City of Richmond

Agenda

Finance Committee
Electronic Meeting

Council Chambers, City Hall
6911 No. 3 Road

Monday, May 2, 2022
Immediately following the General Purposes Committee meeting

Pg. # ITEM

MINUTES

FIN-5 ***Motion to adopt the minutes of the meeting of the Special Finance Committee held on April 19, 2022.***

DELEGATIONS

1. C.J. James, Partner, KPMG LLP, to present the Audit findings on the City's 2021 consolidated financial statements.

FINANCE AND CORPORATE SERVICES DIVISION

2. **2021 CONSOLIDATED FINANCIAL STATEMENTS**
(File Ref. No. 03-0905-01) (REDMS No. 6877541)

FIN-7 See Page **FIN-7** for full report

Designated Speaker: Cindy Gilfillan

STAFF RECOMMENDATION

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

3. **MUNICIPAL SECURITY ISSUING RESOLUTION**
(File Ref. No. 03-0900-01) (REDMS No. 6850735)

FIN-98 See Page **FIN-98** for full report

Designated Speaker: Venus Ngan

STAFF RECOMMENDATION

(1) That a 20-year term $96 million borrowing with a 20-year amortization period from the Municipal Finance Authority of British Columbia's (MFA's) 2022 Fall Borrowing Session, as authorized through Steveston Community Centre and Branch Library Loan Authorization Bylaw No. 10334, be approved;

(2) That the Metro Vancouver Regional District (MVRD) be requested to consent and to include the City of Richmond's 20-year term $96 million borrowing with a 20-year amortization period in MVRD's Security Issuing Bylaw; and

(3) That the Consolidated 5-Year Financial Plan (2022-2026) be amended accordingly.

RICHMOND PUBLIC LIBRARY

4. **2021 FINANCIAL STATEMENTS FOR THE RICHMOND PUBLIC LIBRARY**
(File Ref. No. 03-0905-01) (REDMS No. 6879809)

FIN-103 See Page **FIN-103** for full report

Designated Speaker: Susan Walters

STAFF RECOMMENDATION

That the 2021 Richmond Public Library audited financial statements for the year ended December 31, 2021, as presented in the attached report from the Chief Librarian, be received for information.

LULU ISLAND ENERGY COMPANY

5. **2021 FINANCIAL STATEMENTS FOR THE LULU ISLAND ENERGY COMPANY**
(File Ref. No. 01-0060-20-LIEC1) (REDMS No. 6880091)

FIN-125 See Page **FIN-125** for full report

Designated Speaker: Jerry Chong and Alen Postolka

STAFF RECOMMENDATION

That the Lulu Island Energy Company report titled "2021 Financial Statements for the Lulu Island Energy Company", dated April 13, 2022, from the Chief Executive Officer and Chief Financial Officer, be received for information.

RICHMOND OLYMPIC OVAL CORPORATION

6. **RICHMOND OLYMPIC OVAL CORPORATION 2021 AUDITED FINANCIAL STATEMENTS**
(File Ref. No.) (REDMS No. 6885036)

FIN-164 See Page **FIN-164** for full report

Designated Speaker: Rick Dusanj

STAFF RECOMMENDATION

That the report on the 2021 Audited Financial Statements for the Richmond Olympic Oval Corporation from the Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation be received for information.

Pg. # ITEM

ADJOURNMENT

City of Richmond

Minutes

Special Finance Committee

Date:	Tuesday, April 19, 2022
Place:	Council Chambers Richmond City Hall
Present:	Mayor Malcolm D. Brodie, Chair Councillor Chak Au Councillor Carol Day Councillor Andy Hobbs Councillor Alexa Loo Councillor Bill McNulty Councillor Linda McPhail (by teleconference) Councillor Harold Steves (by teleconference) Councillor Michael Wolfe (by teleconference)
Call to Order:	The Chair called the meeting to order at 4:15 p.m.

MINUTES

It was moved and seconded
That the minutes of the meeting of the Finance Committee held on April 4, 2022, be adopted as circulated.

CARRIED

FINANCE AND CORPORATE SERVICES DIVISION

1. **ANNUAL PROPERTY TAX RATES (2022) BYLAW NO. 10374**
(File Ref. No. 03-0925-10-01) (REDMS No. 6864870)

It was moved and seconded
That the Annual Property Tax Rates (2022) Bylaw No. 0374 be introduced and given first, second and third readings.

CARRIED

ADJOURNMENT

It was moved and seconded
That the meeting adjourn (4:19 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 Tuesday, April 19, 2022.

Mayor Malcolm D. Brodie
Chair

Lorraine Anderson
Legislative Services Associate

City of Richmond

Report to Committee

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

Staff Recommendation

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

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

Att. 3

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

6877541

Staff Report

Origin

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

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

> *Ensure that the citizenry of Richmond is well-informed and engaged about City business and decision-making.*
>
> *8.2 Ensure citizens are well-informed with timely, accurate and easily accessible communication using a variety of methods and tools.*

Analysis

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

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

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

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

Financial Impact

None.

Conclusion

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

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

CG:cg

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

KPMG

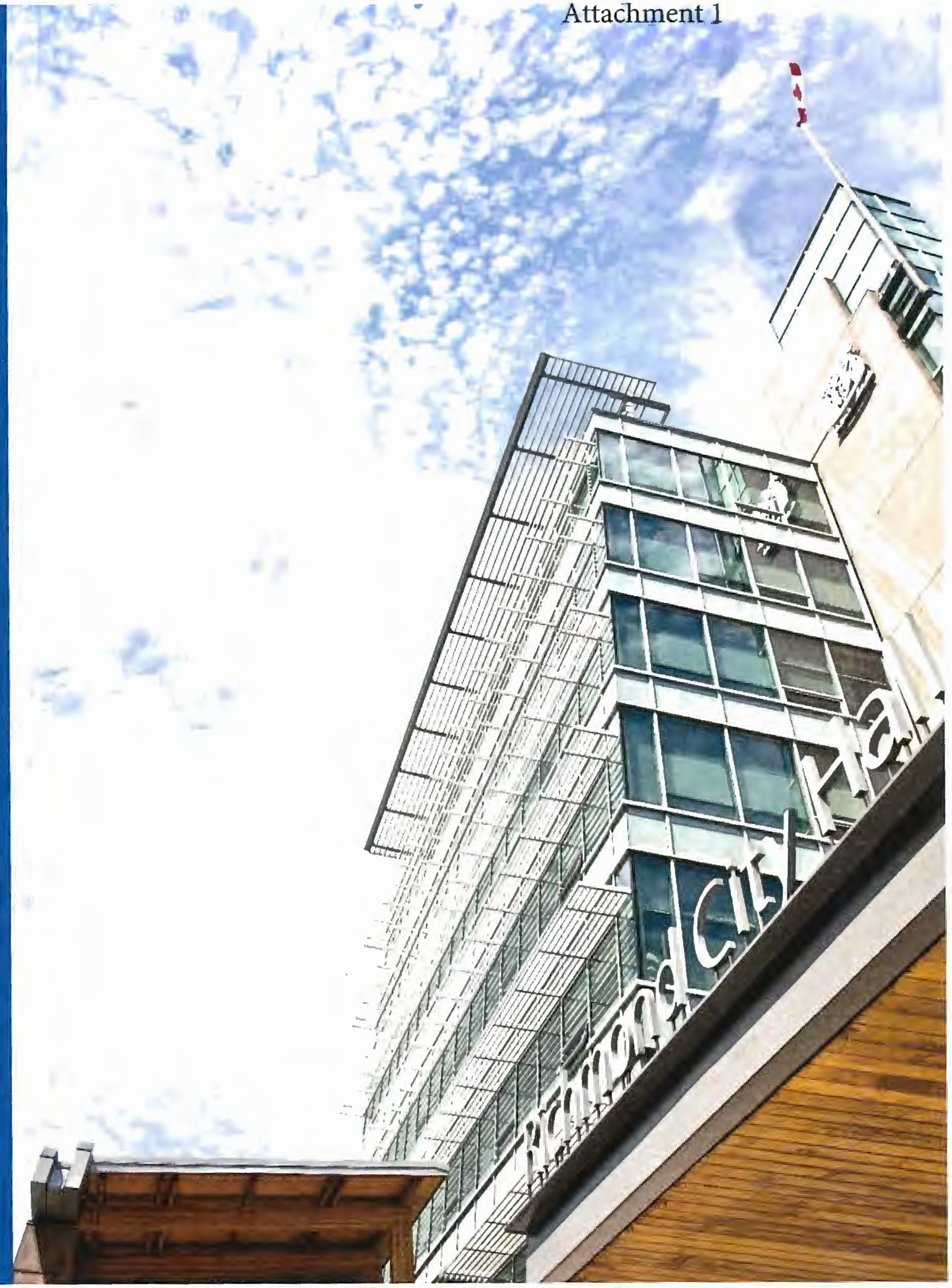
City of Richmond

Audit Findings Report for the year ended December 31, 2021

KPMG LLP

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

kpmg.ca/audit



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KPMG contacts

The contacts at KPMG in connection with this report are:

C.J. James, CPA, CA
Engagement Partner
Tel: 604-527-3635
cjames@kpmg.ca

Brandon Ma, CPA, CA
Quality Review Partner
Tel: 604-691-3562
bjma@kpmg.ca

Our refreshed Values

What we believe

Integrity

We do what is right.

Excellence

We never stop learning and improving.

Courage

We think and act boldly.

Together

We respect each other and draw strength from our differences.

For Better

We do what matters.

Audit highlights

Purpose of this report

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

Status of the audit

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

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

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

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

Significant changes from the audit plan

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

Areas of audit focus

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

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

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

Audit highlights (continued)

Audit misstatements

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

Uncorrected audit misstatements

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

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

Corrected audit misstatements

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

See Appendix 2 for further details.

Control deficiencies and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

See page 9 for further details.

Significant accounting policies and practices

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

Independence

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

Current developments

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

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

Areas of audit focus

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Tangible capital assets	No	Yes – the established useful lives of tangible capital assets for purposes of depreciation and valuation of contributed assets. No estimation uncertainty with a risk of material misstatement that was more than remote.

Our response

We performed the following procedures:

- We updated our understanding of the process activities and controls over tangible capital assets, including the year-end process around identifying assets for impairment.
- We obtained the tangible capital assets continuity schedule, verified its mathematical accuracy, and performed substantive procedures over additions, disposals, reclassifications, and other adjustments.
- We tested asset additions including inspection of supporting documentation to determine if additions are capital in nature and amounts recorded are accurate.
- We selected a sample of contributed assets and agreed the fair value on the date the assets were received to supporting documentation.
- We tested asset dispositions including inspection of supporting documentation and assessed appropriateness of the gain or loss recorded.
- We reviewed the reasonableness of estimated useful lives and amortization recognized.
- We reviewed the financial statement note disclosure to ensure it is complete and accurate.

Significant findings

- No issues were noted in the audit testing completed.

Areas of audit focus (continued)

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

Our response

We performed the following procedures:

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

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Significant findings

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

Areas of audit focus (continued)

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Valuation of post-employment benefits	No	Yes

Our response

We performed the following procedures:

- We obtained the report prepared by Mercer (Canada) Limited and agreed the amount recorded in the general ledger to the report.
- We performed an analytical review over the amounts recorded.
- We assessed the reasonableness of the significant assumptions used in the valuation, including changes in assumptions from the prior year.
- We reviewed the financial statement note disclosure for accuracy and completeness.

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Significant findings

No issues were noted in the audit testing completed.

Audit risk

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

Our response

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

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

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Significant findings

There were no issues noted in our testing.

