation were \$10.26M, with liabilities of \$7.56M, and non-financial assets of \$12.20M as of December 31, 2016.

Financial Assets

The total Financial Assets of the Corporation were \$10.26M as of December 31, 2016, which primarily included investments of \$8.70M which represent the Corporation's investments invested through the City, a cash balance of \$0.87M, and an accounts receivable balance of \$0.57M.

Financial Liabilities

The total Liabilities of the Corporation were \$7.56M as of December 31, 2016, which primarily included accounts payable and accrued liabilities of \$1.73M such as payroll accruals and trade payables for heat, light, power, legal, and audit fees, deferred revenue of \$5.82M which includes

unspent funding pertaining to the Sport Hosting function, sponsorship fees, unrealized revenue pertaining to the ROX project and the pro rata portion of fees received in 2016 for membership and programs to be delivered in 2017.

Non-Financial Assets

The total Non-Financial Assets of the Corporation were \$12.20M as of December 31, 2016, which primarily included \$11.68M of tangible capital assets which included the ROX project, Mezzanine project, Yoga studios, athletic equipment, computer software and equipment, facility equipment, etc., and \$0.41M of prepaid expenses that mainly consisted of unamortized portions of the premiums on the Corporation's insurance policies, prepaid information technology licences, and equipment maintenance.



Rick Dusanj, CPA, CA
Controller, Richmond Olympic Oval Corporation

cc: Shana Turner
Director, Finance & Corporate Services, Richmond Olympic Oval Corporation

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Operations

For the quarter ended December 31, 2016

Unaudited, prepared by management

	QTR 4 2016			QTR 4 2015			YTD ended Dec 31, 2016			YTD ended Dec 31, 2015		
	BUDGET	ACTUAL	\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	BUDGET	ACTUAL	BUDGET	ACTUAL	\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	BUDGET	ACTUAL
REVENUES												
2010 Games Operating Trust Fund	700,000	700,000	-	0%	657,014	657,014	2,800,000	2,800,000	-	0%	2,800,000	2,464,029
Contribution from City of Richmond	327,731	827,731	-	0%	1,384,925	1,384,925	3,310,927	3,310,927	-	0%	3,310,927	3,814,700
Memberships, admissions and programs	2,073,161	2,034,090	(39,071)	-2%	1,916,211	1,916,211	8,177,190	7,892,385	(284,805)	-3%	8,177,190	7,642,707
Other	473,491	493,563	20,072	4%	762,693	762,693	1,893,964	1,984,056	90,092	5%	1,893,964	2,222,353
	4,074,383	4,055,384	(18,999)	0%	4,720,844	4,720,844	16,182,081	15,987,368	(194,713)	-1%	16,182,081	16,143,789
EXPENSES												
Memberships, admissions, and program services	1,326,551	1,426,601	(100,050)	-8%	1,351,776	1,351,776	5,509,331	5,600,748	(91,417)	-2%	5,509,331	4,976,174
Facility Operations	1,064,176	1,071,682	(7,506)	-1%	1,135,303	1,135,303	4,256,704	4,145,121	111,583	3%	4,256,704	4,089,268
Marketing	274,453	123,660	150,793	55%	429,348	429,348	989,947	998,456	(8,509)	-1%	989,947	869,020
Contribution to capital	-	-	-	-	76,970	76,970	-	-	-	-	-	437,017
Admin/Finance	320,111	854,442	(534,330)	-4%	711,277	711,277	3,283,509	2,957,146	326,363	10%	3,283,509	2,746,323
	3,485,291	3,476,384	8,907	0%	3,704,673	3,704,673	14,039,491	13,701,471	338,020	2%	14,039,491	13,117,802
Income before amortization and transfers	589,092	578,999	(10,092)	-2%	1,016,171	1,016,171	2,142,590	2,285,897	143,307	7%	2,142,590	3,025,987
Amortization (Note 1)	212,534	360,291	(147,757)	-70%	237,322	237,322	850,144	1,384,160	(534,016)	-63%	850,144	591,136
Income after amortization and before transfers	376,558	218,708	(157,849)	-42%	778,849	778,849	1,292,446	901,737	(390,709)	-30%	1,292,446	2,434,850
Transfers to reserves/provisions (Note 2)	300,000	1,151,847	851,847	284%	1,068,788	1,068,788	1,200,000	2,208,487	1,008,487	84%	1,200,000	2,308,487
Net after amortization and transfers	76,558	(933,139)	(1,009,696)		(289,939)	(289,939)	92,446	(1,306,750)	(1,399,196)		92,446	126,363

Note 1 - Amortization expenses were under budgeted for 2016 due to a longer useful life for the FOX being used for budgeting purposes. The review of the useful life of the FOX components and project was completed after the budget was approved and after the majority of the FOX costs were accounted for. The end result is that the FOX project is being amortized at a faster rate than budgeted. The amortization variance is an accounting estimate and does not represent any overspending. In addition, amortization is a non-cash item and does not impact the overall cash balance.

Note 2 - In Q4, \$1,152,000 was transferred into reserves/provisions. The total transfers to capital reserves vary from quarter to quarter and have been finalized by the Capital Works Committee in accordance with the operating agreement and are based on the income before amortization.

Numbers may be off due to rounding.

Consolidated Financial Statements of

**RICHMOND OLYMPIC
OVAL CORPORATION**

Year ended December 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Richmond Olympic Oval Corporation

We have audited the accompanying consolidated financial statements of Richmond Olympic Oval Corporation, which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations, consolidated 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 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 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 an 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 financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Richmond Olympic Oval Corporation as at December 31, 2016 and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

April 19, 2017
Burnaby, Canada

RICHMOND OLYMPIC OVAL CORPORATION

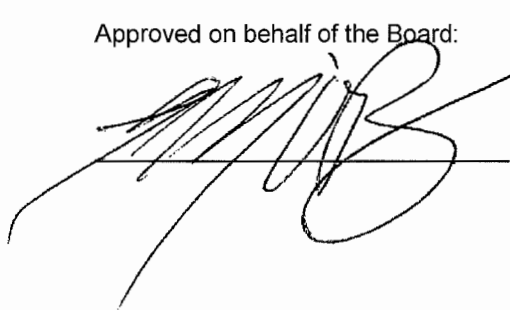
Consolidated Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial Assets		
Cash	\$ 865,289	\$ 910,373
Cash equivalents (note 3)	-	8,631,723
Investments (note 4)	8,701,850	-
Accounts receivable	565,143	473,132
Due from City of Richmond (note 5)	11,304	-
Inventories held for resale	115,112	136,308
	10,258,698	10,151,536
Liabilities		
Accounts payable and accrued liabilities	1,727,883	2,767,926
Deferred revenue (note 8)	5,818,952	5,598,459
Due to City of Richmond (note 5)	-	187,753
Rental deposits	9,263	9,263
	7,556,098	8,563,401
Net financial assets	2,702,600	1,588,135
Non-Financial Assets		
Tangible capital assets (note 9)	11,679,181	11,755,988
Deferred lease costs (note 10)	102,062	127,712
Prepaid expenses and other deposits	414,881	558,926
	12,196,124	12,442,626
Economic dependence (note 17)		
Accumulated surplus (note 11)	\$ 14,898,724	\$ 14,030,761

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

 Director

 Director

RICHMOND OLYMPIC OVAL CORPORATION

Consolidated Statement of Operations

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

	2016 Budget	2016	2015
	(Note 2(k))		
Revenue:			
2010 Games Operating Trust Fund (note 7)	\$ 2,800,000	\$ 2,800,000	\$ 2,464,029
Contribution from City of Richmond (note 13(a))	3,310,927	3,310,927	3,814,700
Memberships, admissions and programs	8,177,190	7,892,385	7,643,069
Other	1,893,964	1,984,908	2,223,421
	16,182,081	15,988,220	16,145,219
Expenses:			
Salaries and benefits	8,618,681	8,684,234	7,867,871
Utilities	1,050,000	1,048,006	1,009,384
Amortization	850,144	1,394,439	606,294
Supplies and equipment	886,000	794,447	913,096
Insurance	365,000	344,412	347,453
General and administration	1,033,058	931,639	802,134
Capital contribution to City of Richmond (note 13(a))	-	-	437,017
Marketing	762,934	759,554	672,993
Program services	1,188,728	1,118,165	1,064,664
Professional fees	135,090	45,361	111,922
	14,889,635	15,120,257	13,832,828
Annual surplus	1,292,446	867,963	2,312,391
Accumulated surplus, beginning of year	14,030,761	14,030,761	11,718,370
Accumulated surplus, end of year	\$ 15,323,207	\$ 14,898,724	\$ 14,030,761

See accompanying notes to consolidated financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Consolidated Statement of Changes in Net Financial Assets

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

	2016 Budget	2016	2015
	(Note 2(k))		
Annual surplus for the year	\$ 1,292,446	\$ 867,963	\$ 2,312,391
Acquisition of tangible capital assets	(4,232,580)	(1,317,632)	(5,286,534)
Amortization of tangible capital assets	850,144	1,394,439	606,294
	(3,382,436)	76,807	(4,680,240)
Amortization of deferred lease costs	-	25,650	27,538
Increase in prepaid expenses	-	(399,078)	(358,625)
Use of prepaid expenses and other deposits	-	543,123	671,701
Change in net financial assets	(2,089,990)	1,114,465	(2,027,235)
Net financial assets, beginning of year	1,588,135	1,588,135	3,615,370
Net financial assets, end of year	\$ (501,855)	\$ 2,702,600	\$ 1,588,135

See accompanying notes to consolidated financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Consolidated Statement of Cash Flows

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

	2016	2015
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 867,963	\$ 2,312,391
Items not involving cash:		
Amortization of tangible capital assets	1,394,439	606,294
Amortization of deferred lease costs	25,650	27,538
Changes in non-cash operating working capital:		
Accounts receivable	(92,011)	(154,030)
Inventories held for resale	21,196	(54,773)
Prepaid expenses and other deposits	144,045	313,076
Accounts payable and accrued liabilities	(1,040,043)	180,496
Deferred revenue	220,493	1,282,105
Due from (to) the City of Richmond	(199,057)	21,340
	1,342,675	4,534,437
Capital activities:		
Acquisition of tangible capital assets	(1,317,632)	(5,286,534)
Investing activities:		
Purchase of investments	(8,701,850)	-
Decrease in cash and cash equivalents	(8,676,807)	(752,097)
Cash and cash equivalents, beginning of year	9,542,096	10,294,193
Cash and cash equivalents, end of year	\$ 865,289	\$ 9,542,096

See accompanying notes to consolidated financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements

Year ended December 31, 2016

1. Incorporation and nature of business:

The Richmond Olympic Oval Corporation (the "Corporation") was incorporated on June 16, 2008 under the Business Corporations Act of British Columbia as a municipal corporation wholly-owned by the City of Richmond (the "City"). The business of the Corporation is to use the Richmond Olympic Oval facility (the "Oval") to provide a venue for a wide range of sports, business and community activities, including, but not limited to, being the long-track speed skating venue for the 2010 Olympic and Paralympic Winter Games (the "Games").