Control deficiencies

Consideration of internal control over financial reporting ("ICFR")

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

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

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

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

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Significant deficiencies in ICFR

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

Significant accounting policies and practices

Significant accounting policies

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

Significant accounting estimates

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

Financial statement presentation and disclosure

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

Appendices

Appendix 1: Required communications

Appendix 2: Management representation letter

Appendix 3: PS3280 Asset Retirement Obligations Implementation

Appendix 4: Current developments

Appendix 1: Required communications

Draft auditors' report

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

Management representation letter

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

Independence

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

Appendix 2: Management representation letter

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

Date of Council's acceptance of the financial statements

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

General:

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

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

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 26, 2017, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:

      - the names of all related parties and information regarding all relationships and transactions with related parties;

      - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.

   c) providing you with unrestricted access to such relevant information.

   d) providing you with complete responses to all enquiries made by you during the engagement.

   e) providing you with additional information that you may request from us for the purpose of the engagement.

   f) providing you with unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.

   g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

   h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

   a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   b) all information in relation to fraud or suspected fraud that we are aware of that involves:

      - management;
      - employees who have significant roles in internal control over financial reporting; or
      - others

      where such fraud or suspected fraud could have a material effect on the financial statements.

   c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.

   d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.

   e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Subsequent events:

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

Related parties:

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

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

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

Going concern:

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

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

Other information:

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

Misstatements:

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

Non-SEC registrants or non-reporting issuers:

13) We confirm that the City is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).

14) We also confirm that the financial statements of the City will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Employee future benefits:

15) The employee future benefits costs, assets and obligation have been determined, accounted for and disclosed in accordance with the financial reporting framework.

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

Yours very truly,

Jerry Chong, Acting General Manager, Finance and Corporate Services

Ivy Wong, Acting Director, Finance

Cindy Gilfillan, Manager, Financial Reporting

cc: Richmond City Council

Attachment I – Definitions

Materiality

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

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

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

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

a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;

b) information regarding a material item, transaction or other event is scattered throughout the financial statements;

c) dissimilar items, transactions or other events are inappropriately aggregated;

d) similar items, transactions or other events are inappropriately disaggregated; and

e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Fraud & error

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

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

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

Attachment II – Summary of Audit Misstatements Schedules

Summary of Uncorrected Audit Misstatements

Increase (decrease)

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

Summary of Corrected Audit Misstatements

There were no corrected audit misstatements noted.

Appendix 3: PS 3280 Asset Retirement Obligations implementation

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

Project planning

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

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Scoping

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

Measurement

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

Financial reporting

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

Appendix 4: Current developments

Thought leadership – Local governments

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

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Appendix 4: Current developments (continued)

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

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

Thought leadership – Digital and technology

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

kpmg.ca/audit

KPMG

Consolidated Financial Statements of

CITY OF RICHMOND

And Independent Auditors' Report thereon

Year ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Council of the City of Richmond

Opinion

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

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

Chartered Professional Accountants

Vancouver, Canada
[Date]

CITY OF RICHMOND

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

December 31, 2021, with comparative information for 2020

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

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

See accompanying notes to consolidated financial statements.

General Manager, Finance and Corporate Services

CITY OF RICHMOND

Consolidated Statement of Operations
(Expressed in thousands of dollars)

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

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

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

Consolidated Statement of Changes in Net Financial Assets
(Expressed in thousands of dollars)

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

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

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

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

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

See accompanying notes to consolidated financial statements.

1. Operations:

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

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

2. Significant accounting policies:

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

(a) Basis of consolidation:

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

(*i*) General Revenue Fund:

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

2. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(*ii*) General Capital and Loan Fund:

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

(*iii*) Waterworks and Sewerworks Funds:

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

(*iv*) Reserve Funds:

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

(b) Basis of accounting:

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

(c) Government transfers:

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

(d) Cash and cash equivalents:

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

(e) Investments:

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

(f) Investment in government business enterprises:

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

2. Significant accounting policies (continued):

(g) Accounts receivable:

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

(h) Development cost charges:

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

(i) Post-employment benefits:

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

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

(j) Non-financial assets:

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

(*i*) Tangible capital assets:

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

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

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

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(*ii*) Contributions of tangible capital assets:

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

(*iii*) Natural resources, works of art, and cultural and historic assets:

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

(*iv*) Interest capitalization:

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

(*v*) Labour capitalization:

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

(*vi*) Leased tangible capital assets:

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

(*vii*) Impairment of tangible capital assets:

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

(*viii*) Inventory of materials and supplies:

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

2. Significant accounting policies (continued):

(k) Revenue recognition:

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

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

(l) Property taxes:

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

(m) Deferred revenue:

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

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

(n) Deposits:

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

(o) Debt:

Debt is recorded net of related sinking fund balances.

(p) Budget information:

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

2. Significant accounting policies (continued):

(q) Contaminated sites:

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

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

(*i*) An environmental standard exists;

(*ii*) Contamination exceeds the environmental standard;

(*iii*) The City is directly responsible or accepts responsibility;

(*iv*) It is expected that future economic benefits will be given up; and

(*v*) A reasonable estimate of the amount can be made.

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

(r) Use of accounting estimates:

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

(s) Segment disclosures:

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

(Tabular amounts expressed in thousands of dollars)

3. Investments:

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

4. Investment in Lulu Island Energy Company Ltd:

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

Summarized financial information relating to LIEC is as follows:

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

(Tabular amounts expressed in thousands of dollars)

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

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

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

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

5. Accounts receivable:

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

6. Debt reserve fund deposits and contingent demand notes:

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

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

(Tabular amounts expressed in thousands of dollars)

7. Development cost charges:

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

8. Deposits and holdbacks:

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

9. Deferred revenue:

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

(Tabular amounts expressed in thousands of dollars)

10. Debt, net of MFA sinking fund deposits:

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

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

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

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

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

2022	$ 5,570
2023	5,792
2024	6,024
	$ 17,386

(Tabular amounts expressed in thousands of dollars)

11. Tangible capital assets:

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

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

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

(Tabular amounts expressed in thousands of dollars)

11. Tangible capital assets (continued):

(a) Assets under construction:

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

(b) Contributed tangible capital assets:

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

(c) Tangible capital assets disclosed at nominal values:

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

(d) Works of art and historical treasures:

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

(e) Write-down of tangible capital assets:

There were no write-down of tangible capital assets in 2021 (2020 - nil).

12. Accumulated surplus:

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

(Tabular amounts expressed in thousands of dollars)

13. Reserves:

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

14. Post-employment benefits:

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

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

(Tabular amounts expressed in thousands of dollars)

14. Post-employment benefits (continued):

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

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

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

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

15. Pension plan:

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

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

(Tabular amounts expressed in thousands of dollars)

15. Pension plan (continued):

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

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

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

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

16. Contingent assets and contractual rights:

(a) Contingent assets:

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

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

(b) Contractual rights:

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

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

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

(Tabular amounts expressed in thousands of dollars)

17. Commitments and contingencies:

(a) Joint and several liabilities:

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

(b) Lease payments:

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

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

(c) Litigation:

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

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

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

(e) Contractual obligation:

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

(Tabular amounts expressed in thousands of dollars)

17. Commitments and contingencies (continued):

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

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

(g) Community associations:

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

18. Trust funds:

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

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

(Tabular amounts expressed in thousands of dollars)

19. Taxation and levies:

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

20. Other revenue:

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

(Tabular amounts expressed in thousands of dollars)

21. Government transfers:

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

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

22. Segmented reporting:

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

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

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

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

22. Segmented reporting (continued):

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

(e) **General Government** comprises of Mayor and Council, Corporate Administration, and Finance and Corporate Services. It is responsible for adopting bylaws, effectively administering city operations, levying taxes, legal services, providing sound management of human resources, information technology, City finance, and ensuring high quality services to Richmond residents.

(f) **Planning and Development** is responsible for land use plans, developing bylaws and policies for sustainable development in the City including the City's transportation systems, and community social development.

(g) **Richmond Olympic Oval Corporation** is formed as a wholly owned subsidiary of the City. The City uses the Richmond Olympic Oval facility as a venue for a wide range of sports, business and community activities.

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

CITY OF RICHMOND

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

Year ended December 31, 2021

22. Segmented reporting (continued):

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

(Tabular amounts expressed in thousands of dollars)

22. Segmented reporting (continued):

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

(Tabular amounts expressed in thousands of dollars)

23. Budget data:

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

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

CITY OF RICHMOND

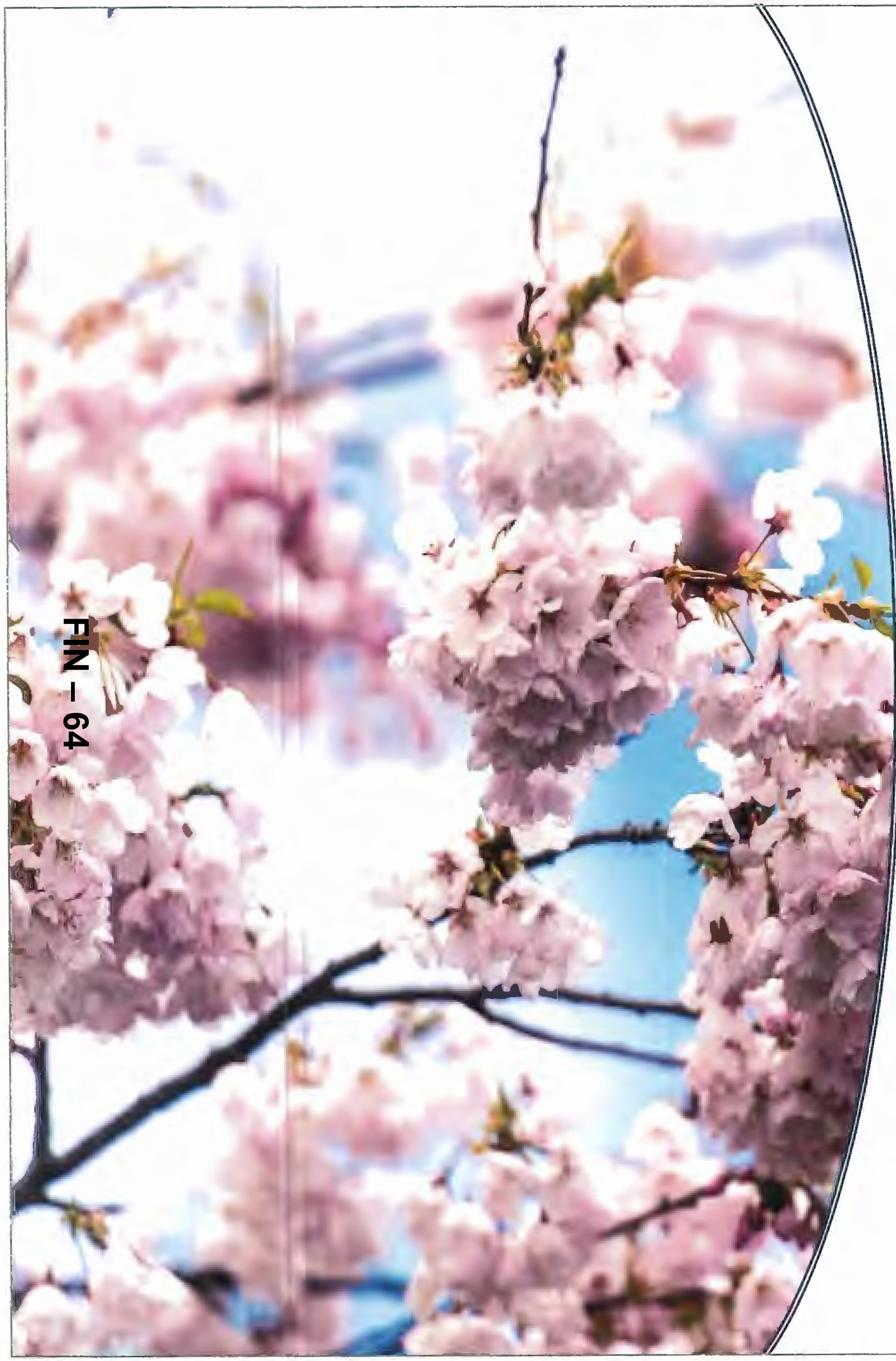
Unaudited Statement of Safe Restart Grant
(Tabular amounts expressed in thousands of dollars)