2. Significant accounting policies:

(a) Basis of presentation:

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

These consolidated financial statements include the accounts of all the funds of the Corporation and the Corporation's 50% proportionate share of the operations of VROX Sport Simulation Ltd. ("VROX"). VROX was established to: (a) conduct the necessary research and development to produce prototype simulators for installation in the Richmond Olympic Experience ("ROX") at the Richmond Olympic Oval; (b) provide ongoing technical and maintenance support for the interactive and sport simulation devices operating in the ROX; (c) utilize the ROX to showcase the Company's products to potential commercial or retail purchasers and the public in general; and (d) conduct research and development needed to produce alternative and/or next generation sport simulators needed to refresh the ROX on an approximately two to three-year cycle.

(b) Investment in government partnership:

Government partnerships are accounted for under the proportionate consolidation method, where the Corporation's share of the partnership is accounted for on a line-by-line basis on the financial statements.

(c) Revenue recognition:

Memberships, admissions and programs fees are recorded as revenue in the period that the services are rendered, with any unearned portion recorded as deferred revenue. Annual distributable amounts and trust income amounts are recognized as revenue when the amounts are approved by 2010 Games Operating Trust (note 7) and when the related operating expenses and capital maintenance costs of the Oval are incurred.

Sponsorship revenues are deferred and amortized to revenue over the term of sponsorship agreements.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

2. Significant accounting policies (continued):

(c) Revenue recognition (continued):

Restricted contributions are deferred and recognized as revenue when the resources are used for the purposes specified by the related agreement.

(d) Cash equivalents:

Cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

(e) Financial instruments:

Financial instruments are initially classified upon initial recognition as a fair value or amortized cost instrument. The Corporation holds financial instruments consisting of accounts receivables and term deposits that mature within one year. Due to the short-term nature of these assets, their fair values approximate book value.

The Corporation does not have any financial instruments required or elected to be subsequently recorded at fair value.

(f) 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.

(g) Capital assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost. Amortization is provided on a straight-line basis at rates that reflect estimates of the economic lives of the assets over the following periods:

Assets	Rate
Athletic equipment	5 years
Automobile	5 years
Building improvements	5 years
Computer software and equipment	3 years
Facility equipment	3 years
Infrastructure	40 years
Simulators and exhibit fabrication	10 years
Tenant improvements	Term of the lease
Uniforms, ice skates and helmets	3 years
Signage	3 years

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

2. Significant accounting policies (continued):

(g) Capital assets (continued):

(ii) Impairment of tangible capital assets:

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

(iii) Deferred lease costs:

The initial direct costs incurred in connection with leases of rental properties in the Oval are deferred and amortized over the initial term of the leases. Such costs include agent commissions, legal fees, and costs of negotiating the leases.

(h) Pension plan:

The Corporation and its employees make contributions to the Municipal Pension Plan (the "Plan"). As the Plan is a multi-employer contributory defined benefit pension plan, these contributions are expensed as incurred.

(i) Income taxes:

The Corporation is not subject to income taxes as it is a municipal corporation wholly-owned by the City of Richmond.

(j) Functional and object reporting:

The operations of the Corporation are comprised of a single function, which includes sports, fitness, and recreation. As a result, the expenses of the Corporation are presented by object in the statement of operations.

(k) Budget data:

The budget data presented in these financial statements is based upon the 2016 budget approved by the Board of Directors on January 21, 2016.

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of valuation of accounts receivable, useful lives of tangible capital assets for amortization, and deferred lease costs. Actual results could differ from those estimates. The estimates are reviewed periodically and as adjustments become necessary, they are recorded in earnings in the year in which they become known.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

2. Significant accounting policies (continued):

(m) 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.

3. Cash equivalents:

Cash equivalents represent term deposits as follows:

Purchase Date	Maturity Date	2016	2015
October 13, 2015	January 11, 2016	\$ -	\$ 4,631,723
November 23, 2015	February 22, 2016	-	4,000,000
Total		\$ -	\$ 8,631,723

Cash equivalents are those instruments are considered highly liquid investments with a term to maturity of three months or less at the date of purchase.

4. Investments:

Investments represent term deposits as follows:

Purchase Date	Maturity Date	2016	2015
July 8, 2016	January 3, 2017	\$ 2,800,000	\$ -
August 22, 2016	February 20, 2017	3,047,992	-
October 6, 2016	April 4, 2017	2,853,858	-
Total		\$ 8,701,850	\$ -

Investments are those instruments with a term to maturity of more than three months at the date of purchase. The interest rate of the term deposits range from 1.60% to 1.65%.

5. Due from/to the City of Richmond:

The amounts due from/to the City of Richmond arise in the normal course of business and are non-interest bearing with no stated repayment terms.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

6. Richmond Oval Agreement:

The Corporation is party to the Richmond Oval Agreement (the "Agreement") with the City, which had an effective date of July 1, 2008. The Agreement established the terms and conditions of the relationship between the City and the Corporation.

7. 2010 Games Operating Trust Fund:

On November 14, 2002, under the terms of the Multiparty Agreement for the Games, the Government of Canada and the Province of British Columbia agreed to establish the Legacy Endowment Fund (the "Fund") and to each contribute \$55 million. On March 31, 2004, under the terms of the 2010 Games Operating Trust Agreement, an irrevocable trust was created known as GOT and the 2010 Games Operating Trust Society (the "Society") became the trustee of the Fund. The purpose of the Fund is to fund operating expenses and capital maintenance costs of certain facilities created for the Games, specifically the Oval and the Whistler Sliding Centre and Nordic Centre, and to assist with the continued development of amateur sport in Canada. Subsequent to the formation of the Trust, the City, as owner of the Oval, became a beneficiary of the Trust and became responsible for complying with obligations set by the Trust and GOT in order to receive funding.

Effective December 31, 2007:

- (a) the GOT Board divided the Fund into three funds: the Speed Skating Oval Fund; the Whistler Sliding Centre and Nordic Centre Fund, and the Contingency Fund; and
- (b) the GOT Board divided the capital and any accumulated but undistributed income of the Fund as follows: Speed Skating Oval Fund (40%), Whistler Sliding Centre and Nordic Centre Fund (40%), and the Contingency Fund (20%).

Effective April 21, 2009, the City entered into an agreement with VANOC. The agreement details the terms and conditions to which the City is required to adhere in order to receive funding from GOT. Effective September 1, 2011 VANOC assigned the agreement to the Society.

Funds from GOT are paid to the City first and the City distributes the funds to the Corporation.

Revenue from GOT is comprised of:

	2016	2015
2015 annual distributable amount approved and received in 2016	\$ 2,800,000	\$ -
2014 annual distributable amount approved and received in 2015	-	2,464,029
	\$ 2,800,000	\$ 2,464,029

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

8. Deferred revenue:

	2016	2015
Balance, beginning of year	\$ 5,598,459	\$ 4,316,354
Add: additions	10,097,786	11,148,595
Less: revenue recognized	(9,877,293)	(9,866,490)
Balance, end of year	\$ 5,818,952	\$ 5,598,459

Deferred revenue comprises of:

	2016	2015
Memberships and programs	\$ 1,110,552	\$ 960,680
Sponsorship fees	1,400,001	1,759,946
Sport Hosting funding (note 13(b))	616,386	569,320
Richmond Olympic Experience (note 13(b))	2,692,013	2,308,513
	\$ 5,818,952	\$ 5,598,459

9. Tangible capital assets:

Cost	Balance, December 31, 2015	Additions	Balance, December 31, 2016
Athletic equipment	\$ 2,207,918	\$ 304,057	\$ 2,511,975
Building improvements	364,929	139,825	504,754
Computer software and equipment	1,958,574	250,806	2,209,380
Facility equipment	651,791	222,472	874,263
Infrastructure	5,831,069	49,871	5,880,940
Signage	82,067	9,358	91,425
Simulators and exhibit fabrication	3,368,067	319,101	3,687,168
Tenant improvements	65,729	-	65,729
Uniforms, ice skates, and helmets	192,257	7,760	200,017
Work-in-progress	-	14,382	14,382
	\$ 14,722,401	\$ 1,317,632	\$ 16,040,033

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

9. Tangible capital assets (continued):

Accumulated amortization	Balance, December 31, 2015	Amortization expense	Balance, December 31, 2016
Athletic equipment	\$ 942,123	\$ 259,293	\$ 1,201,416
Building improvements	138,080	77,710	215,790
Computer software and equipment	1,333,996	315,671	1,649,667
Facility equipment	265,658	207,804	473,462
Infrastructure	9,750	146,738	156,488
Signage	52,161	14,027	66,188
Simulators and exhibit fabrication	20,807	342,611	363,418
Tenant improvements	53,025	9,750	62,775
Uniforms, ice skates, and helmets	150,813	20,835	171,648
	\$ 2,966,413	\$ 1,394,439	\$ 4,360,852

	2016	2015
	Net book value	Net book value
Athletic equipment	\$ 1,310,559	\$ 1,265,795
Building improvements	288,964	226,849
Computer software and equipment	559,713	624,578
Facility equipment	400,801	386,133
Infrastructure	5,724,452	5,821,319
Signage	25,237	29,906
Simulators and exhibit fabrication	3,323,750	3,347,260
Tenant improvements	2,954	12,704
Uniforms, ice skates, and helmets	28,369	41,444
Work-in-progress	14,382	-
	\$ 11,679,181	\$ 11,755,988

The Oval land and building complex and its major equipment components are the property of the City and are not recorded in these financial statements.

(a) Write-down of tangible capital assets:

There was no write-down of tangible capital assets during the year (2015 - nil).

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

10. Deferred lease costs:

	2016	2015
Balance, beginning of year	\$ 127,712	\$ 155,250
Less amortization	(25,650)	(27,538)
Balance, end of year	\$ 102,062	\$ 127,712

11. Accumulated surplus:

Accumulated surplus is comprised of:

	2016	2015
Share capital	\$ 1	\$ 1
Capital reserve	4,260,950	3,191,222
Other reserves/provisions	1,098,682	890,195
Operating surplus	551,923	501,868
Invested in tangible capital assets	8,987,168	9,447,475
	\$ 14,898,724	\$ 14,030,761

12. Financial risk management:

The Corporation has exposure to the following risks from the use of financial instruments: credit risk, market risk, and liquidity risk. The Board of Directors ensures that the Corporation has identified its major risks and ensures that the management monitors and controls them.

(a) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Corporation consisting of cash equivalents and account receivables. The Corporation assesses these financial assets on a continuous basis for any amounts that are not collectible or realizable.

It is management's opinion that the Corporation is not exposed to significant credit risk from its financial instruments.

(b) Market and interest rate risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Corporation's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return of risk.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

12. Financial risk management (continued):

(c) Market and interest rate risk (continued):

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rate.

It is management's opinion that the Corporation is not exposed to significant market or interest rate risk from its financial instruments.

(c) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity risks by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

It is management's opinion that the Corporation is not exposed to significant liquidity risk.