Year ended December 31, 2021

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

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

Attachment 3



2021 | City of Richmond

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

Prepared by Management

To be read in conjunction with the 2021 Financial Statements

Richmond

Table of Contents

Contents

Introduction

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

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

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

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

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

The consolidated financial statements include the following statements:

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

Consolidated Statement of Financial Position

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

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

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

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

Financial Assets

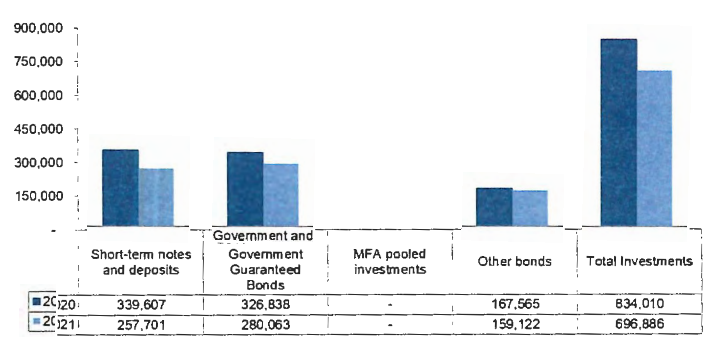
Cash

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

Investments

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

Investment Portfolio by Type ($000's)



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Investment in LIEC

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

Accrued interest receivable

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

Accounts receivable

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

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

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Financial Assets

Taxes receivable

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

Development fees receivable

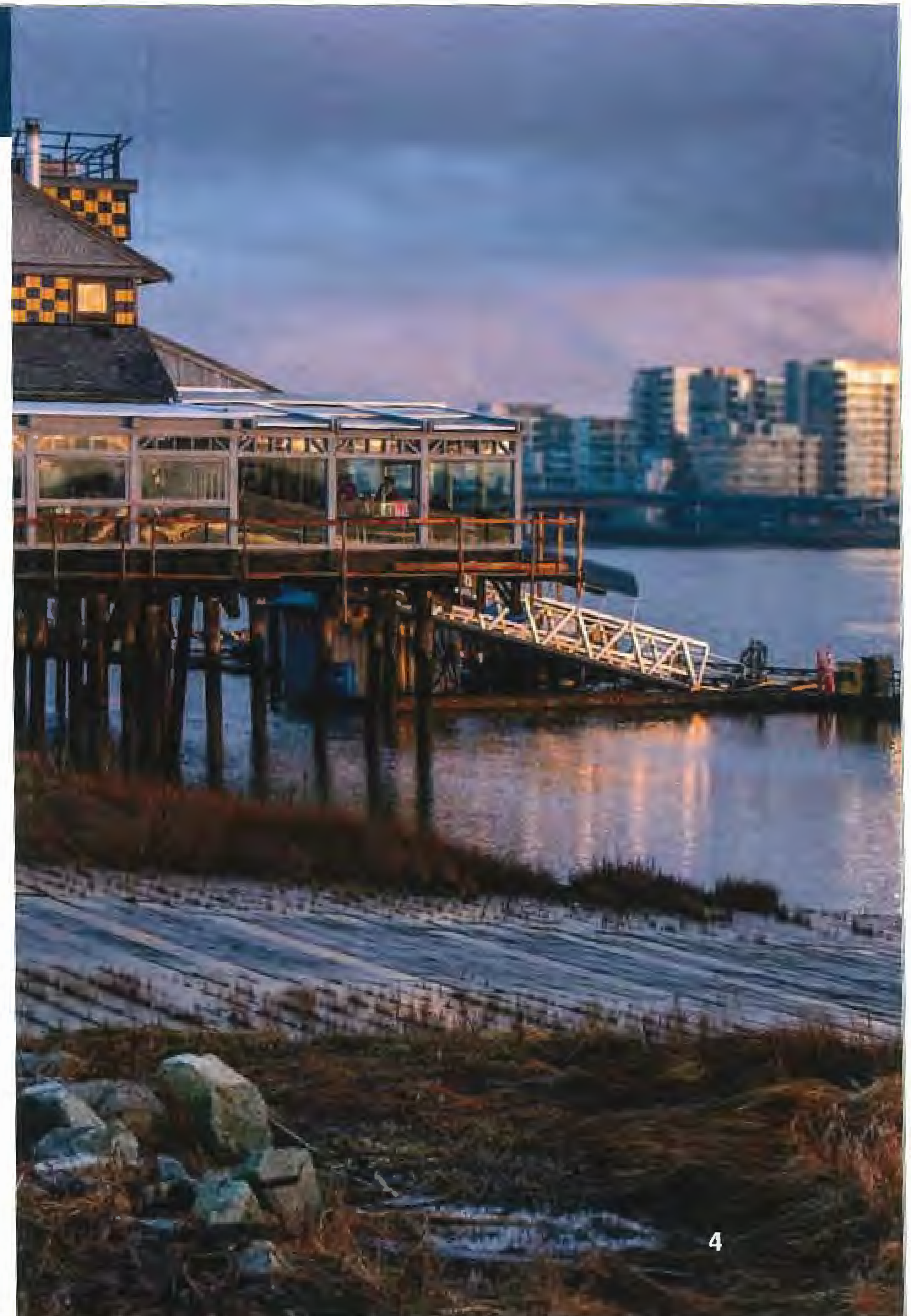
Development fees receivable decreased by \$16.1M to \$12.4M due to timing of collection during the year.

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

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

Debt reserve fund - deposits

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



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Liabilities

Accounts payable and accrued liabilities

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

Post Employment benefits

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

Development cost charges

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

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

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

The $224.7M balance includes amounts that have been allocated to active capital projects but that remain unspent. At December 31st, 2021 there is $70.5M (2019 - $63.6M) committed to active capital projects. Additional DCC funding of $17.7M was approved as part of the 2022 Capital Budget included in the Consolidated 5 Year Financial Plan (2022-2026) Bylaw No. 10327.

Deposits and holdbacks

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

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

Deferred revenue

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

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

Liabilities

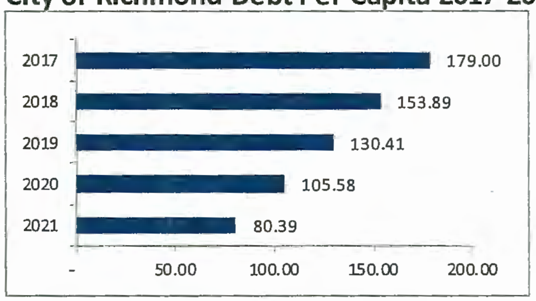
Deferred revenues decreased due to capital grants, Oval's deferred revenue, building permits/developments and other revenues, resulting in an overall $7.2M increase compared to 2020.

Debt, net of MFA sinking fund deposits

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

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

City of Richmond Debt Per Capita 2017-2021



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

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

Debt Per Capita by City (2020)

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

Non-Financial Assets

Tangible Capital Assets

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

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

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

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

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

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

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

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

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

Non-Financial Assets

Inventory of materials and supplies

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

Prepaid expenses

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

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Accumulated Surplus

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

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

Investment in TCA

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

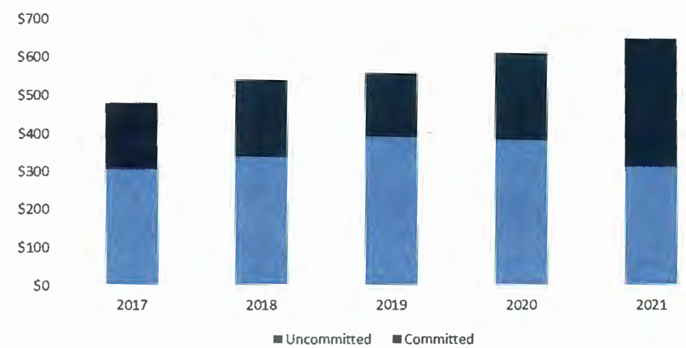
In accordance with accounting standards, this balance is accounted for using the cost method, net of accumulated amortization. It does not reflect market value or replacement value of the assets.

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

Reserves

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

Reserve Balance 2017-2021



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

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

Accumulated Surplus

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

Appropriated Surplus

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

Investment in LIEC

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

Surplus

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

Other Equity

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

Consolidated Statement of Operations

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

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

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

Revenues

2021 Budget to Actual Comparison

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

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

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

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

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

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

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

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

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

Revenues

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

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

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

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

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

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

Revenues

2021 to 2020 Actual Comparison

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

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

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

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

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

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

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

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

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

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

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

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

Revenues

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

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

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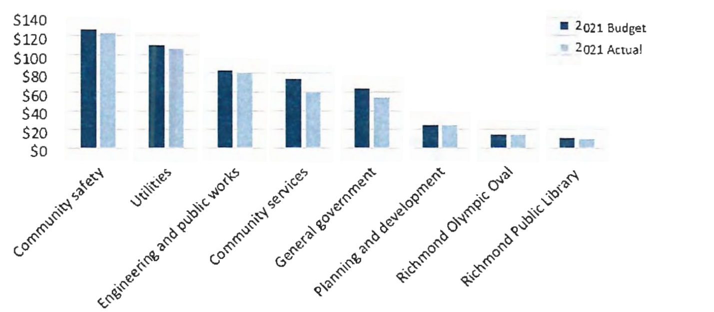
Expenses

2021 Budget to Actual Comparison

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

2021 Expenses by Function



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

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

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

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

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

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

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

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

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

Expenses

2021 to 2020 Actual Comparison

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

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

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

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

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

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

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

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

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

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

Expenses

Expenses by Object

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

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

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

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

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

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

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

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

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

Annual Surplus

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

Annual Surplus Distribution

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

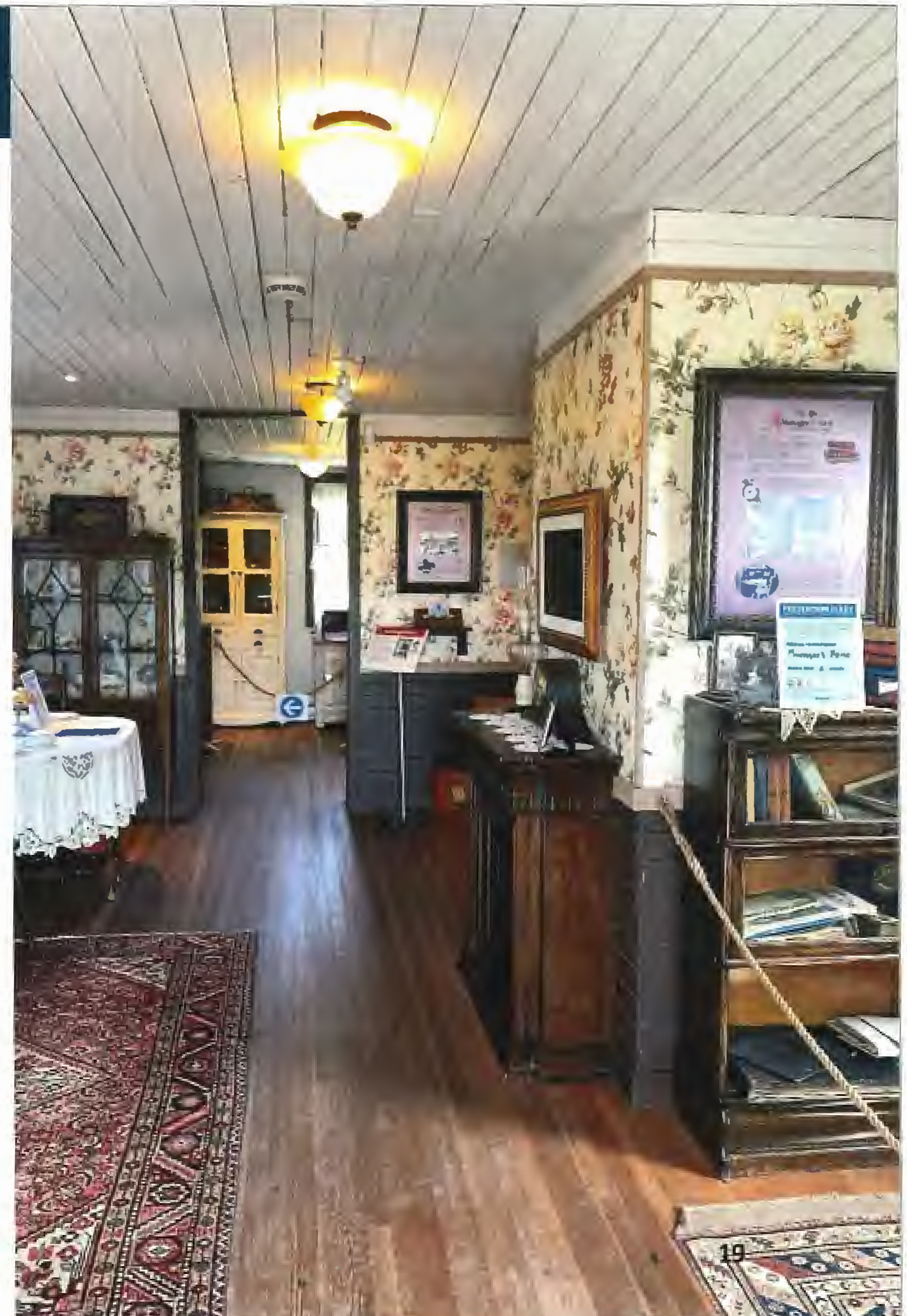
Investment in LIEC increased by $0.9M which relates directly to the LIEC net income in 2021.

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

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

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

Other surplus increased by $0.4M.



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Consolidated Statement of Changes in Net Financial Assets

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

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

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

Consolidated Statement of Cash Flows

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

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

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

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

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

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

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 readers to interpret the financial reports and assess the quality of financial management.

The analysis addresses the following three key areas:

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

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

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

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

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

An explanation of each of the ratios is provided below.

Assessment of sustainability

- Assets to liabilities, indicates sustainability by the extent to which the government entity finances its operations by issuing debt. A ratio higher than one indicates that a government has accumulated surplus and has assets greater than liabilities. Included in the City's liabilities are DCCs and deferred revenue which represent an obligation to perform future works.

- Financial assets to liabilities, indicates sustainability by the degree that future revenues are required to pay for past transactions and events. A higher ratio indicates a greater ability to cover liabilities.

- Net debt to total revenue, indicates the financial burden over the earning capacity and also indicates how future revenues will be needed for financing of past transactions and events. A lower percentage indicates a lesser reliance on future revenues to finance existing debt.

- Net debt to total assessment, indicates the relationship between the level of debt and the state of the local economy. A lower percentage indicates a lesser reliance on the current assessment base to finance existing debt.

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

Assessment of flexibility

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

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

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

- Own source revenue to assessment, indicates the degree to which represents the percentage of taxes taken from its own tax base. A lower ratio indicates a lesser proportion of existing revenues from own sources on the current assessment base.

Assessment of vulnerability

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

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Environmental Analysis

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

The following section highlights:

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

Strategic Focus

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

1. A Safe and Resilient City
Continue enhancing and protecting the safety and well-being of Richmond.

2. A Supported Economic Sector
Continue facilitation of diversified economic growth through innovative and sustainable policies, practices, and partnership.

3. A Sustainable and Environmentally Conscious City
Adapt environmentally conscious decision-making that demonstrates leadership in implementing innovative, sustainable practices and supports the City's unique biodiversity and island ecology.

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

5. An Engaged and Informed Community
Ensure that the citizenry of Richmond is well-informed and engaged about City business and decision-making.

Strategic Focus

6. **One Community Together**
Continue support on vibrant and diverse arts and cultural activities and opportunities for community engagement and connection.

7. **Sound Financial Management**
Maintain the City's strong financial position with clear accountability through transparent budgeting practices and effective public communication that supports the needs of the community into the future.

8. **Strategic and Well-Planned Growth**
Continue leadership in effective and sustainable growth that supports the City's physical and social needs.

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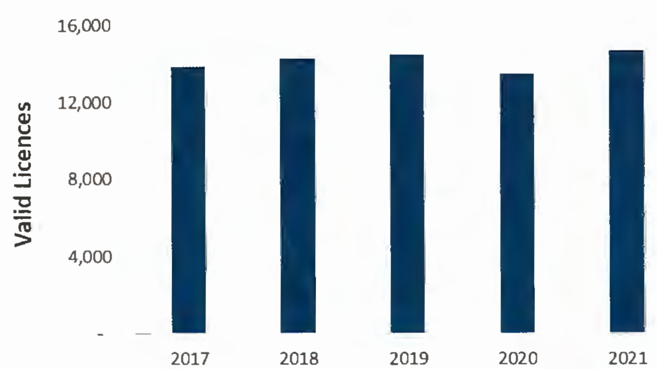
Environment

Business Licences

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

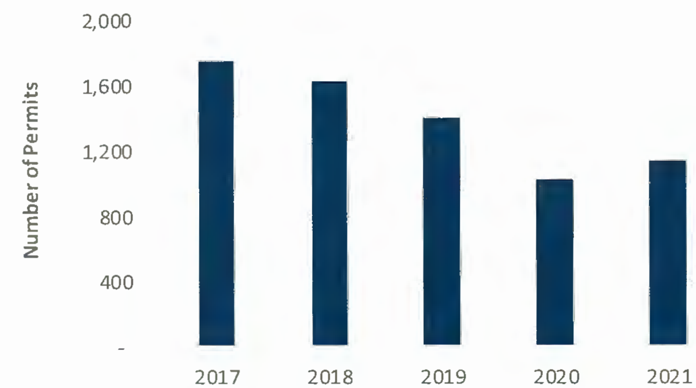
Business Licences 2017-2021



Housing Activity

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

Building Permits 2017-2021



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

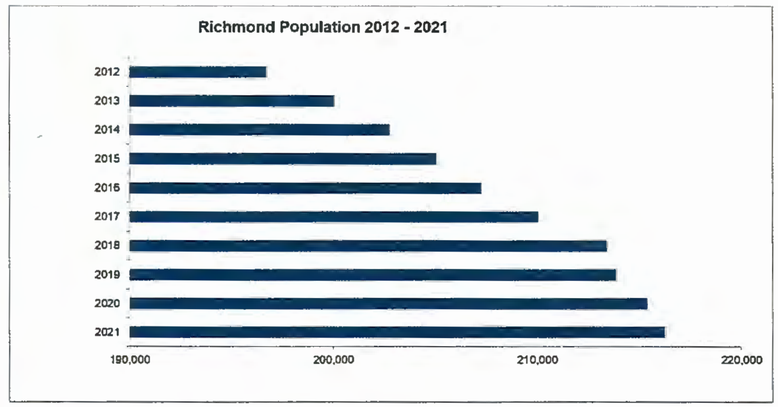
The number of development applications received in 2021 increased by 2.1% to 148 applications from 145 applications in 2020. Total fees collected in 2021 increased by 33.8%.

Environment

Population

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

Richmond Population 2012-2021



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

Services

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

- Performing land use and transportation planning, building approvals, property use and zoning.
- Providing and maintaining roads, dikes, water and sewerage systems, drainage and irrigation systems.
- Providing sanitation and recycling services.
- Providing for the safety and protection of citizens by maintaining policing, fire-rescue services, bylaw enforcement, emergency and environmental programs.
- Providing for the recreational and cultural needs of citizens by: funding library services; building and maintaining recreational and cultural facilities, including pools, arenas, community centres, art centres, theatre and numerous heritage sites.
- Designing, constructing, and maintaining a recreational trail system and a system of parks with playing fields, playgrounds, and various amenities including tennis courts and basketball courts.
- Developing a sustainable community through: affordable housing, child care programs, wellness and outreach programs, tree protection, pesticide use restrictions, waste reduction programs, pollution prevention, district energy utility, energy management programs, purchasing policies and high performance building programs.
- Providing business licences and economic development initiatives.
- Administrating property taxes and utility bills.
- Working to safeguard the financial well-being of the City through the provision of effective and reliable financial services and information to Council, staff and the public.
- Working to safeguard and enhance the livability and social, financial, and environmental sustainability of our community and surrounding environment.
- Representing the interests of our citizens on various regional bodies responsible for providing services such as transit, drinking water, waste disposal, and air quality monitoring and reporting.

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

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

[1] *Annual growth based on updated population figures from BC Stats, Demographic Analysis Section, Jan 2022.*
[2] *This reflects the amended capital budget excluding internal transfers, debt repayment and contributions.*
[3] *Other grants include contributions towards Gateway Theatre, Richmond Center for Disability, Richmond Therapeutic Equestrian Society, various youth grants and Provision Transfer.*

Conclusion

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

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

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

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

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

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

Additional information about the current financial plan can be found at:
http://www.richmond.ca/cityhall/finance/reporting/fiveyear.htm

City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	April 8, 2022
From:	Ivy Wong Acting Director, Finance	**File:**	03-0900-01/2022-Vol 01
Re:	**Municipal Security Issuing Resolution**		

Staff Recommendation

1. That a 20-year term $96 million borrowing with a 20-year amortization period from the Municipal Finance Authority of British Columbia's (MFA's) 2022 Fall Borrowing Session, as authorized through Steveston Community Centre and Branch Library Loan Authorization Bylaw No. 10334, be approved;

2. That the Metro Vancouver Regional District (MVRD) be requested to consent and to include the City of Richmond's 20-year term $96 million borrowing with a 20-year amortization period in MVRD's Security Issuing Bylaw; and

3. That the Consolidated 5-Year Financial Plan (2022-2026) be amended accordingly.

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

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

6850735

Staff Report

Origin

On April 4, 2022, the Inspector of Municipalities granted the Certificate of Approval to the City of Richmond's (City's) Steveston Community Centre and Branch Library Loan Authorization Bylaw No. 10334. The City may now proceed with the Municipal Security Issuing Resolution (MSIR) in order to participate in the MFA Fall 2022 Long-Term Debt Program.

This report seeks Council's approval for the proposed MSIR for a 20-year term $96 million borrowing with a 20-year amortization period from the MFA.

This report supports Council's Strategic Plan 2018-2022 Strategy #5 Sound Financial Management:

> *Accountable, transparent, and responsible financial management that supports the needs of the community into the future.*
>
> *5.1 Maintain a strong and robust financial position.*

Background

On December 12, 2016, Council identified the Steveston Community Centre and Branch Library as a priority Phase 2 Major Facilities project for 2016-2026. Since then, Council has made a number of critical decisions that led to the enabling works of this major facility project.

On July 26, 2021, Council approved a capital budget of $95 million for the Steveston Community Centre and Branch Library Capital Project from the following reserve funds:

- $63.0 million from the Capital Building and Infrastructure Reserve;
- $21.3 million from the Capital Reserve (Revolving Fund);
- $5.7 million from the Steveston Community Amenity Provision; and
- $5.0 million in contingency from the Capital Reserve (Revolving Fund).

On November 29, 2021, staff presented alternative funding source options to Council where a 20-year term borrowing of $95 million with a 20-year amortization period was endorsed.

On February 14, 2022, the $96 million[1] Steveston Community Centre and Branch Library Loan Authorization Bylaw No. 10334 was adopted.

Upon receipt of the Certificate of Approval from the Inspector of Municipalities, the City may now proceed with the MSIR in order to participate in the upcoming MFA Fall 2022 Long-Term Debt Program.

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[1] The authorized loan amount of $96 million is higher than the approved budget of $95 million due to a 1% debt reserve fund that is required to be held by the MFA as security against loan default.

Analysis

The timing of the maturity of the City's current 10-year long-term debt for the Minoru Centre for Active Living (Minoru Centre) allows the City to borrow for the Steveston Community Centre and Branch Library and to avoid any additional tax impact.

Borrowing Interest Rate and Loan Term

The borrowing rate and term for the proposed Steveston Community Centre and Branch Library $96 million loan are unknown at this time and will be determined by the MFA closer to the time of debt funding.