13. Related party transactions:

(a) Contribution from/to City of Richmond:

The Corporation leases the Oval from the City for \$1 annually.

Included in general and administration expenses are fees of \$189,470 (2015 - \$192,880) from the City for the provision of City staff time.

In 2016, \$94,526 (2015 - nil) of salaries and benefits expenses were charged to the City relating to the costs of the Corporation's staff time for services performed.

In accordance with the Agreement, the City will provide, for the first 15-years of the term, financial support as agreed between the City and the Corporation from time to time; for the years 2010, 2011 and 2012 the annual financial support shall not be less than \$1,500,000 per year indexed at the City of Vancouver's Consumer Price Index. After 15-years, any financial assistance from the City will be determined by the City in its sole discretion.

During 2016, the Corporation received a contribution from the City of \$3,310,927 (2015 - \$3,814,700). In 2015, \$575,000 of this contribution related to the Richmond Olympic Experience project that was funded from the City's Legacy Fund, no further amounts were contributed for this project in 2016.

During 2016, the Corporation spent nil (2015 - \$437,017) from its capital reserve funding towards the construction of the "ROX Shop" retail store, which is a City asset. Construction of the ROX Shop was completed in 2015, no further amounts were contributed in 2016.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

13. Related party transactions (continued):

(b) Sport Hosting Function:

Effective July 1, 2011, the Sport Hosting function of the City was transferred to the Corporation. This function is fully funded by the hotel tax. In 2016, \$400,000 (2015 - \$400,000) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2016, \$616,386 (2015 - \$569,320) was included in deferred revenue (note 8) and \$352,934 (2015 - \$385,386) was recognized in memberships, admissions, and programs on the statement of operations.

The Corporation also received \$500,000 from the hotel tax funding in 2016 (2015 - \$500,000) to be used to purchase capital assets related to the Richmond Olympic Experience project. In order to retain this funding, the Oval must maintain and operate the capital assets purchased with these funds over the life of the capital assets. On an annual basis, the Oval must provide a report to the City as to the use of the funds and the maintenance and operation of these capital assets. The Corporation received nil (2015 - \$450,000) of grant funding from a third party that is also to go towards the purchase of capital assets related to the Richmond Olympic Experience project. As at year-end, \$2,692,013 (2015 - \$2,308,513) of the funds restricted for the purchase of capital assets for the Richmond Olympic Experience remains in deferred revenue and the revenue will be recognized over the life of the underlying assets.

14. Government partnership:

The Corporation has a 50% partnership interest in VROX, which is accounted for using the proportionate consolidation method.

The financial results of VROX are as follows:

	2016	2015
Financial position:		
Total assets	\$ 130,836	\$ 323,339
Total liabilities	(112,120)	(359,454)
Equity (deficit)	\$ 18,716	\$ (36,115)
Results of operations:		
Total revenues	\$ 470,264	\$ 868,880
Total expenses	(415,433)	(798,001)
Net income	\$ 54,831	\$ 70,879

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

14. Government partnership (continued):

VROX's revenues during the year included transactions with the Corporation which have been eliminated on consolidation. These included the sale of sport simulators for \$263,000 (2015 - \$866,020), the cost of the maintenance services provided of \$10,000 (2015 - nil) and an operating contribution received from the Corporation of \$195,560 (2015 - nil). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the Corporation and VROX. These amounts are within the appropriate approvals provided by the Corporation's Board of Directors.

The financial results of the Corporation's 50% proportionate share in VROX reflecting adjustments necessary to arrive at the amounts included in the Corporation's financial statements is as follows:

	2016	2015
Financial position:		
Total assets	\$ 65,418	\$ 161,670
Total liabilities	(37,836)	(80,361)
Equity	\$ 27,582	\$ 81,309
Results of operations:		
Total revenues	\$ 852	\$ 1,430
Total expenses	(154,676)	(125,275)
Net expense for the year	\$ (153,824)	\$ (123,845)

15. Pension plan:

The Corporation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteesd pension plan. The Plan's 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. The most recent valuation for the Plan as of December 31, 2015, indicated a \$2,224,000,000 funding surplus for basic pension benefits on a going concern basis. The Corporation paid \$443,446 (2015 - \$398,948) for employer contributions to the Plan in fiscal 2016.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2016

15. Pension plan (continued):

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:

The Board of Directors of the Corporation has committed to providing financial support to enable VROX to continue operations and to meet its obligations through January 1, 2018.

17. Economic dependence:

The Corporation is economically dependent on receiving funding from GOT and the City.



City of Richmond

Report to Committee

To: Finance Committee

Date: April 25, 2017

From: Andrew Nazareth
General Manager, Finance and Corporate
Services

File: 03-0905-01/2017-Vol
01

Re: 2016 Financial Statements for the Richmond Public Library

Staff Recommendation

That the 2016 Richmond Public Library audited financial statements for the year ended December 31, 2016, as presented in the attached report from the Chief Librarian, be received for information.

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

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



REPORT TO COMMITTEE

To: Finance Committee Date: April 27, 2017
From: Susan Walters, Chief Librarian
Re: 2016 Financial Statements of the Richmond Public Library Board

Recommendation

That the 2016 Financial Statements of the Richmond Public Library Board be received for information.

A handwritten signature in black ink that reads "SWalters.".

Susan Walters
Chief Librarian & Secretary to the Board
Richmond Public Library

Attachment:
Financial Statements of Richmond Public Library Board Year Ended December 31, 2016

Origin

The Library Act, Part 2, Section 11(2) states: "The library board must provide to the municipality annual financial statements that have been audited in the same manner and at the same time as the financial statements of the municipality."

This report deals with the 2016 financial statements of the Richmond Public Library Board.

Analysis

Please see the attached Financial Statements of the Richmond Public Library Board for the year ended December 31, 2016. The library's financial statements are prepared in accordance with Canadian public sector accounting standards.

In conducting the audit, KPMG noted that there were no corrected or uncorrected audit misstatements and no omissions. There was an immaterial error in the presentation of certain electronic media ("e-books") and the impact has been recorded retrospectively and prior periods have been recast. KPMG did not identify any control deficiencies that they consider to be significant deficiencies in internal control for financial reporting; nor did they find or observe any other internal control deficiencies.

Prior Period Recast – Electronic Media ("e-books")

During the year it was determined that certain subscriptions for electronic media ("e-books") were recorded as tangible capital assets. They should be classified as an expense due to the wording in the subscription agreement.

Many e-books have subscription durations greater than one year and as a result, they will be treated as prepaid expense. Subscription expenses will be recognized over the duration of their availability to a maximum of four years. Note 3 in the financial statements lists the changes recorded retrospectively with prior periods having been recast.

The Library Board reviewed the statements and approved them at their regular meeting on Wednesday, April 26, 2017.

Statement of Financial Position**Financial Assets**

The amount due from the City of Richmond (\$1,819k) and accounts receivable (\$110k) arose in the normal course of business.

Liabilities

Accounts payable and accrued liabilities as of December 31, 2016 were \$1,176k and primarily included accrued payroll liabilities and post-employment benefits. Deferred revenue of \$94k is the amount of restricted donations received. Donation revenue is recognized in the year in which the related expenses are incurred.

Non-Financial Assets

As of December 31, 2016 the Library had \$3,495k in tangible capital assets, which includes the library's collections, computer hardware and software, equipment and furniture. Note 5 in the financial statements contain a breakdown of cost, accumulated depreciation and net book value.

The 2016 net book value of tangible capital assets declined by \$363k due to the recast of e-books as prepaid expense, a decline in the collection's net book value as a result of amortization and collection discards exceeding additions.

Prepaid expense of \$415k consists of e-book subscriptions with durations longer than one year.

Accumulated Surplus

The accumulated surplus at December 31, 2016 was \$4,569k and consists of tangible capital assets of \$3,495k, appropriated surplus of \$388k and surplus of \$685k. Appropriated surplus included \$260k approved for capital expenditures.

Statement of OperationsRevenue

The Library received \$8,744k in contributions from the City, \$402k from grants and \$334k from fines and miscellaneous charges. Book fine revenue increased because the fine collection threshold was changed from \$10 to \$5 in early 2016. This change resulted in an increase in account fines collected as fines were paid in full sooner. This increase is expected to be temporary as customers become accustomed to the new threshold. Online services increased and other libraries improved their collections, causing InterLINK revenues to fall by \$26k.

Donation revenue matches the donations expenses incurred during 2016. The 2016 figure of \$31k is a decrease of \$52k over the previous year.

Expenses

Salaries and benefits increased by \$50k in 2016. This increase was limited by a number of time gaps between positions becoming vacant and being filled.

Amortization of tangible capital assets is on a straight-line basis with library collections over 4 to 20 years, furniture and fixtures over 10 to 20 years and equipment over 5 to 10 years. In 2016 this amounted to \$1,319k.

Supplies and equipment services expense is a consolidation of many expense items including cataloguing, supplies, subscriptions, printing and equipment purchases and maintenance. This expense category increased by \$289k and is significantly over budget due to the recast of "e-books" as a subscription instead of a tangible capital asset.

Building, leases and maintenance expenses were lower than budget and last year by \$36k and \$15k respectively. We received a refund of the Ironwood branch operating costs of \$12k during the year.

General and administration expenses were \$46k higher than last year and \$24k lower than budget. Contract maintenance expenses accounted for the increase.

Overall, 2016 expenses were \$162k higher than 2015 due to the loss on disposal of tangible capital assets of \$153k. Disposal of books from the collection greater than the additions in 2016 increased the loss. A similar loss is not expected for 2017.

Library Board Approval

The Library Board reviewed the statements and approved them at their regular meeting on Wednesday, April 26, 2017.

A handwritten signature in black ink, appearing to read "SWalters".

Susan Walters
Chief Librarian & Secretary to the Board
Richmond Public Library

Financial Statements of

RICHMOND PUBLIC LIBRARY BOARD

Year ended December 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

We have audited the accompanying financial statements of Richmond Public Library, which comprise the statement of financial position as at December 31, 2016, the statements of operations, changes in net financial assets, cash flows, and schedule for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Richmond Public Library as at December 31, 2016 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

DATE
Burnaby, Canada

RICHMOND PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
		(Recast - note 3)
Financial Assets		
Due from City of Richmond (note 4)	\$ 1,818,634	\$ 1,456,100
Accounts receivable	109,732	120,751
	1,928,366	1,576,851
Liabilities		
Accounts payable and accrued liabilities (note 5)	1,175,937	1,029,987
Deferred revenue	93,833	63,653
	1,269,770	1,093,640
Net financial assets	658,596	483,211
Non-Financial Assets		
Tangible capital assets (note 6)	3,495,283	3,858,676
Prepaid expenses	414,632	392,672
	3,909,915	4,251,348
Commitments (note 13)		
Accumulated surplus	\$ 4,568,511	\$ 4,734,559

See accompanying notes to financial statements.