The actual loan term and interest rate of the City's borrowing request will depend on how the MFA structures the financing based on requests from its members, conditions of the capital markets and the interest rate environment at the time of debt funding. The final borrowing rate, once set upon debt issuance, will remain unchanged over the approved term of the loan.

The MFA long-term debt rates for the recent Spring 2022 debt issue were set at 3.36% for 10-year term and 3.71% for 20-year term respectively.

Projected Debt Servicing Costs

The proposed $96 million loan is intended to replace the City's existing debt servicing costs without any additional tax impact to the taxpayers. The City's current annual debt servicing cost for the $50 million Minoru Centre loan is $6 million. The Minoru Centre debt will be fully repaid and extinguished by April 2024.

The projection of future interest rates remain highly volatile and unpredictable due to economic conditions, interest rate movements, political issues, as well as other unforeseen external factors. Table 1 below provides an illustration of the estimated annual debt servicing costs for the proposed $96 million MFA loan (20-year term with 20-year amortization period) at various levels of MFA borrowing rates. An average of $0.5 million in annual debt servicing cost is anticipated for every additional 0.25% in borrowing interest rate.

MFA Borrowing Rate	Estimated Annual Debt Servicing Cost
2.25%	$6.0 million
2.75%	$6.5 million
3.25%	$7.0 million
3.75%	$7.5 million

Table 1. Estimated Annual Debt Servicing Costs at different MFA borrowing rates

<u>No Anticipated Tax Impact</u>

The actual annual debt servicing cost of the proposed $96 million MFA loan will not be known until closer to the time of debt funding. For the Fall 2022 MFA debt issue, debt funding is set to take place during October 2022.

Future interest rate conditions may cause the City's borrowing rate (thus the annual debt servicing cost) to be higher than projected. As illustrated in Table 2 below, the positive correlation between MFA long-term debt rates and the long-term market investment yields can mitigate the financial impact should interest rates go up. When such condition arises, it is anticipated that any potential debt servicing costs in excess of the current debt servicing level will be sufficiently covered by any incremental increase in income that the City will be earning on its investment portfolio. Thus, no additional tax impact is anticipated.

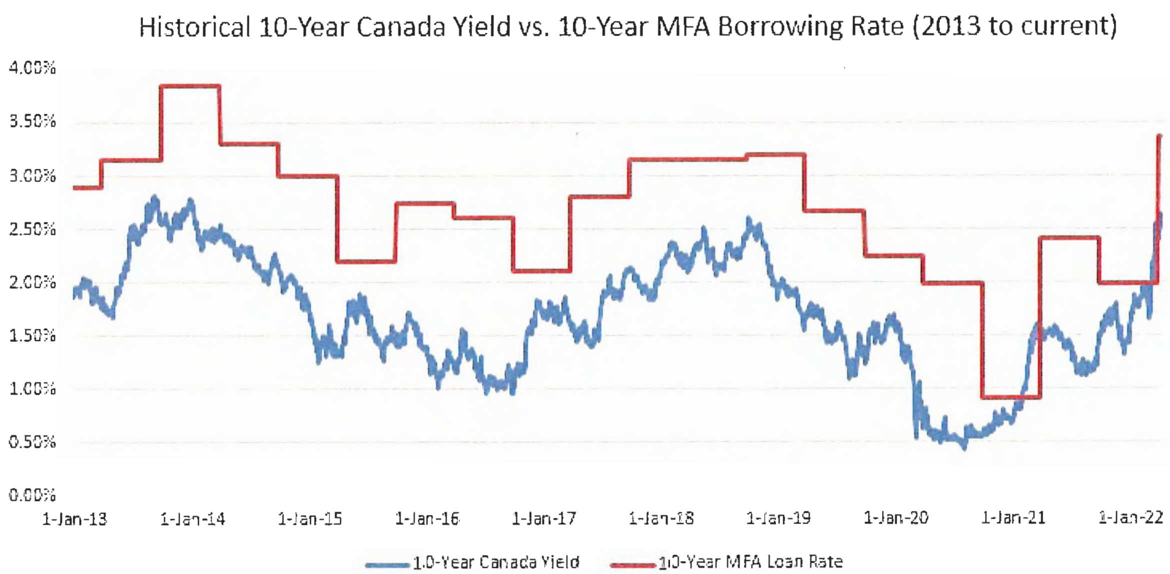

Table 2. Government of Canada 10-Year Bond Yields and 10-Year MFA Borrowing Rates

There are other ways to adjust the debt perimeters to maintain the current debt servicing level, such as reducing the borrowing amount by around $25 million or extending the loan amortization to 25 or 30 years, etc. Staff believe that as long as no tax impact is resulted from the proposed borrowing, it remains advantageous for the City to undertake the full borrowing amount in order to lock in the interest rate (with anticipation that interest rate will continue to rise) by participating in the upcoming MFA debt issue.

If the City participates in the Fall 2022 MFA debt issue, the annual debt repayment will commence in year 2023. Since the current Minoru Centre debt is not going to be fully repaid until April 2024, the City will use any available debt provision balance and arising surplus to fund the excess debt repayment costs until such time the Minoru Centre debt is fully repaid.

Recommendation

Staff recommend that the following Municipal Security Issuing Resolution be approved by Council:

1. That a 20-year term $96 million borrowing with a 20-year amortization period from the Municipal Finance Authority of British Columbia's (MFA's) 2022 Fall Borrowing Session, as authorized through Steveston Community Centre and Branch Library Loan Authorization Bylaw No. 10334, be approved;

2. That the Metro Vancouver Regional District (MVRD) be requested to consent and to include the City of Richmond's 20-year term $96 million borrowing with a 20-year amortization period in MVRD's Security Issuing Bylaw; and

If the above is approved by Council, staff will forward the necessary information package to Metro Vancouver by June 1, 2022 in order for the City's loan request to be included in the Metro Vancouver Regional District Security Issuing Bylaw. The Metro Vancouver Committee and Board meetings to approve the loan requests for MFA Fall debt issue is anticipated to take place in July 2022.

Upon final approval by the Inspector of Municipalities of the MVRD Security Issuing Bylaw, the loan request will be forwarded to MFA for consideration at its Annual General Meeting on September 13, 2022. Loan proceeds will be disbursed to the requesting municipalities by October 2022.

Financial Impact

The Consolidated 5-Year Financial Plan (2022-2026) will be amended accordingly to include the net loan proceeds of $95.04 million for the proposed $96 million loan as authorized under the Steveston Community Centre and Branch Library Loan Authorization Bylaw No. 10334. Future annual debt repayments of the proposed MFA borrowing will commence in year 2023 with the first payments to be funded from any debt provision balance and arising surplus until the expiry of the Minoru Centre debt.

Conclusion

Staff recommend that the Municipal Security Issuing Resolution be approved in order to allow the City to obtain consent from Metro Vancouver to proceed with the MFA loan request for a 20-year term $96 million borrowing with a 20-year amortization period, as authorized through the City's Steveston Community Centre and Branch Library Loan Authorization Bylaw No. 10334.

Venus Ngan, CPA, CA
Manager, Treasury and Financial Services
(604-276-4217)

City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	April 12, 2022
From:	Jerry Chong Acting General Manager, Finance and Corporate Services	**File:**	03-0905-01/2022-Vol 01
Re:	**2021 Financial Statements for the Richmond Public Library**		

Staff Recommendation

That the 2021 Richmond Public Library audited financial statements for the year ended December 31, 2021, as presented in the attached report from the Chief Librarian, be received for information.

Jerry Chong
Acting General Manager, Finance and Corporate Services
(604-276-4064)

REPORT CONCURRENCE	
SENIOR STAFF REPORT REVIEW	INITIALS:
APPROVED BY CAO	

6879809

Richmond Public Library

REPORT TO CITY OF RICHMOND FINANCE COMMITTEE

TO: City of Richmond Finance Committee

FROM: Susan Walters, Chief Librarian

DATE: March 31, 2022

RE: 2021 Financial Statements of the Richmond Public Library Board

Staff Recommendation

That the 2021 Financial Statements of the Richmond Public Library Board be received for information.

S Walters.

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

Att. 1

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 addresses the 2021 financial statements of the Richmond Public Library Board.

Analysis

The 2021 audit was conducted by KPMG and the preparation of financial statements completed by library management. The Financial Statements of the Richmond Public Library Board for the year ended December 31, 2021, are included as Attachment 1.

<u>Independent Auditors Report</u>

The Library received an unqualified audit opinion, which means that the auditor has concluded that the financial statements are presented fairly in accordance with Canadian public sector accounting standards. The auditors reviewed the Audit Findings report and financial statements with the library's Finance and Audit Committee on March 22, 2022. The 2021 financial statements were approved by the Library Board at their regular meeting on March 30, 2022.

The following two sections provide an overview of key figures included in the audited financial statements.

<u>Statement of Financial Position</u>

The library's total financial assets were $4,598,278, with liabilities of $1,479,189 and non-financial assets of $3,881,447. The total financial assets primarily included amounts due from the City as transactions arising throughout the year and amounts held in the City's bank account on behalf of the library. The total liabilities primarily included accounts payable and accured liabilities and post-employment benefits. The non-financial assets primarily included tangible capital assets.

<u>Statement of Operations</u>

The 2021 audited financial statements have a surplus of $963,327. Total revenues for 2021 were $10,796,708 which primarily included City's contribution of $10,290,350 and Provincial grant of $376,528. Total expenses were lower due to reduced service hours in the first half of the year because of the pandemic.

Conclusion

The Auditor's Report states that these financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2021, and its results of operations, changes in net financial assets and cash flows for the year ended in accordance with Canadian public sector accounting standards.

Susan Walters

SWalters.

Chief Librarian & Secretary to the Board
Richmond Public Library

Att: 1: Financial Statements of Richmond Public Library Board Year Ended December 31, 2021

Attachment 1

Financial Statements of

RICHMOND PUBLIC LIBRARY BOARD

And Independent Auditors' Report thereon

Year ended December 31, 2021

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

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Richmond Public Library Board

Opinion

We have audited the financial statements of Richmond Public Library Board (the "Library"), which comprise:

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

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2021, 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.

Basis for Opinion

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 30, 2022

RICHMOND PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2021, with comparative information for 2020

		2021		2020
Financial Assets				
Due from City of Richmond (note 3)	$	4,460,829	$	3,831,286
Accounts receivable		137,449		96,072
		4,598,278		3,927,358
Liabilities				
Accounts payable and accrued liabilities (note 4)		747,538		719,642
Post-employment benefits (note 7)		631,500		571,700
Deferred revenue (note 5)		100,151		124,450
		1,479,189		1,415,792
Net financial assets		3,119,089		2,511,566
Non-Financial Assets				
Tangible capital assets (note 6)		3,057,224		2,862,421
Prepaid expenses		824,223		663,222
		3,881,447		3,525,643
Accumulated surplus (note 8)	$	7,000,536	$	6,037,209

Commitments (note 15)
Economic dependence (note 18)

See accompanying notes to financial statements.