Approved on behalf of the Library Board:

_____ Trustee

_____ Trustee

RICHMOND PUBLIC LIBRARY BOARD

Statement of Operations

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

	Budget 2016	2016	2015
	(Notes 2(a) and 14)		(Recast - note 3)
Revenue:			
Municipal contribution	\$ 8,744,000	\$ 8,744,000	\$ 8,767,700
Grants (note 9)	406,600	402,173	411,089
Fines and miscellaneous (note 10)	390,700	333,946	295,530
Donations (note 11)	-	30,838	83,029
	9,541,300	9,510,957	9,557,348
Expenses:			
Salaries and employee benefits	6,872,000	6,620,749	6,570,413
Amortization	1,538,700	1,319,116	1,511,856
Supplies and equipment services	462,600	752,269	634,087
General and administration	405,200	381,645	335,172
Building, leases and maintenance	349,600	313,305	328,522
Utilities	125,800	137,191	120,130
Loss on disposal of tangible capital assets	-	152,730	15,152
	9,753,900	9,677,005	9,515,332
Annual surplus (deficit)	(212,600)	(166,048)	42,016
Accumulated surplus, beginning of year	4,734,559	4,734,559	4,692,543
Accumulated surplus, end of year	\$ 4,521,959	\$ 4,568,511	\$ 4,734,559

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

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

	Budget 2016	2016	2015
	(Notes 2(a) and 14)		(Recast - note 3)
Annual surplus (deficit)	\$ (212,600)	\$ (166,048)	\$ 42,016
Acquisition of tangible capital assets	(1,311,500)	(1,146,863)	(1,257,031)
Amortization of tangible capital assets	1,538,700	1,319,116	1,511,856
Loss on disposal of tangible capital assets	-	152,730	15,152
Proceeds on disposal of tangible capital assets	-	38,410	32,916
Increase in prepaid expenses and other assets	-	(21,960)	(177,097)
Change in net financial assets	14,600	175,385	167,812
Net financial assets, beginning of year	483,211	483,211	315,399
Net financial assets, end of year	\$ 497,811	\$ 658,596	\$ 483,211

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Cash Flows

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

	2016	2015
		(Recast - note 3)
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ (166,048)	\$ 42,016
Items not involving cash:		
Amortization	1,319,116	1,511,856
Loss on disposal of tangible capital assets	152,730	15,152
Changes in non-cash operating working capital:		
Due from City of Richmond	(362,534)	(132,817)
Accounts receivable	11,019	2,191
Prepaid expenses and other assets	(21,960)	(177,097)
Accounts payable and accrued liabilities	145,950	(12,267)
Deferred revenue	30,180	(24,919)
Net change in cash from operating activities	1,108,453	1,224,115
Capital activities:		
Proceeds on disposal of tangible capital assets	38,410	32,916
Cash used to acquire tangible capital assets	(1,146,863)	(1,257,031)
Net change in cash from capital activities	(1,108,453)	(1,224,115)
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2016

1. Operations:

The Richmond Public Library Board (the "Library") is responsible for the administration of public libraries in the City of Richmond (the "City"). Funding for the provisions of these services is primarily through an annual contribution from the City and from provincial government grants. In addition, revenue is received from library fees, donations and other miscellaneous sources. The Library is a registered charity under provisions of the Income Tax Act (Canada) and is not a taxable entity. The Library receives accounting services from, and operates primarily in facilities provided free of charge by, the City.

2. Significant accounting policies:

The accounting policies of the Library conform to Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada and include the following specific policies:

(a) Budget data:

The budget data presented in these financial statements is based on the 2016 budget approved by the Board on January 27, 2016. Note 14 reconciles the approved budget to the budget figures reported in these financial statements.

(b) Use of estimates:

The preparation of the 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to the determination of accrued sick benefits and useful lives of tangible capital assets. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(c) Deferred revenue:

The Library records the receipt of restricted donations as deferred revenue and recognizes the revenue in the year in which related expenses are incurred.

(d) 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.

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

2. Significant accounting policies (continued):

(e) 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 asset. The cost, less residual value, of the tangible capital assets, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Library collections	4 - 20 years
Furniture and fixtures	10 - 20 years
Equipment	5 - 10 years

Amortization is charged over the asset's useful life commencing when the asset is available for use.

(f) Donations of tangible capital assets:

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

(g) Functional and object reporting:

The operations of the Library are comprised of a single function, Library operations. As a result, the expenses of the Library are presented by object in the statement of operations.

(h) Employee future benefits:

The Library and its employees make contributions to the Municipal Pension Plan (the "Plan"). These contributions are expensed as incurred.

Sick leave and post-employment benefits are available to the Library's employees. The costs of 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 as the employees render services necessary to earn the future benefits (note 7).

(i) Government transfers:

Restricted transfers from government are deferred and are recognized as revenue in the year in which 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 assured.

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

3. Recast of prior year comparative information:

(a) Non-financial assets:

During the year, the Library determined that certain subscriptions for electronic media ("e-books") that were recorded in tangible capital assets should be classified as an expense due to the nature of the subscription agreement.

Many e-books have subscription durations greater than one year and will be treated as other assets. Subscription expense will be recognized over the periods the e-books are available to a maximum of 4-years, the same as print books included in tangible capital assets.

The impact of these immaterial errors has been recorded retrospectively and prior periods have been recast as follows:

Accumulated surplus at December 31, 2015:

Accumulated surplus, as previously reported	\$ 4,845,258
Net book value of tangible capital assets previously recorded	(110,699)

Accumulated surplus, as recast	\$ 4,734,559
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Annual surplus for 2015:

Annual surplus, as previously reported	\$ 92,152
Subscription expense, not previously recorded	(205,279)
Amortization expense, previously recorded	155,143

Annual surplus, as recast	\$ 42,016
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Tangible capital assets at December 31, 2015:

Tangible capital assets, as previously reported	\$ 4,340,837
Net book value of tangible capital assets, previously recorded	(482,161)

Tangible capital assets, as recast	\$ 3,858,676
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Prepaid expenses and other assets at December 31, 2015:

Prepaid expenses and other assets, as previously reported	\$ 21,210
Net book value of prepaid expenses and other assets, not previously recorded	371,462

Prepaid expenses and other assets, as recast	\$ 392,672
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RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Due from City of Richmond:

Due from City of Richmond is comprised of funds held by the City on behalf of the Library. This balance is non-interest bearing and is due on demand.

5. Accounts payable and accrued liabilities:

	2016	2015
Accounts payable	\$ 139,798	\$ 288,292
Accrued liabilities	13,035	7,786
Accrued payroll liabilities	509,404	208,209
Post-employment benefits (note 7)	513,700	525,700
	\$ 1,175,937	\$ 1,029,987

6. Tangible capital assets:

Cost	Balance, December 31, 2015 (Recast - note 3)	Additions	Disposals	Balance, December 31, 2016
Library collections	\$ 6,339,806	\$ 1,024,139	\$ (1,616,440)	\$ 5,747,505
Furniture and fixture	1,105,508	14,367	-	1,119,875
Equipment	1,453,442	107,325	-	1,560,767
Work-in-progress	-	1,032	-	1,032
	\$ 8,898,756	\$ 1,146,863	\$ (1,616,440)	\$ 8,429,179

Accumulated Amortization	Balance, December 31, 2015 (Recast - note 3)	Additions	Disposals	Balance, December 31, 2016
Library collections	\$ 3,107,696	\$ 1,174,326	\$ (1,425,300)	\$ 2,856,722
Furniture and fixture	757,891	42,259	-	800,150
Equipment	1,174,493	102,531	-	1,277,024
	\$ 5,040,080	\$ 1,319,116	\$ (1,425,300)	\$ 4,933,896

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

6. Tangible capital assets (continued):

Net book value	Balance, December 31, 2015 (Recast - note 3)	Balance, December 31, 2016
Library collections	\$ 3,232,110	\$ 2,890,783
Furniture and fixture	347,617	319,725
Equipment	278,949	283,743
Work-in-progress	-	1,032
	\$ 3,858,676	\$ 3,495,283

7. Post-employment benefits:

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

Details of the accrued employee future benefit liability are as follows:

	2016	2015
Balance, beginning of year	\$ 525,700	\$ 548,800
Current service cost	33,500	32,600
Interest cost	14,900	15,300
Amortization of actuarial gain	(11,300)	(33,500)
Benefits paid	(49,100)	(37,500)
Balance, end of year	\$ 513,700	\$ 525,700

An actuarial valuation for these benefits was performed to determine the Library's accrued benefit obligation as at December 31, 2016. The difference between the actuarially determined accrued benefit obligation of \$515,200 and the liability of \$513,700 as at December 31, 2016 is an unamortized net actuarial loss of \$1,500. 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:		
Accrued liability, end of year	\$ 513,700	\$ 525,700
Unamortized net actuarial loss (gain)	1,500	(42,300)
Balance, end of year	\$ 515,200	\$ 483,400

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

7. Post-employment benefits (continued):

Actuarial assumptions used to determine the Library'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 increases	2.50%	2.50%

8. Accumulated surplus:

	2016	2015
		(Recast - note 3)
Operating:		
Appropriated surplus	\$ 387,909	\$ 303,275
Surplus	685,319	572,608
	1,073,228	875,883
Invested in tangible capital assets	3,495,283	3,858,676
	\$ 4,568,511	\$ 4,734,559

Appropriated surplus includes \$259,730 approved for capital expenditures, \$45,176 for future capital acquisitions and \$83,003 for future salary and benefit obligations.

9. Grants:

		2016	2015
Provincial Revenue Sharing Grant	(a)	\$ 358,319	\$ 358,319
One Card Grant	(b)	35,153	40,873
British Columbia Equity Grant	(c)	4,500	4,500
Writers in Library Grant	(d)	1,073	4,566
Resource Sharing Grants	(e)	3,128	2,831
		\$ 402,173	\$ 411,089

(a) Provincial Revenue Sharing Grant is funded by the Libraries Branch Ministry of Education.

(b) The One Card Grant is provided by the Libraries Branch Ministry of Education to ensure that every British Columbian with a valid library card has complete access to all public libraries within the province, and that every school-age child in Richmond is given their own library card so that they may take full advantage of the library's resources.

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

9. Grants (continued):

- (c) British Columbia Equity Grant is awarded by the Libraries Branch of the Ministry of Education to support the Library in its role in fostering literacy and life-long learning in our community through the purchase of additional library materials in the area of literacy and English as a Second Language ("ESL").
- (d) The Writers in Library Grant is funded by the Canada Council for the Arts for the secondment of writers to attend libraries and perform readings.
- (e) Resource Sharing Grants - Annual grants are provided to BC public libraries to encourage their participation in the province-wide inter library loan system.

10. Fines and miscellaneous:

	2016	2015
Book fines	\$ 213,694	\$ 144,871
InterLINK revenue	65,275	91,711
Photocopy and printer revenue	48,383	48,278
Miscellaneous	6,594	10,670
	<u>\$ 333,946</u>	<u>\$ 295,530</u>

11. Donations:

Donations revenue is a combination of unrestricted donations received in the year and the recognition of restricted donations relating to expenses incurred in the year.