Approved on behalf of the Library Board:

DocuSigned by:
Jordan Oye
650DD16935A7425... Trustee

DocuSigned by:
Caty Liu
36366A2F30DD490... Trustee

RICHMOND PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2021 with comparative information for 2020

	Budget 2021 (notes 2(a) and 17)	2021	2020
Revenue:			
Municipal contribution	$ 10,290,400	$ 10,290,350	$ 10,066,310
Grants (note 9)	376,500	376,528	376,528
Fines and miscellaneous (note 10)	75,800	39,976	70,772
Donations (note 11)	-	58,765	24,577
Investment income (note 12)	18,400	13,534	20,531
Gain on sale of tangible capital assets	-	17,555	6,432
	10,761,100	10,796,708	10,565,150
Expenses:			
Salaries and employee benefits	8,148,800	7,102,396	6,334,633
Amortization	688,200	960,196	1,061,803
Library subscriptions and databases (note 13)	662,200	656,445	640,162
Supplies and equipment services	786,900	277,979	198,002
General and administration	479,700	303,754	364,696
Building, leases and maintenance	294,200	398,504	328,426
Utilities	137,900	134,107	117,741
	11,197,900	9,833,381	9,045,463
Annual surplus (deficit)	(436,800)	963,327	1,519,687
Accumulated surplus, beginning of year	6,037,209	6,037,209	4,517,522
Accumulated surplus, end of year	$ 5,600,409	$ 7,000,536	$ 6,037,209

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

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

	Budget 2021 (notes 2(a) and 17)	2021	2020
Annual surplus (deficit)	$ (436,800)	$ 963,327	$ 1,519,687
Acquisition of tangible capital assets	(742,400)	(1,154,999)	(748,168)
Amortization of tangible capital assets	688,200	960,196	1,061,803
Gain on sale of tangible capital assets	-	(17,555)	(6,432)
Proceeds on sale of tangible capital assets	-	17,555	6,433
Increase in prepaid expenses	-	(161,001)	(171,590)
Change in net financial assets	(491,000)	607,523	1,661,733
Net financial assets, beginning of year	2,511,566	2,511,566	849,833
Net financial assets, end of year	$ 2,020,566	$ 3,119,089	$ 2,511,566

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operations:		
Annual surplus	$ 963,327	$ 1,519,687
Items not involving cash:		
Amortization	960,196	1,061,803
Gain on sale of tangible capital assets	(17,556)	(6,432)
Changes in non-cash operating working capital:		
Due from City of Richmond	(629,543)	(1,829,956)
Accounts receivable	(41,377)	1,929
Prepaid expenses	(161,001)	(171,590)
Accounts payable and accrued liabilities	27,896	116,978
Post-employment benefits	59,800	(12,900)
Deferred revenue	(24,299)	62,216
Net change in cash from operating activities	1,137,443	741,735
Capital activities:		
Proceeds on sale of tangible capital assets	17,556	6,433
Acquisition of tangible capital assets	(1,154,999)	(748,168)
Net change in cash from capital activities	(1,137,443)	(741,735)
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -

See accompanying notes to financial statements.

1. Operations:

The Richmond Public Library Board (the "Library"), which was established in 1976 pursuant to the Library Act of British Columbia (Part 2) as a Municipal Public 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. In addition, revenue is received from provincial government grants, 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.

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and continues to have an impact. This has resulted in Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The economic situation is dynamic and the ultimate duration and magnitude of the impact on the economy and to the Library is not fully known at this time. Management will continue to monitor the on-going financial impact on the Library, and adjust its operations as required to ensure its ability to fulfill its obligations and continue operations.

2. Significant accounting policies:

The accounting policies of the Library conform to Canadian Public Sector Accounting Standards and include the following specific policies:

(a) Budget data:

The budget data presented in these financial statements is based on the 2021 budget approved by the Board of Trustees (the "Board") on October 28, 2020. Note 17 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 valuation of employee future benefits obligations. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in surplus 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.

2. Significant accounting policies (continued):

(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.

(e) Tangible capital assets:

Tangible capital assets are initially recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of the asset. The cost, less estimated 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) Works of art, and cultural and historical assets:

Works of art and cultural and historical assets are not recorded as assets in the financial statements.

(h) 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.

(i) 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).

2. Significant accounting policies (continued):

(j) 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.

(k) Library subscriptions and databases:

Library subscriptions and databases not owned by the Library or that have useful lives that are less than one operating cycle are recorded as an expense when incurred.

3. Due from City of Richmond:

Amounts due from the City are comprised of transactions arising throughout the year and amounts held in the City's bank account on behalf of the Library. The amounts are unsecured, non-interest bearing and have no specific terms of repayment. These transactions are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

3. Accounts payable and accrued liabilities:

	2021	2020
Accounts payable	$ 286,360	$ 200,778
Accrued liabilities	16,428	13,695
Accrued payroll liabilities	444,750	505,169
	$ 747,538	$ 719,642

4. Deferred revenue:

	2021	2020
Balance, beginning of year	$ 124,450	$ 62,234
Contributions	33,830	86,700
Revenue recognized as donations revenue	(58,129)	(24,484)
Balance, end of year	$ 100,151	$ 124,450

6. Tangible capital assets:

Cost	Balance at December 31, 2020	Additions	Disposals	Balance at December 31, 2021
Library collections	$ 6,481,561	$ 621,684	$ (390,240)	$ 6,713,005
Furniture and fixtures	1,394,013	43,967	-	1,437,980
Equipment	2,070,394	489,348	-	2,559,742
	$ 9,945,968	$ 1,154,999	$ (390,240)	$ 10,710,727

Accumulated amortization	Balance at December 31, 2020	Amortization	Disposals	Balance at December 31, 2021
Library collections	$ 4,445,690	$ 812,875	$ (390,240)	$ 4,868,325
Furniture and fixtures	876,652	26,022	-	902,674
Equipment	1,761,205	121,299	-	1,882,504
	$ 7,083,547	$ 960,196	$ (390,240)	$7,653,503

Net book value	Balance at December 31, 2021	Balance at December 31, 2020
Library collections	$ 1,844,680	$ 2,035,871
Furniture and fixtures	535,306	517,361
Equipment	677,238	309,189
	$ 3,057,224	$ 2,862,421

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:

	2021	2020
Balance, beginning of year	$ 618,000	$ 638,000
Current service cost	50,200	47,000
Interest cost	12,700	15,300
Past service cost	20,200	-
Benefits paid	(25,700)	(74,600)
Actuarial gain	(58,900)	(7,700)
Balance, end of year	$ 616,500	$ 618,000

An actuarial valuation for these benefits was performed to determine the Library's accrued benefit obligation as at December 31, 2019 and has been extrapolated by the actuary to December 31, 2021. The unamortized actuarial gain (loss) is being amortized over a period equal to the employees' average remaining service lifetime of 11 years.

	2021	2020
Actuarial benefit obligation:		
Accrued liability, end of year	$ 616,500	$ 618,000
Unamortized net actuarial gain (loss)	15,000	(46,300)
Balance, end of year	$ 631,500	$ 571,700

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

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

8. Accumulated surplus:

		2021		2020
Operating:				
Appropriated surplus:				
Capital expenditures	$	612,046	$	480,723
Library Enhancement		1,292,581		-
IT Infrastructure		231,000		-
Budget stabilization		200,000		300,000
Future capital acquisitions		155,028		137,472
Library operations		33,401		33,401
Future salary and benefit obligations		83,003		83,003
Total appropriated surplus		2,607,059		1,034,599
Surplus		1,336,253		2,140,189
Invested in tangible capital assets		3,057,224		2,862,421
	$	7,000,536	$	6,037,209

During the year ended December 31, 2021, the Board approved the transfers from the surplus of $1,292,581 to Library Enhancement (2020 - nil) and $231,000 to IT infrastructure (2020 - nil).

9. Grants:

		2021		2020
Provincial Revenue Sharing Grant (a)	$	352,990	$	352,990
One Card Grant (b)		16,664		16,664
British Columbia Equity Grant (c)		4,500		4,500
Resource Sharing Grants (d)		2,374		2,374
	$	376,528	$	376,528

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

(b) The One Card Grant is provided by the Libraries Branch of the Ministry of Education of the Province of British Columbia 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.

9. Grants (Continued):

(c) British Columbia Equity Grant is awarded by the Libraries Branch of the Ministry of Education of the Province of British Columbia 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.

(d) Resource Sharing Grants are annual grants are provided to BC public libraries to encourage their participation in the province-wide inter library loan system.

10. Fines and miscellaneous:

	2021	2020
Book fines	$ 4,496	$ 31,059
Photocopy and printer revenue	16,568	12,779
Miscellaneous and InterLINK revenue	18,912	26,934
	$ 39,976	$ 70,772

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.

	2021	2020
Province of BC	$ 38,538	-
Friends of the Library	1,822	17,664
Other	18,405	6,913
	$ 58,765	$ 24,577

12. Investment income:

The Library has endowment funds administered by the Vancouver Foundation and Richmond Community Foundation. Under the terms of the related agreements, the Vancouver Foundation and Richmond Community Foundation will retain, invest, and disburse income on the endowment funds. The Library receives the net income generated from each fund after deduction of administrative costs. The endowment funds are not reflected in these financial statements.

(a) Richmond Public Library Endowment Fund administered by Vancouver Foundation:

The fund was established in 1994 and the contributed capital in the fund amounts to $282,900 at December 31, 2021 (2020 - $282,900). The balance is comprised of donations from Friends of the Library ($156,000), Vancouver Foundation's matching program ($75,000), and other donors ($51,900).

As at December 31, 2021, the fair value of the capital in the fund amounted to $427,219 (2020 - $395,876).

Under the terms of the agreement, the Library is entitled to withdraw only the investment income generated from the fund. Investment income for the year ended December 31, 2021 was $11,074 (2020 - $14,765) and is presented as investment income on the statement of operations.

(b) Richmond Public Library Permanent Agency Endowment Fund administered by the Richmond Community Foundation:

The fund was established in 2010 and the contributed capital in the fund amounts to $151,284 at December 31, 2021 (2020 - $145,518). The balance is comprised of donations from Friends of the Library of $54,000 (2020 - $54,000) and other donors of $91,518 (2020 - $91,518).

As at December 31, 2021, the fair value of the capital in the fund amounted to $189,439 (2020 - $168,144).

Under the terms of the agreement, the Library is entitled to withdraw only the investment income generated from the fund. Investment income for the year ended December 31, 2021 was reinvested into the Endowment Fund's capital (2020 - $5,766).

13. Library subscriptions and databases:

	2021	2020
Digital books and multimedia	$ 508,447	$ 483,557
Databases, newspapers and magazines	147,998	156,605
	$ 656,445	$ 640,162

14. Pension plan:

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

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

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

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.

The Library paid $538,561 (2020 - $457,463) for employer contributions while employees contributed $477,941 (2020 - $408,866) to the plan in fiscal 2021.

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

15. Commitments:

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

2022	$ 301,059
2023	288,013
2024	101,129
2025	15,544

16. Contractual rights:

The Library has a longstanding agreement with InterLINK, entitling them to compensation subject to net circulation services to non-residents. The compensation varies from year to year.

17. Budget data:

The budget data presented in these financial statements is based on the 2021 budget approved by the Board of Trustees on October 28, 2020. The table below reconciles the approved budget to the budget figures reported in these financial statements.

	Board Approved Budget	Financial Statement Budget
Revenue:		
Operating budget	$ 10,761,100	$ 10,761,100
Expenses:		
Operating budget	(10,509,700)	(10,509,700)
Less: Transfer from Surplus	(391,000)	-
Less: Transfer from Budget Stabilization	(100,000)	-
Less: Acquisition of tangible capital assets	(742,400)	
Less: Amortization of tangible capital assets		(688,200)
Annual deficit	$ -	$ (436,800)

18. Economic dependence:

The Library is economically dependent on receiving funding from the City.