	2016	2015
Friends of the Library	\$ 24,488	\$ 33,505
Ozone Showcase Donations	-	556
Collection Donations	1,392	170
Law Matters	-	1,552
McDonald Estate	235	13,162
Vancouver Foundation Interest	-	13,467
Ben Dayson in Memory Fund	2,249	-
Other	2,474	20,617
	<u>\$ 30,838</u>	<u>\$ 83,029</u>

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

12. Pension plan:

The Library 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.

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 Library paid \$493,510 (2015 - \$492,018) for employer contributions while employees contributed \$426,382 (2015 - \$427,316) 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.

13. Commitments:

The Library has committed to operating lease payments for the Ironwood and Cambie Branch premises, with minimum annual lease payments as follows:

2017	\$ 271,566
2018	256,349
2019	248,740
2020	236,450
2021 and thereafter	556,208

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2016

14. Budget data:

The budget data presented in these financial statements is based on the 2016 budget approved by the Board on January 27, 2016. The table below reconciles the approved budget to the budget figures reported in these financial statements.

	Board approved budget	Financial statement budget
Revenues:		
Operating budget	\$ 9,541,300	\$ 9,541,300
Expenses:		
Operating budget	8,215,200	8,215,200
Less: Transfer to surplus	(14,600)	-
Less: Acquisition of tangible capital assets	(1,311,500)	-
Less: Amortization of tangible capital assets	-	(1,538,700)
Annual deficit	\$ -	\$ (212,600)

15. Comparative information:

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

SUPPLEMENTRY FINANCIAL INFORMATION

Unaudited Statement of Operations – By Fund

Schedule 1

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

	2016			2015		
	Operating	Capital	Total	Operating	Capital	Total
Revenue:						
Municipal contribution	\$ 7,432,500	\$ 1,311,500	\$ 8,744,000	\$ 7,379,200	\$ 1,388,500	\$ 8,767,700
Grants	402,173	-	402,173	411,089	-	411,089
Fines and miscellaneous	333,946	-	333,946	295,530	-	295,530
Donations	30,838	-	30,838	83,029	-	83,029
	8,199,457	1,311,500	9,510,957	8,168,848	1,388,500	9,557,348
Expenses:						
Salaries and employee benefits	6,620,749	-	6,620,749	6,570,413	-	6,570,413
Amortization	-	1,319,116	1,319,116	-	1,511,856	1,511,856
Supplies and equipment services	752,269	-	752,269	634,087	-	634,087
General and administration	381,645	-	381,645	335,172	-	335,172
Building, leases and maintenance	313,305	-	313,305	328,522	-	328,522
Utilities	137,191	-	137,191	120,130	-	120,130
Loss on disposal of tangible capital assets	-	152,730	152,730	-	15,152	15,152
	8,205,159	1,471,846	9,677,005	7,988,324	1,527,008	9,515,332
Annual surplus (deficit)	(5,702)	(160,346)	(166,048)	180,524	(138,508)	42,016
Accumulated surplus, beginning of year	487,210	4,247,349	4,734,559	306,686	4,385,857	4,692,543
Accumulated surplus, end of year	\$ 481,508	\$ 4,087,003	\$ 4,568,511	\$ 487,210	\$ 4,247,349	\$ 4,734,559

DRAFT - April 19, 2017



City of Richmond

Report to Committee

To: Finance Committee
From: Robert Gonzalez, General Manager,
Engineering & Public Works and Chief Executive
Officer, Lulu Island Energy Company
Date: April 12, 2017
File: 01-0060-20-
LIEC1/2017-Vol 01

Jerry Chong
Director, Finance and Chief Financial Officer,
Lulu Island Energy Company

Re: 2016 Financial Statements for the Lulu Island Energy Company

Staff Recommendation

That the Lulu Island Energy Company audited financial statements for the year ended December 31, 2016, in the report titled, "2016 Financial Statements for the Lulu Island Energy Company," dated April 10, 2017 from the Chief Executive Officer and Chief Financial Officer, Lulu Island Energy Company be received for information.

Robert Gonzalez
Deputy CAO, General Manager,
Engineering and Public Works and
Chief Executive Officer, Lulu Island Energy
Company

Jerry Chong
Director, Finance and
Chief Financial Officer, Lulu Island Energy
Company

Att. 1

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



Report

6911 NO. 3 ROAD
RICHMOND, BC V6Y 2C1

DATE: April 10, 2017

TO: Board of Directors

FROM: Alen Postolka, Manager, District Energy
Jerry Chong, Chief Financial Officer

Re: 2016 Financial Statements for the Lulu Island Energy Company

Staff Recommendation

That the audited financial statements of the Lulu Island Energy Company (LIEC) for the year ended December 31, 2016 (Attachment 1), be approved, and that any two directors of the LIEC be authorized to sign the financial statements to confirm that approval.

Origin

Section 11.3 of the LIEC articles of incorporation requires that an auditor be appointed and audited financial statements prepared as at each fiscal year end. It also requires that the audited financial statements are presented annually at an open meeting of the City of Richmond council within 150 days of the LIEC's fiscal year end. This report presents the 2016 audited financial statements for LIEC Board's approval.

Background

LIEC, a corporation wholly-owned by the City of Richmond, was established to provide district energy services for the City. Under direction from Council and following receipt of the necessary approval from the Inspector of Municipalities, LIEC was established in August 2013.

In June 2014, the City and LIEC executed a District Energy Utilities Agreement, assigning LIEC the function of establishing and operating district energy systems as well as providing thermal energy services on behalf of the City.

In October 2014, LIEC and Corix Utilities executed a Concession Agreement whereby LIEC would own the Oval Village District Energy Utility (OVDEU) and its infrastructure, and Corix would design, construct, finance, operate and maintain the OVDEU, subject to the City, as shareholder of LIEC, setting rates for customers.

In order to consolidate the City's district energy operations, on October 11, 2016, Council authorized staff to transfer the City's district energy assets to LIEC. On November 7, 2016, Council, as the sole shareholder, ratified the resolution that, in exchange for the assets, LIEC will issue an additional three hundred and fifty common shares of the company to the City at a deemed issue price equal to a fair market value of the transferred district energy assets. The assets transfer has been completed with an initial closing date of December 31, 2016 and a second and final closing date of March 31, 2017.

Analysis

The preparation of the financial statements is the responsibility of management and they 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 of Canada.

The LIEC's audited financial statements consist of:

- Statement of Financial Position – summary of financials and non-financial assets, liabilities and accumulated surplus balances as at December 31, 2016 and comparative figures for December 31, 2015.
- Statement of Operations – summary of revenues, expenses, non-operating activity and annual surplus for the year.
- Statement of Changes in Net Debt – summary of changes in financial assets and liabilities for the year.
- Statement of Cash Flows – summary of the sources and uses of cash in the year.

A summary of the financial results is included in Attachment 1.

The financial statements have been audited by the independent firm of KPMG LLP and their report precedes the financial statements.

Financial Position

	2016	2015	Change
Financial assets	\$ 744,349	\$ 93,677	\$ 650,672
Liabilities	6,591,317	3,928,549	2,662,768
Net debt	(5,846,968)	(3,834,872)	(2,012,096)
Non-financial assets	31,036,506	4,385,619	26,650,887
Accumulated surplus	\$ 25,189,538	\$ 550,747	\$ 24,638,791

LIEC's overall financial position improved by \$24,638,791 in 2016 with accumulated surplus totaling \$25,189,538 (2015 - \$550,747). Accumulated surplus is comprised of tangible capital assets \$25,659,621 (2015 - \$550,747) and deficit of \$470,083 (2015 - 257,583).

LIEC's net financial position, calculated as financial assets less liabilities, results in a net debt position. A net debt position is an indicator of future revenues required to pay for past transactions or events. This is consistent with the concession agreement structure for the Oval Village District Energy Utility (OVDEU) where capital and operating costs are greater than revenues in the initial stages of the agreement due to the long-term nature of the capital assets that will generate revenue over their service life. On October 30, 2014, LIEC and Corix Utilities Inc. (Corix) entered into a 30 year concession agreement, whereby Corix will design, construct, finance, operate, and maintain the infrastructure for the OVDEU. Net debt increased by \$2,012,096 to \$5,846,968 (2015 - \$3,834,872).

The non-financial assets increased by \$26,650,887, bringing the total to \$31,036,506. The increase is the net result of capital additions of tangible capital assets in the year offset by disposals and amortization expense. Included in the additions is the transfer of the Alexandra District Energy Utility (ADEU) assets of \$23,157,226.

Results of Operations

	2016 Budget	2016	2015
Revenues	\$ 1,594,342	\$ 2,424,138	\$ 1,018,950
Expenses	939,205	942,573	491,271
Annual surplus before asset transfer	655,137	1,481,565	527,679
Asset transfer	-	23,157,226	-
Annual surplus	\$ 655,137	\$ 24,638,791	\$ 527,679

Year over Year Change

Revenues of \$2,424,138 increased by \$1,405,188 over 2015 mainly due to:

- An increase of \$949,260 in capital funding sources relating to contributions of energy transfer stations from developers (Onni – Riva 2, Intracorp – River Park Place 1, Cressey – Cadence, ASPAC – Parcel 12 and Amacon – Tempo).
- An increase of \$427,335 in user fees due to new buildings connecting to the OVDEU during 2016 (Riva 2 and River Park Place 1) and a full year of service for first two buildings (Carrera and Riva 1).
- An increase of \$28,593 in permit fee revenue relating to fees by the City for in-building district energy related equipment review, performed by the LIEC.

Expenses of \$942,573 increased by \$451,302 over 2015 mainly due to:

- An increase of \$174,907 in utilities expense due to the increase in customer load and offset by increased user fee revenues.
- An increase of \$115,716 in amortization expense as a result of additions to tangible capital assets.
- An increase of \$83,184 in interest expense due to the increase in the OVDEU concession liability relating to increased tangible capital assets.
- An increase of \$77,496 for general and administration, professional fees and contract services.

Non-operating activity of \$23,157,226 relates to the transfer of ADEU tangible capital assets.

LIEC's revenues exceeded expenses resulting in an annual surplus of \$24,638,791 or \$1,481,565 before the asset transfer (2015 – \$527,679).

Budget Variance

Revenues of \$2,424,138 were greater than budget by \$829,796 mainly due to:

- \$749,439 higher than budget in capital funding sources from developer contributions due to additional energy transfer stations (ASPAC – Parcel 12 and Amacon – Tempo).
- \$57,577 higher than budgeted in user fees due to the timing of new connections.
- \$22,780 higher than budgeted in permit fees relating to fees by the City for in-building district energy related equipment review, performed by the LIEC.

Expenses of \$942,573 were higher than budgeted by \$3,368.

Non-operating activity of \$23,157,226 relates to the transfer of ADEU tangible capital assets that is not included in the 2016 budget.

LIEC's annual surplus before non-operating activity of \$1,481,565 exceeded budget by \$826,427 primarily due to the capital funding source revenue relating to developer contributed energy transfer stations. Annual surplus including the asset transfer exceeded budget by \$23,983,654.

Tangible Capital Assets

LIEC's tangible capital assets include assets for OVDEU and ADEU as follows:

	2016 Net book Value
ADEU	
Distribution piping	\$ 3,640,421
Civil	5,052,081
Electrical	2,653,979
Mechanical	11,810,745
Total ADEU	<u>23,157,226</u>
OVDEU	
Work-in-progress	959,653
Mechanical	4,007,184
Distribution piping	2,912,443
Total OVDEU	<u>7,879,280</u>
Total tangible capital assets	<u><u>\$ 31,036,506</u></u>

The tangible capital assets include amounts related to energy transfer stations contributed by developers as well as the 2016 transfer of ADEU assets of \$23,157,226 from the City of Richmond. Effective January 1, 2017, the ADEU operations were transferred to the Corporation

from the City. This function is funded by user fees. The 2016 statement of operations does not include any amounts relating to the ADEU operations, these amounts will only be reflected beginning in 2017. For information, the 2017 Operating Budget including OVDEU and ADEU is included in Attachment 2.

Financial Impact

None.

Conclusion

The financial statements are a legislated reporting requirement and it is recommended that they be approved. As noted in the Auditors' Report, it is the Auditor's opinion that these financial statements present fairly, in all material respects, the financial position of Lulu Island Energy Company Ltd. as at December 31, 2016 and its results of operations, and its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Alen Postolka, P.Eng, CEM
Manager, District Energy
Lulu Island Energy Company
(604-276-4283)



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

- Att. 1: Summary of Financial Results (unaudited)
- Att. 2: 2017 Operating Budget including OVDEU and ADEU operations
- Att. 3: LIEC Financial Statements

Attachment 1 – Summary of Financial Results (unaudited)

Financial Position	2016	2015	Change
Financial assets	\$ 744,349	\$ 93,677	\$ 650,672
Liabilities ¹	6,591,317	3,928,549	2,662,768
Net debt	(5,846,968)	(3,834,872)	(2,012,096)
Non-financial assets	31,036,506	4,385,619	26,650,887
Accumulated surplus	\$ 25,189,538	\$ 550,747	\$ 24,638,791

¹ Includes investment made by Corix

**Operating Activity - Year over Year
actual comparison**

	2016	2015	Change
Revenues	\$ 2,424,138	\$ 1,018,950	\$ 1,405,188
Expenses	942,573	491,271	451,302
Annual surplus before asset transfer	1,481,565	527,679	953,886
Asset transfer	23,157,226	0	23,157,226
Annual surplus	\$ 24,638,791	\$ 527,679	\$ 24,111,112

Operating Activity - 2016 Budget to actual comparison

	2016 Budget	2016	Budget Variance (\$)	Budget Variance (F/U)¹
Revenues	\$ 1,594,342	\$ 2,424,138	\$ 829,796	F
Expenses	939,205	942,573	3,368	U
Annual surplus before asset transfer	655,137	1,481,565	826,428	F
Asset transfer	0	23,157,226	23,157,226	F
Annual surplus	\$ 655,137	\$ 24,638,791	\$ 23,983,654	F

¹ Favourable (F) or Unfavourable (U)

Attachment 2 – 2017 Operating Budget including OVDEU and ADEU operations

	<u>2017</u>
REVENUES	
Service Fee (City of Richmond)	\$915,000
Energy Modeling Review Fee	30,000
Asset Contributions (ETS fee)	609,000
Metered Billings (Quarterly)	3,040,000
	<u>4,594,000</u>
EXPENSES	
Salaries and Benefits	591,480
General Operating Expenses	51,000
Professional Fees	46,900
Advertising and Marketing	5,150
Contracts	906,000
Insurance	35,900
Utilities - Electric	225,000
Utilities - Natural Gas	397,000
Memberships	8,090
PW Overhead Allocation	3,250
Amortization	1,117,702
Interest Expense	134,025
	<u>3,521,497</u>
TRANSFERS	
Transfer to Provision	1,256,205
Transfer to Reserves	325,000
Equity - Amortization	(1,117,702)
Equity to Capital (ETS)	609,000
	<u>1,072,503</u>
 Annual Surplus (Deficit) including transfers	 <u>\$0</u>

April 12, 2017

- 9 -

Attachment 3 – LIEC Financial Statements

Financial Statements of

**LULU ISLAND ENERGY
COMPANY LTD.**

Year ended December 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Lulu Island Energy Company Ltd.

We have audited the accompanying financial statements of Lulu Island Energy Company Ltd., which comprise the statement of financial position as at December 31, 2016 and the statements of operations, changes in net debt, 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 Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lulu Island Energy Company Ltd. as at December 31, 2016, and its results of operations, and its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

April __, 2017
Burnaby, Canada

LULU ISLAND ENERGY COMPANY LTD.

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Financial Assets		
Cash and cash equivalents	\$ 170,358	\$ -
Accounts receivable	573,991	-
Due from the City to Richmond (note 4)	-	93,677
	744,349	93,677
Liabilities		
Accounts payable	84,966	2,208
Due to the City of Richmond (note 4)	52,632	-
Deferred revenue (note 12)	378,604	-
Oval Village District Energy Utility ("OVDEU") concession agreement liability (note 5(a))	6,075,115	3,926,341
	6,591,317	3,928,549
Net debt	(5,846,968)	(3,834,872)
Non-Financial Assets		
Tangible capital assets (note 7)	31,036,506	4,385,619
Accumulated surplus	\$ 25,189,538	\$ 550,747

Commitments and contingencies (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

LULU ISLAND ENERGY COMPANY LTD.

Statement of Operations

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

	Budget 2016	2016	2015
	(note 2(a) and 9)		
Revenue:			
User fees	\$ 547,342	\$ 604,919	\$ 177,584
Permit fee contribution from the City of Richmond (note 11(b))	27,000	49,780	21,187
Capital funding sources	1,020,000	1,769,439	820,179
	1,594,342	2,424,138	1,018,950
Expenses:			
Amortization	104,432	183,908	68,192
Contract services (note 5(b))	367,094	371,487	345,436
General and administration	82,150	27,320	-
Insurance	30,000	-	-
Interest	108,388	112,981	29,798
Professional services	36,695	29,588	5,464
Utilities (note 5(b))	210,446	217,289	42,381
	939,205	942,573	491,271
Non-operating activity:			
Asset transfer from the City of Richmond (note 11(a))	-	23,157,226	-
Annual surplus	655,137	24,638,791	527,679
Accumulated surplus, beginning of year	550,747	550,747	23,068
Accumulated surplus, end of year	\$ 1,205,884	\$ 25,189,538	\$ 550,747

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Changes in Net Debt

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

	Budget 2016	2016	2015
	(note 2(a) and 9)		
Annual surplus for the year	\$ 655,137	\$ 24,638,791	\$ 527,679
Acquisition of tangible capital assets	(1,020,000)	(2,003,130)	(3,358,322)
Developer contributed tangible capital assets	-	(1,674,439)	(820,179)
Transfer of Alexandra District Energy ("ADEU") assets from City of Richmond	-	(23,157,226)	-
Amortization of tangible capital assets	104,432	183,908	68,192
Increase in net debt	(260,431)	(2,012,096)	(3,582,630)
Net debt, beginning of year	(3,834,872)	(3,834,872)	(252,242)
Net debt, end of year	\$ (4,095,303)	\$ (5,846,968)	\$ (3,834,872)

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Cash Flows

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

	2016	2015
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 24,638,791	\$ 527,679
Items not involving cash:		
Amortization	183,908	68,192
Transfer of ADEU assets from City of Richmond	(23,157,226)	-
Developer contributed tangible capital assets	(1,674,439)	(820,179)
Change in non-cash working capital:		
Due (to) from the City of Richmond	146,309	(62,350)
Accounts receivable	(573,991)	-
Accounts payable and accrued liabilities	82,758	2,208
Deferred revenue	378,604	-
OVDEU concession agreement/liability	2,148,774	3,642,772
Net change in cash from operating activities	2,173,488	3,358,322
Capital activities:		
Acquisition of tangible capital assets	(2,003,130)	(3,358,322)
Net change in cash and cash equivalents	170,358	-
Cash, beginning of year	-	-
Cash, end of year	\$ 170,358	\$ -

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements
Year ended December 31, 2016

1. Incorporation and nature of business:

The Lulu Island Energy Company Ltd. (the "Corporation") was incorporated on August 19, 2013 under the Business Corporations Act of British Columbia as a municipal corporation wholly-owned by the City of Richmond (the "City"). The business of the Corporation is to manage and operate district energy utilities, including but not limited to energy production, generation or exchange, transmission, distribution, maintenance, marketing and sale to customers, customer service, profit generation, and financial management.

2. Significant accounting policies:

The financial statements of the Corporation 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 of Canada.

(a) Budget data:

The budget data presented in these financial statements is based upon the 2016 budget submission approved by the Board on January 18, 2016. Note 9 reconciles the approved budget to the budget figures reported in these financial statements.

(b) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the value of tangible capital assets, determination of provisions for the concession liability and accrued liabilities, allowance for doubtful accounts, and provisions for contingencies. Actual results could differ from these estimates. The estimates are reviewed periodically and as adjustments become necessary, they are recorded in earnings in the year in which they become known.

(c) Income taxes:

The Corporation is not subject to income taxes as it is a municipal corporation wholly-owned by the City.

(d) 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.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements
Year ended December 31, 2016

2. Significant accounting policies (continued):

(d) Non-financial assets (continued):

(i) Tangible capital assets:

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

Amortization is charged over the asset's useful life commencing when the asset is acquired or when it is available for use.

Asset	Useful life - years
Distribution piping	50 – 75
Civil	50
Electrical	25
Mechanical	25 – 33

(ii) Interest capitalization:

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

(iii) Impairment of tangible capital assets:

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

(e) Revenue recognition:

Revenue is recorded in the period that the services are rendered, with any unearned portion recorded as deferred revenue.

(f) Public-private partnership project:

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

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements
Year ended December 31, 2016

2. Significant accounting policies (continued):

(f) Public-private partnership project (continued):

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

3. Share capital:

Authorized: 10,000 common shares without par value. Issued: 100 common shares for \$1. Additional shares issued as described in note 8(b).

4. Due (to) from City of Richmond:

Due (to) from City of Richmond is comprised of amounts that arise in the normal course of business and share capital. The balance is non-interest bearing and due on demand.

	2016	2015
Share capital (note 3)	\$ 1	\$ 1
Due (to) from City of Richmond	(52,633)	93,676
	<u>\$ (52,632)</u>	<u>\$ 93,677</u>

5. Oval Village District Energy Utility Concession Agreement:

On October 30, 2014, the Corporation and Corix Utilities Inc. ("Corix") entered into a 30 year Concession Agreement, which is a public-private partnership project, where Corix will design, construct, finance, operate, and maintain the infrastructure for the district energy utility at the Oval Village community. The total estimated concession liability to finance the construction of the OVDEU at full build out is \$31,931,000 and will be accrued over time.