RICHMOND PUBLIC LIBRARY BOARD

Unaudited Statement of Operations by Fund

Year ended December 31, 2021

	2021			2020		
	Operating	Capital	Total	Operating	Capital	Total
Revenue:						
Municipal contribution	$ 9,547,950	$ 742,400	$ 10,290,350	$ 9,173,910	$ 892,400	$ 10,066,310
Grants	376,528	-	376,528	376,528	-	376,528
Fines and miscellaneous	39,976	-	39,976	70,772	-	70,772
Donations	58,765	-	58,765	24,577	-	24,577
Investment income	13,534	-	13,534	20,531	-	20,531
Gain on sale of tangible capital assets		17,555	17,555	-	6,432	6,432
	10,036,753	759,955	10,796,708	9,666,268	898,832	10,565,150
Expenses:						
Salaries and employee benefits	7,102,396	-	7,102,396	6,334,633	-	6,334,633
Amortization	-	960,196	960,196	-	1,061,803	1,061,803
Library subscriptions and databases	656,445	-	656,445	640,162	-	640,162
Supplies and equipment services	277,979	-	277,979	198,002	-	198,002
General and administration	303,754	-	303,754	364,696	-	364,696
Building, leases and maintenance	398,504	-	398,504	328,426	-	328,426
Utilities	134,107	-	134,107	117,741	-	117,741
	8,873,185	960,196	9,833,381	7,983,660	1,061,803	9,045,463
Annual surplus (deficit)	1,163,568	(200,241)	963,327	1,682,658	(162,971)	1,519,687
Accumulated surplus, beginning of year	2,420,187	3,617,022	6,037,209	737,529	3,779,993	4,517,522
Accumulated surplus, end of year	$ 3,583,755	$ 3,416,781	$ 7,000,536	$ 2,420,187	$ 3,617,022	$ 6,037,209

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City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	April 13, 2022
From:	John Irving, P.Eng., MPA General Manager, Engineering and Public Works Chief Executive Officer, Lulu Island Energy Company Jerry Chong, CPA, CA Acting General Manager, Finance and Corporate Services Chief Financial Officer, Lulu Island Energy Company	**File:**	01-0060-20-LIEC1/2022-Vol 01
Re:	**2021 Financial Statements for the Lulu Island Energy Company**		

Staff Recommendation

That the Lulu Island Energy Company report titled "2021 Financial Statements for the Lulu Island Energy Company", dated April 13, 2022, from the Chief Executive Officer and Chief Financial Officer, be received for information.

John Irving, P.Eng., MPA
General Manager, Engineering and Public Works
Chief Executive Officer,
Lulu Island Energy Company
(604-276-4140)

Jerry Chong, CPA, CA
Acting General Manager, Finance and Corporate Services
Chief Financial Officer,
Lulu Island Energy Company
(604-276-4064)

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER	
REVIEWED BY SMT	INITIALS: SL
APPROVED BY CAO	

Richmond

6880091

6911 NO. 3 ROAD
RICHMOND, BC V6Y 2C1

Report

DATE: March 30, 2022

TO: Board of Directors

FROM: Jerry Chong, CPA, CA, Chief Financial Officer

Re: **2021 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 ending December 31, 2021, be approved, and that any two LIEC directors be authorized to sign the financial statements on behalf of the board.

Origin

Section 11.3 of the LIEC Articles of Incorporation requires that an auditor be appointed and that audited financial statements be prepared at the end of each fiscal year. It also requires that the audited financial statements be presented annually at an open City of Richmond Council meeting within 150 days of LIEC's fiscal year end. This report presents the 2021 audited financial statements for the LIEC Board's approval. See Attachment 1 for a brief overview of the District Energy Utility service areas.

Analysis

The preparation of financial statements is the responsibility of management. As a Government Business Enterprise (GBE), LIEC's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

LIEC's audited financial statements consist of:

- Statement of Financial Position – summary of assets, liabilities and shareholder's equity;
- Statement of Comprehensive Income – summary of revenues, expenses, other activities and net income for the year;
- Statement of Changes in Equity – summary of changes in share capital, contributed surplus and accumulated surplus for the year;
- Statement of Cash Flows – summary of the sources and uses of cash in the year; and
- Notes to the financial statements – summary of additional information pertaining to operations and financial position.

The financial statements have been audited by the independent firm KPMG LLP. Their report precedes the financial statements in Attachment 3.

In 2020, the Covid-19 outbreak was declared a pandemic by the World Health Organization. The services that LIEC provides have been classified as essential services in British Columbia during the pandemic. In 2021, LIEC did not experience any delays with payments from customers in comparison to 2020. Staff will continue to monitor the on-going impact of Covid-19 on its cash and budget forecasts and adjust its operations, as required, to ensure its ability to fulfill its obligations and continue its operations.

Financial Position

Table 1: Summary of assets, liabilities and shareholder's equity

	2021	2020	$ Changes	% Change
Current Assets	$ 17,431,735	$ 15,653,350	$ 1,778,385	11%
Non-current Assets	38,905,146	37,359,845	1,545,301	4%
Total Assets	$ 56,336,881	$ 53,013,195	$ 3,323,686	6%
Current Liabilities	$ 6,321,761	$ 4,949,578	$ 1,372,183	28%
Non-current Liabilities	16,367,580	15,327,117	1,040,463	7%
Shareholder's Equity	33,647,540	32,736,500	911,040	3%
Total Liabilities and Shareholder's Equity	$ 56,336,881	$ 53,013,195	$ 3,323,686	6%

The statement of financial position distinguishes current and non-current assets and liabilities. Current assets and liabilities are those expected to be recovered within 12 months; non-current assets and liabilities are those where the recovery is expected to occur more than 12 months from the reporting date. LIEC's overall financial position improved by $3,323,686 in 2021 with total assets of $56,336,881 (2020 - $53,013,195).

Total assets are comprised of current assets (cash, investments, and receivables) totaling $17,431,735 (2020 – $15,653,350) and non-current assets (plant and equipment) of $38,905,146 (2020 - $37,359,845). The current assets increased by $1,778,385 mainly due to advanced payments received from developers for future building connections and net cash flows generated from operations. LIEC investments are similar to 2020 as the risk adjusted interest rates from the company's bank were deemed a better option than short-term investments. Non-current assets increased by $1,545,301, bringing the total to $38,905,146. The increase is the net result of capital additions in the year offset by amortization expense.

LIEC's current liabilities of $6,321,761 (2020 - $4,949,578) consists of outstanding invoices and payables due within 12 months. The increase of $1,372,183 is mainly due to the accrued liability from environmental remediation work related to a construction defect that caused a leak of water and propylene glycol heat transfer fluid mixture in the ADEU service area and timing of capital projects cash disbursement schedules. LIEC staff are working with Law to assess recovery options from parties at fault. LIEC's non-current liabilities consist of deferred contributions and concession liabilities. The non-current liabilities increased by $1,040,463 to $16,367,580 (2020 - $15,327,117), mainly due to increase in assets in the OVDEU area which in turn increased the concession liability. The deferred developers' contributions are recovering the cost of the service connection, including installation of the energy transfer station infrastructure. In accordance with IFRS, the contributions are recognized over the useful life of the equipment, which is 25 years from the date within which it becomes in service. Therefore, unrecognized contributions are deferred and recognized as non-current liabilities of the company. The concession liabilities are linked to the 30 year concession agreement between LIEC and Corix, where Corix designs, constructs, finances, and maintains the OVDEU's infrastructure. The concession liabilities are the anticipated cash outflow for future obligations under the agreement for the capital and operating costs of the assets.

The shareholder's equity represents the net worth of the company. It is equal to the total assets minus the total liabilities and measures the company's financial health. In 2021, LIEC's shareholder equity was $33,647,540 (2020 - $32,736,500).

Income Statement

	2021	2020	$ Changes	% Change
Revenues				
Metered Billings	$ 5,450,201	$ 4,609,628	$ 840,573	18%
Service fee	981,000	981,000	-	-%
	6,431,201	5,590,628	840,573	15%
Cost of Sales				
Contracts	771,619	641,757	129,862	20%
Utilities	1,016,861	806,198	210,663	26%
Amortization	1,335,399	1,148,758	186,641	16%
	3,123,879	2,596,713	527,166	20%
Gross Margin	**3,307,322**	**2,993,915**	**313,407**	**10%**
General and Administration Expenses				
Salaries and benefits	841,736	697,113	144,623	21%
Administration expenses	83,623	93,487	(9,864)	(11%)
Insurance	88,007	78,421	9,586	12%
Professional fees	29,763	26,127	3,636	14%
	1,043,129	895,148	147,981	17%
Net Income Before Other Items	2,264,193	2,098,767	165,426	8%
Contributions and Financing Expense				
Developer contributions	237,347	178,502	58,845	33%
Other income	49,521	24,628	24,893	101%
Other expense	(1,084,975)	(723,000)	(361,975)	50%
Net finance cost	(555,046)	(256,561)	(298,485)	116%
	(1,353,153)	(776,431)	(576,722)	74%
Net Income	**$ 911,040**	**$ 1,322,336**	**($411,296)**	**(31%)**

Earnings before interest, taxes and amortization (EBITA)				
Net income per above	$911,040	$1,322,336	($411,296)	(31%)
Net finance cost	555,046	256,561	298,485	116%
Amortization expense	1,335,399	1,148,758	186,641	16%
EBITA	$2,801,485	$2,727,655	$73,830	3%

The income statement provides a summary of the company's revenues, expenses and profits over the fiscal year of 2021. It reports the financial performance of the company.

Table 2: Percentage of revenue

	December 31, 2021	December 31, 2020
Percentage of Revenue		
Gross margin percentage	51%	54%
General and administration percentage	16%	16%
EBITA percentage (before non-recurring item)	60%	62%
Net income percentage (before non-recurring item)	31%	37%

Year-over-Year Change

The metered billings reflect the full year energy sales based on the actual customers' energy usage and consumption. Overall, the metered billings increased by $840,573 to $5,450,201 (2020 – $4,609,628) mainly due to:

- An increase of $324,658 in ADEU metered billings due to additional energy use and a full year of service of two buildings connected in 2020 (Spark and Berkeley House).
- An increase of $515,916 in OVDEU metered billings due to an annual utility rate increase and additional energy use because of a new building connection (Landa) and a full year of service (ASPAC 12), which was connected late 2020.

The service fee of $981,000 (2020 - $981,000) is for LIEC's facilitation of advancing district energy opportunities in the City, which results in numerous benefits to the City and community of Richmond. The service fee covers staff and specialized consultants working on low carbon district energy initiatives. With or without LIEC, the City would need to fund these costs in order to successfully implement district energy initiatives for the City and position itself at the forefront of tackling local and global environmental challenges. The City identified district energy utilities as a leading strategy to achieve the City's GHG reduction goals. To date, it is estimated that LIEC's district energy systems has resulted in the reduction of over 9,983 tons of GHG emissions.

The cost of sales is the accumulated total expenses attributable to the metered billing revenue, which includes contract services, utilities (electricity and natural gas), and amortization expenses. The total contract expense increased by $129,862 to $771,619 (2020 - $641,757). This is mainly due to the new building connections that occurred near the end of 2020 and during 2021, which resulted in increased operational and maintenance expenses. Additionally, corrective maintenance expenses increased in 2021 due to out-of-warranty equipment that failed and had to be replaced.

Utility expenses increased by $210,663 to $1,016,861 (2020 - $806,198). This increase is due to continued growth at both the ADEU and OVDEU utilities. New building connections that occurred near the end of 2020 and during 2021 resulted in an increased use of electricity and natural gas required to run the generation and auxiliary equipment used to deliver energy to the buildings.

The amortization expense increased due to capital asset additions. Overall, the total cost of sales increased by $527,166 to $3,123,879 (2020 - $2,596,713).

The general and administration expenses are expenditures that LIEC incurs to engage in business development activities and includes salaries and benefits, administration expenses, insurance and professional fees. The administration expense includes a fee of $129,412 (2020 - $67,863), paid by LIEC to the City of Richmond for the support provided by the City. The general and administration expenses increased by $147,981 to $1,043,129 in 2021 (2020 - $895,148), mainly due to:

- Salaries and benefits – The increase by $144,623 to $841,736 (2020 - $697,113) of salaries and benefits is mainly due to LIEC alignment with the Administration Procedure 3001.01.
- Insurance – The premium is higher due to a general insurance rate increase and the additional capital assets insured.

Overall, general and administration expenses as a percentage of revenues are the same at 16% for 2021 compared to 2020.

The contributions and financing expense section represents other sources of revenue and expenses for the business. The current energy modeling review fees collected are higher than 2020 due to more building permits being reviewed. The net finance cost is the result of year-to-date finance costs on concession liabilities offset by interest income. The additional capital expenditure for OVDEU infrastructure has resulted in a higher balance of concession liability than the prior year. This section includes other expense costs that pertain to the unplanned environmental remediation work related to pipe construction defect, which resulted in a leak and subsequent clean up of the released heat transfer fluid in the Alexandra DEU service area. The prompt response and excellent spill management procedures resulted in the quick leak repair and expedient remediation of the spill. LIEC staff are working with Law and external legal counsel to assess cost recovery options from the external parties at fault.