(a) OVDEU concession agreement liability:

	2016	2015
OVDEU, 30 year contract to October 31, 2044 with Corix, payable in monthly payments in accordance with the concession agreement terms. Required principal repayments on P3 debt for the years ending December 31 are disclosed with public-private partnership commitments in note 10.	\$ 5,997,522	\$ 3,888,284
Interest	77,593	38,057
	<u>\$ 6,075,115</u>	<u>\$ 3,926,341</u>

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements
Year ended December 31, 2016

5. Oval Village District Energy Utility Concession Agreement (continued):

(b) Contract services and utilities expenses:

Contract services expense is comprised of maintenance, operating labour, selling, and general and administrative expense. Utilities expense is comprised of electricity and natural gas.

6. Corix and City of Richmond Limited Guarantee Agreement:

On October 30, 2014, Corix and the City of Richmond entered into a Limited Guarantee Agreement. The City of Richmond is the Guarantor and guarantees the performance of some of the Corporation's obligations under the Concession Agreement to a maximum of \$18.2 million.

7. Tangible capital assets:

Cost	Balance, December 31, 2015	Additions	Disposals	Transfer from the City	Balance, December 31, 2016
ADEU					
Distribution piping	\$ -	\$ -	\$ -	\$ 3,750,437	\$ 3,750,437
Civil	-	-	-	5,183,039	5,183,039
Electrical	-	-	-	2,794,438	2,794,438
Mechanical	-	-	-	12,461,144	12,461,144
OVDEU					
Work-in-progress	-	959,653	-	-	959,653
Mechanical	2,913,291	1,264,317	-	-	4,177,608
Distribution piping	1,540,520	1,453,599	-	-	2,994,119
	\$ 4,453,811	\$ 3,677,569	\$ -	\$ 24,189,058	\$ 32,320,438

Accumulated amortization	Balance, December 31, 2015	Amortization	Disposals	Transfer from the City	Balance, December 31, 2016
ADEU					
Distribution piping	\$ -	\$ -	\$ -	\$ 110,016	\$110,016
Civil	-	-	-	130,958	130,958
Electrical	-	-	-	140,459	140,459
Mechanical	-	-	-	650,399	650,399
OVDEU					
Work-in-progress	-	-	-	-	-
Mechanical	50,233	120,191	-	-	170,424
Distribution piping	17,959	63,717	-	-	81,676
	\$ 68,192	\$ 183,908	\$ -	\$ 1,031,832	\$ 1,283,932

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements
Year ended December 31, 2016

7. Tangible capital assets (continued):

Net book value	Balance, December 31, 2015	Balance, December 31, 2016
ADEU		
Distribution piping	\$ -	\$ 3,640,421
Civil	-	5,052,081
Electrical	-	2,653,979
Mechanical	-	11,810,745
OVDEU		
Work-in-progress	-	959,653
Mechanical	2,863,058	4,007,184
Distribution piping	1,522,561	2,912,443
	\$ 4,385,619	\$ 31,036,506

8. Accumulated surplus:

	2016	2015
Deficit	\$ (470,083)	\$ (257,583)
Invested in tangible capital assets:		
Tangible capital assets purchased or contributed	2,502,395	808,330
Tangible capital assets purchased through share issuance (a)	23,157,226	-
	25,659,621	808,330
	\$25,189,538	\$ 550,747

- (a) The City transferred ADEU assets with a net book value of \$23,157,226 as of December 31, 2016 in exchange for share capital of the Corporation. Subsequent to year end, the remaining district energy assets of \$3,839,888 were transferred on March 31, 2017. At that time, the Corporation issued 350 common shares to the City valued at \$26,997,114 for the December 2016 and March 2017 asset transfers.

9. Budget data:

The budget data presented in these financial statements is based upon the 2016 budget approved by the Board on January 18, 2016. The following chart reconciles the approved budget to the budget figures reported in these financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements
Year ended December 31, 2016

9. Budget data (continued):

	Budget Amount
Revenue:	
Operating budget	\$ 1,594,342
Expenses:	
Operating	569,737
Acquisition of tangible capital assets	1,020,000
	1,589,737
Annual surplus per approved budget	4,605
Reconciling adjustments:	
Add: Acquisition of tangible capital assets	1,020,000
Less: Utilities expense	210,446
Less: Interest expense	108,388
Less: Amortization expense	104,432
Add: Contract expense	53,798
Annual surplus per statement of operations	\$ 655,137

10. Commitments and contingencies:

Public-private partnership commitments:

Payments to Corix under the agreement are based on Corix's Annual Revenue Requirement, which is based on the utility cost of service rate-setting principles in British Columbia utilizing forward test years. The Annual Revenue Requirement is a combination of Capital and Operating charges. The Capital charge is comprised of capital expenditures and depreciation, and Operating charge is comprised of services costs, financing costs, income and other taxes, and return on equity.

The information presented below shows the anticipated cash outflow for future obligations under the Agreement for the capital and operating costs of the assets. As construction progresses, the asset values are recorded as tangible capital assets and the corresponding liabilities are recorded as concession agreement liabilities as disclosed in note 5.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements
Year ended December 31, 2016

10. Commitments and contingencies (continued):

	Capital Charge	Operating Charge	Total Charge
2017	\$ 122,204	\$ 808,796	\$ 931,000
2018	144,977	1,042,023	1,187,000
2019	185,311	1,289,689	1,475,000
2020	198,334	1,588,666	1,787,000
2021	204,950	1,655,050	1,860,000
2022 and thereafter	30,987,659	109,429,774	140,417,433

11. Related Party Transactions:

(a) Asset transfer from the City of Richmond:

Effective January 1, 2017, the ADEU operations were transferred to the Corporation from the City. This function is funded by user fees. In 2016, the ADEU tangible capital of the City was transferred to the Corporation as part of an Asset Purchase Agreement dated December 16, 2016. The transfer occurred at a net book value amount of \$23,157,226.

(b) Permit fee contribution from the City of Richmond

During 2016, the Corporation received \$49,780 (2015 – \$21,187) relating to district energy permit fees collected by the City for in-building district energy related equipment review, performed by the Corporation.

12. Deferred Revenue:

Included in deferred revenue is \$371,787 (2015 \$nil) for a service connection fee relating to a future energy transfer station. This will be recognized as revenue once the tangible capital asset relating to the energy transfer station is contributed.

13. Comparative Figures:

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



City of Richmond

Report to Committee

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



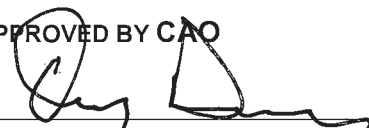
Date: April 19, 2017
File: 03-0905-01/2017-Vol
01

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 Impact2016 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**

FIN - 100



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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 31st, 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

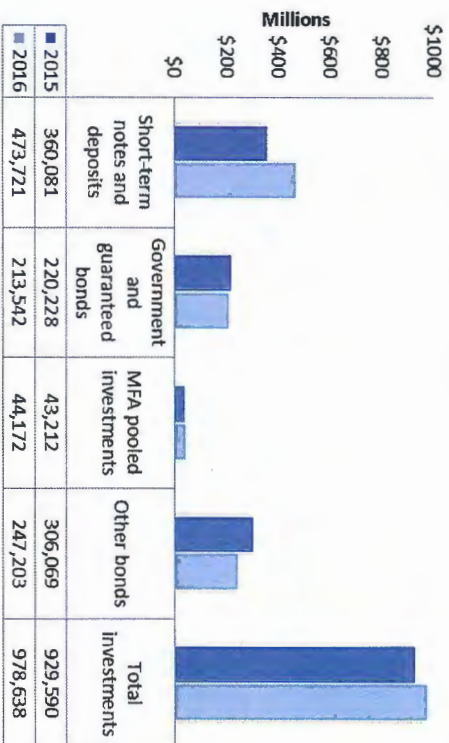
Cash and cash equivalents

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 31st, 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 31st, 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

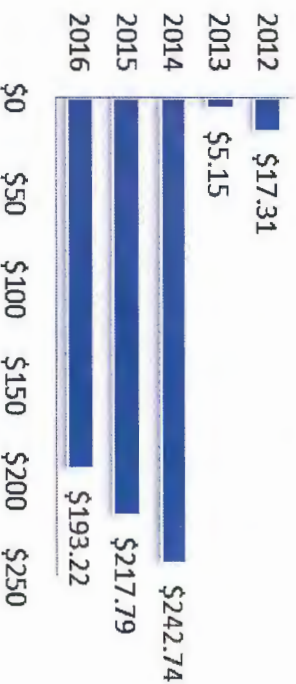
for the 2016 Flood Protection Program. The remaining balance relates to offsetting activity in capital, Oval, business licences, and other revenues.

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.

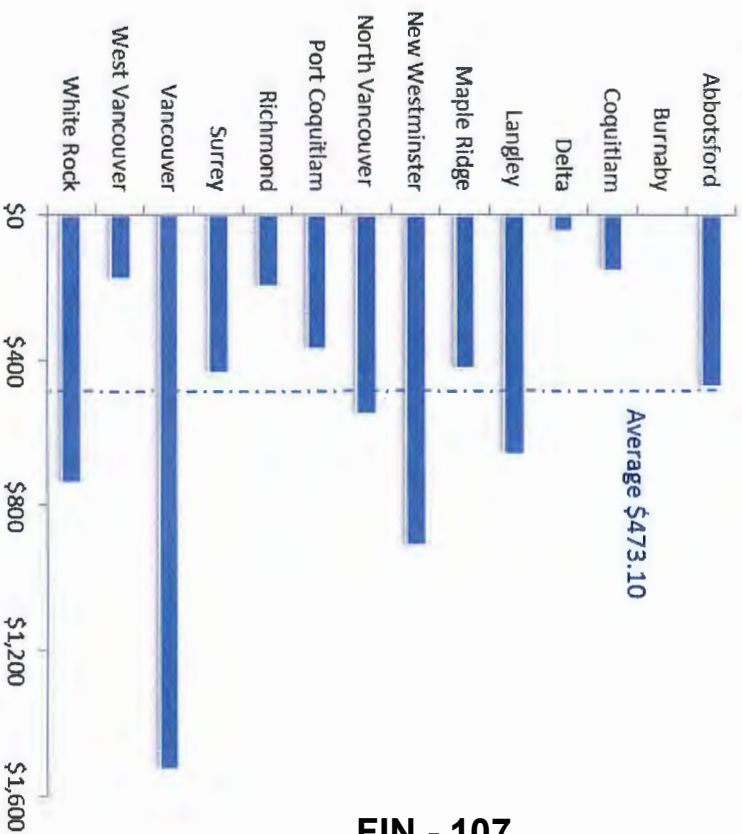
The debt per capita decreased to \$193.22 per person in 2016 from \$217.79 as of December 31, 2015. The decrease in debt per capita is the result of principal payments and increase in population.

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
Total	\$2,836,661	\$2,731,194	\$105,467

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.

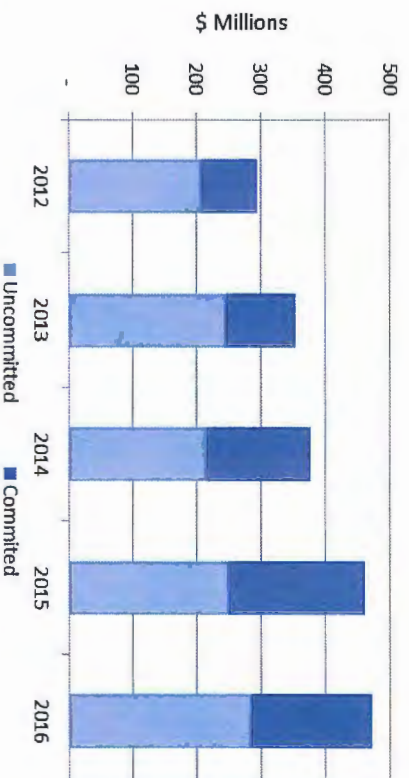
This balance is based on the historical cost of the asset net of accumulated amortization in accordance with accounting standards. This does not reflect market value or replacement value of the assets.

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 31st 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

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
Total	\$499,034	\$484,904	(\$14,130)

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)
Total	\$484,904	\$527,128	(\$42,224)

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.

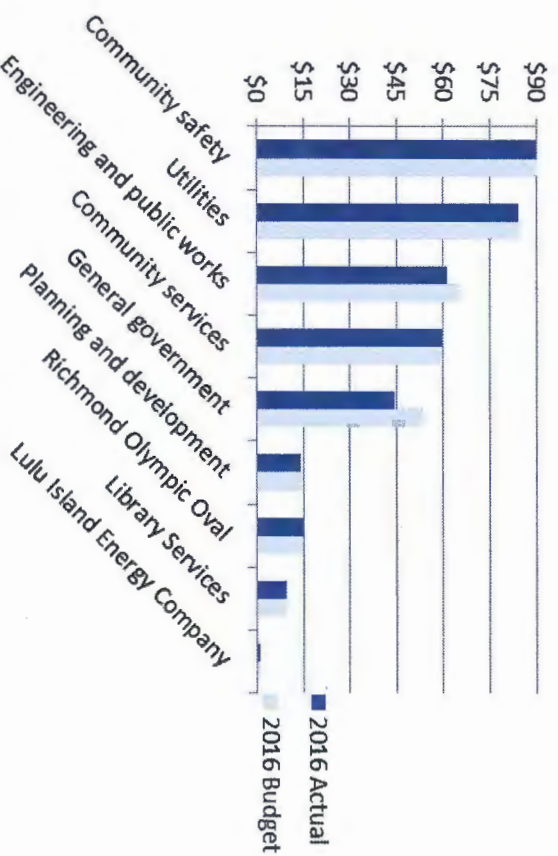
Expenses

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
Total	\$379,437	\$373,574	\$5,863

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

Expenses (\$'000's)	2016 Actual	2015 Actual	Change
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
Total	\$379,437	\$373,574	\$5,863

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.

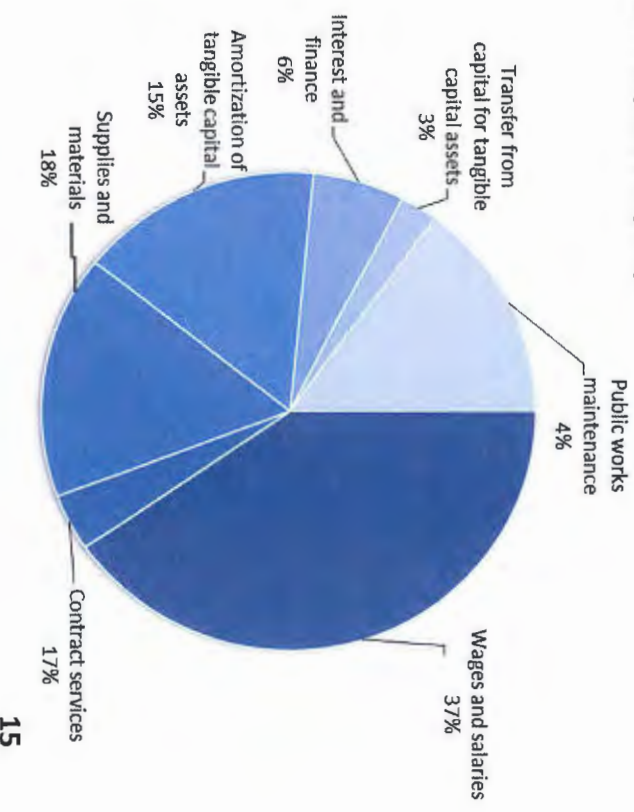
Interest and finance increased by \$1.2M due to increased debt payment to the Greater Vancouver Sewage and Drainage District Sewage Usage.

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:

Sustainability ratios:	2016	2015	2014
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%
Flexibility ratios:	2016	2015	2014
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%
Vulnerability ratios:	2016	2015	2014
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.

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Environmental Analysis

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

The following section highlights:

- Council Term Goals
- Environment
 - Business 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.

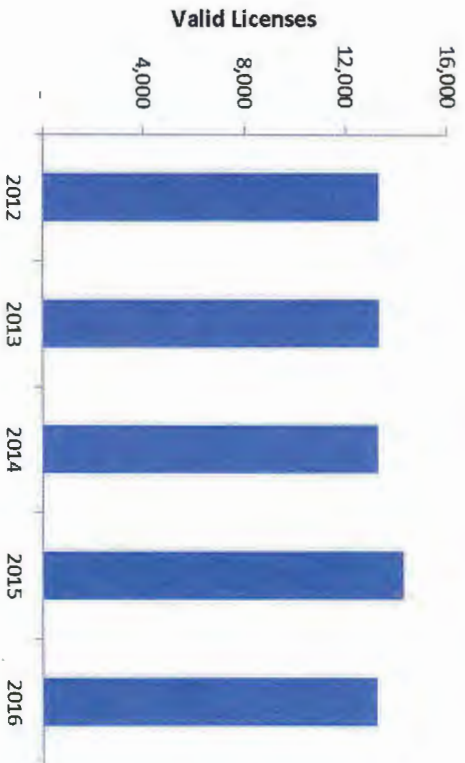


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Business Licences

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



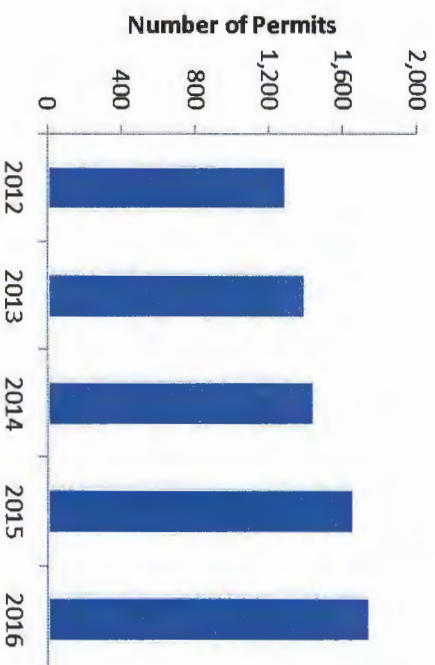
Housing Activity

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.

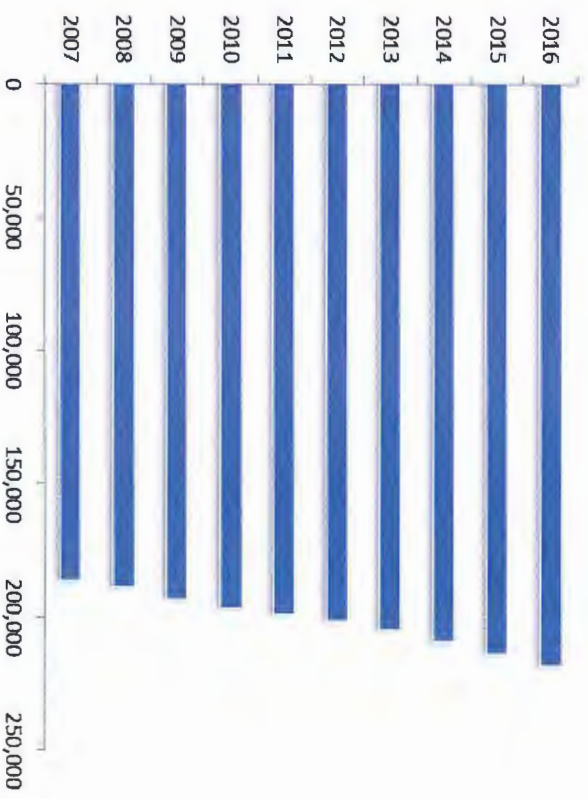
The number of development applications received in 2016 decreased 3.3% from 2015 to 235 from 243 applications. However, total fees collected in 2016 increased by 3.1%.



Population

Richmond's current population is estimated at 218,307¹, which is a 2.06% increase from 2015. Richmond is the fourth most populous municipality in the Greater Vancouver region.

Richmond Population 2007-2016



¹City 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) ¹	\$193.23	\$159.55	\$92.30
City Grants Program (\$mil)	\$0.76	\$0.76	\$0.78
Other grants (\$mil) ²	\$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

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

² 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 31st of the fiscal year. This information, in conjunction with planning documents provides a comprehensive depiction of the future financial viability of the City.

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

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

The 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
Financial Assets		
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
	1,058,353	1,017,492
Liabilities		
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
	395,614	353,482
Net financial assets	662,739	664,010
Non-Financial Assets		
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
	2,173,922	2,067,184
Accumulated surplus (note 12)	\$ 2,836,661	\$ 2,731,194

Commitments and contingencies (note 16)

See accompanying notes to consolidated financial statements.

General Manager, Finance and Corporate Services

DRAFT - April 24, 2017

CITY OF RICHMOND

Consolidated Statement of Operations
(Expressed in thousands of dollars)

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

	2016 Budget (Notes 2(n) and 22)	2016	2015
Revenue:			
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
Expenses:			
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

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

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

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

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

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	213,542	21,689	220,228	227,567
Municipal Finance Authority Pooled Investment	44,172	43,834	43,212	43,212
Other bonds	247,203	249,235	306,069	307,385
	\$ 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
Balance, end of year	\$ 2,739,184	\$ 31,174	\$ 21,645	\$ 14,899	\$ 4,569	\$ 25,190	\$ 2,836,661	\$ 2,731,194

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

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:

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

(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

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

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
Revenue:							
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
Expenses:							
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
Annual surplus (deficit)	\$ (80,794)	\$ 11,273	\$ (24,429)	\$ (41,825)	\$ 251,754	\$ (865)	\$ 115,114

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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
Revenue:						
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
Expenses:						
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	256	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
Annual surplus (deficit)	\$ 115,114	\$ (2,107)	\$ (9,021)	\$ 1,481	\$ 105,467	\$ 153,554

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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)
	397,388	396,737
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)	-
	(406,586)	-
Add: Capital funding	403,510	-
Add: Transfer from surplus	3,076	-
Annual surplus per consolidated statement of operations	\$ -	\$ 102,297

23. Comparative information:

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