LIEC's EBITA (earnings before interest, tax, and amortization), before the non-recurring item was 60% (2020 – 62%) used as a proxy to measure LIEC's financial performance, which is inline with last year.

Overall, LIEC's revenues exceeded expenses resulting in a net income of $911,040 (2020 - $1,322,336). However, compared to 2020, the net income has decreased by $411,296 due to the non-recurring event.

LIEC's financial sustainability and future growth must be taken into consideration when reviewing its EBITA and net income. LIEC's success is dependent upon developing in-house expertise and securing funds for future capital replacements as existing infrastructure components reach their end of life, as well as to cover expenses of unexpected and rare events such as the Alexandra DEU leak. Other important factors include the planning of future projects, which consists of research and development, and exploratory reviews of future technology and opportunities. The net income will be set aside in LIEC's equity to build a reserve fund for future capital replacement and to ensure long-term rate stability for ratepayers.

Budget Variance
(See Attachment 2 for 2021 budget to actual comparison)

Revenues

The metered billings are the total energy sales of both ADEU and OVDEU service areas. The metered billings revenue is $2,744,222 from the ADEU and $2,705,979 from the OVDEU. Overall, 2021 actual revenues of $5,450,201 are slightly under budget due to delays in new building connections and projected occupancy levels.

Cost of Sales

The cost of sales includes contract services, utilities (electricity and natural gas) and amortization expenses. The contract expense is below budget by 18% mainly due to less unscheduled repairs, lower utility expense than projected and delay in new building connections.

The utility expenses are based on actual customers' energy usage and consumption of electricity and natural gas. Overall, the utility expenses are below the budget by 19% mainly due to:

- Electricity used to run pumps and peaking equipment at ADEU was lower than projected due to moderate weather conditions. Similarly, air-source heat pumps that service the Central at Garden City development in Area A did not operate at maximum heating and cooling capacity throughout the year, resulting in lower than expected electricity use.
- Natural gas, used to provide peak heating capacity at ADEU, was lower than expected due to moderate winter conditions. ADEU was able to meet nearly 93% of the total energy demand using renewable sources, resulting in lower than expected natural gas consumption. Similarly, at Smart Centres air-source heat pumps were able to meet most heating demand without the use of natural gas as outdoor air temperatures rarely went below freezing conditions.
- In 2021, electricity in the OVDEU was lower than budget due to a late connection of Landa; Landa was budgeted to connect in 2020 but was not operational until mid-year 2021. Electricity use forecasts for 2021 were based on historical usage figures and the assumption that electricity use can be approximated as a 3% of proration of natural gas use. In 2021, actual electrical consumption was closer to 2% of natural gas proration. In addition, lower power consumption due to more efficient boilers in IEC #3 and #1 has resulted in efficiency of equipment.
- Natural gas is used to provide all heating capacity at the OVDEU, which was within 2% of the 2021 budget. In 2021, natural gas was used to provide all heating capacity at the OVDEU, of which usage was within 2% of the 2021 annual budget. This variance can be attributed to an overall increase in consumption due to a continued increase in home occupancy this year due to the Covid-19 pandemic (hence creating more demand). This increase was partially mitigated by a several month delay in occupancy of a scheduled customer connection (Landa Cascade City).

The amortization expense is lower than budgeted mainly due to the timing of new capital asset additions. Overall, the cost of sales is below the budget by 15%.

General and Administration Expenses

The general and administration expenses are expenditures that LIEC incurs to engage in business development activities and includes salaries and benefits, administration expense, professional fees, insurance expense, etc. Administration expense and professional fees were lower in 2021 as staff have not participated in as many training opportunities due to Covid-19 uncertainty. LIEC still carried on with business as usual during the pandemic providing uninterrupted service to its customers. The total general and administration expense of $1,043,129 is under budget by 11%.

Contributions and Financing Expense

The Contributions and Financing Expense section represents other sources of income and costs. Other income is made up of energy model review fees and amortized grant. The Net Finance Cost on concession liabilities are lower than what was budgeted due to the timing of assets placed into service. The Net Finance Cost is offset by the interest income. The Other Expense is a result of the unplanned and non-recurring expenses related to the pipe construction defect that resulted in a leak and related clean up of the released heat transfer fluid in the Alexandra DEU service area. Due to the prompt response and excellent spill management procedures, the leak was repaired immediately and the spill was remediated expeditiously; however, area monitoring needs to continue pursuant to provincial regulatory requirements. LIEC staff are working with Law and external legal counsel to assess cost recovery options from the external parties at fault.

Despite the unforeseen expenses caused by the leak and related clean up efforts in the Alexandra DEU service area (which offset cost savings accumulated throughout the year), LIEC's overall financial performance exceeded budget.

Financial Impact

None.

Conclusion

The Auditor's Report states that these financial statements present fairly, in all material respects, the financial position of Lulu Island Energy Company Ltd. as of December 31, 2021, and its financial performance, and its cash flows for the year ended in accordance with International Financial Reporting standards.

Helen Zhao
Controller
Lulu Island Energy Company
(604-276-4053)

Attachment 1: District Energy in Richmond
Attachment 2: 2021 Amended Budget and Actual Comparison
Attachment 3: 2021 Audited Financial Statements

District Energy in Richmond

LIEC, a corporation wholly-owned by the City of Richmond, was established to provide district energy services for the City to reduce community greenhouse gas emissions (GHGs) in Richmond. Under direction from Council, and following receipt of the necessary approval from the Inspector of Municipalities, the incorporation of LIEC was completed 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.

LIEC currently owns and operates the Alexandra District Energy Utility (ADEU), Oval Village District Energy Utility (OVDEU), City Centre District Energy Utility (CCDEU) and continues to advance new district energy opportunities. All neighbourhoods within ADEU, OVDEU and CCDEU service areas are experiencing rapid development and LIEC has been growing to meet this increased energy demand, while maintaining exceptional reliability and quality of service.

ADEU provides heating and cooling services to residential and commercial buildings in the ADEU service area, comprised of over 2,200 residential units and over 2.4 million square feet of serviced floor area. While some electricity is consumed for pumping and equipment operations, most of this energy is renewable. This energy is produced locally from geo-exchange fields in the greenway corridor and West Cambie Park, as well as highly efficient air-source heat pumps.

The OVDEU system is managed through a 30-year concession agreement where Corix Utilities Inc. (Corix) designs, constructs, finances, and maintains the infrastructure with LIEC maintaining the ownership of the infrastructure assets. There are 11 residential buildings connected to the OVDEU system with over 2,500 residential units and 2.9 million square feet of floor area receiving energy from the utility. Energy is currently supplied from three interim energy centres with natural gas boilers, which combined, provide 15 MW of heating capacity. LIEC received a $6.2 million grant from the CleanBC Communities Fund for the design and construction of the sewer heat recovery technology and a permanent energy centre for OVDEU. The project has been initiated; once completed (estimated 2025), the system will be able to produce up to 80% of low-carbon energy from the Gilbert Trunk sanitary sewer force main.

Early in 2022, LIEC obtained ownership of the first onsite low carbon energy plant in the City Centre District Energy Utility (CCDEU) service area. The onsite energy plant provides heating and cooling services to a commercial and residential development comprising of over 630,000 ft2 and 550 residential units. The energy plant is designed to decrease GHGs by over 70% compared to conventional natural gas boiler-based systems. Negotiations for the development of the overall CCDEU service area continued to advance at an accelerated pace. Once fully developed, the CCDEU could reduce 45,000 tonnes of GHGs annually.

2021 Amended Budget and Actual Comparison

	Amended Budget	Actual	$ Changes	% Change
Revenues				
Metered Billings	$ 5,607,751	$ 5,450,201	($157,550)	(3%)
Service fee	981,486	981,000	(486)	-%
	6,589,237	6,431,201	(158,036)	(2%)
Cost of Sales				
Contracts	940,081	771,619	(168,462)	(18%)
Utilities	1,250,019	1,016,861	(233,158)	(19%)
Amortization	1,470,000	1,335,399	(134,601)	(9%)
	3,660,100	3,123,879	(536,221)	(15%)
Gross margin	**2,929,137**	**3,307,322**	**378,185**	**13%**
General and Administration Expenses				
Salaries and benefits	847,893	841,736	(6,157)	(1%)
Administration expenses	139,198	83,623	(55,575)	(40%)
Insurance	115,000	88,007	(26,993)	(23%)
Professional Fees	74,540	29,763	(44,777)	(60%)
	1,176,631	1,043,129	(133,502)	(11%)
Net income before other items	1,752,506	2,264,193	511,687	29%
Contributions and Financing expense				
Developer contributions	312,871	237,347	(75,524)	(24%)
Other income	39,000	49,521	10,521	27%
Other expense	(1,084,975)	(1,084,975)	-	-%
Net finance cost	(662,982)	(555,046)	67,936	(11%)
	(1,356,086)	(1,353,153)	2,933	-%
Net Income	**$ 396,420**	**$ 911,040**	**$514,620**	**130%**

Earnings before interest, taxes and amortization (EBITA)				
Net income per above	$396,420	$911,040	$514,620	130%
Net Financing cost	622,982	555,046	(67,936)	(11%)
Amortization expense	1,470,000	1,335,399	(134,601)	(9%)
EBITA	$2,489,402	$2,801,485	$312,083	13%

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Attachment 3

2021 Audited Financial Statements

Financial Statements
(Expressed in Canadian dollars)

LULU ISLAND ENERGY COMPANY LTD.

And Independent Auditors' Report thereon

Year ended December 31, 2021

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Lulu Island Energy Company:

Opinion

We have audited the financial statements of Lulu Island Energy Company Ltd. (the "Entity"), which comprise:

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

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 12, 2022

LULU ISLAND ENERGY COMPANY LTD.
Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 11,707,794	$ 8,604,504
Accounts receivable (note 6)	1,676,423	3,034,510
Investments (note 7)	4,047,518	4,014,336
	17,431,735	15,653,350
Non-current assets:		
Plant and equipment (note 9)	38,905,146	37,359,845
	$ 56,336,881	$ 53,013,195
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 2,671,416	$ 1,790,919
Current portion of deferred contributions (note 10)	337,732	522,932
Current portion of concession liability (note 11)	3,312,613	2,635,727
	6,321,761	4,949,578
Non-current liabilities:		
Deferred developer contributions (note 10)	7,415,806	6,829,428
Concession liability (note 11)	8,951,774	8,497,689
	16,367,580	15,327,117
Shareholder's equity:		
Share capital and contributed surplus (note 15)	27,397,115	27,397,115
Retained earnings	6,250,425	5,339,385
	33,647,540	32,736,500
Commitments and contingencies (note 13)		
	$ 56,336,881	$ 53,013,195

See accompanying notes to financial statements.

Approved on behalf of the Board:

_________________ Director _________________ Director

LULU ISLAND ENERGY COMPANY LTD.

Statement of Net Income and Other Comprehensive Income

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

	2021	2020
Revenue (note 14)	$ 6,431,201	$ 5,590,628
Cost of sales:		
Operating expenses	1,788,480	1,447,955
Depreciation	1,335,399	1,148,758
	3,123,879	2,596,713
Gross profit	3,307,322	2,993,915
General and administrative expenses	1,043,129	895,148
Income before undernoted items	2,264,193	2,098,767
Developer contributions, other income (expenses) and net finance cost:		
Developer contributions (note 10)	237,347	178,502
Other income (note 14)	49,521	24,628
Other expenses (note 8)	(1,084,975)	(723,000)
Net finance cost (note 5)	(555,046)	(256,561)
	(1,353,153)	(776,431)
Net income and other comprehensive income	$ 911,040	$ 1,322,336

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Changes in Equity

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

	Share capital (note 15)	Contributed surplus (note 15)	Retained earnings	Shareholder's equity
Balance, January 1, 2020	$ 5	$ 27,397,110	$ 4,017,049	$ 31,414,164
Net income and other comprehensive income	-	-	1,322,336	1,322,336
Balance, December 31, 2020	5	27,397,110	5,339,385	32,736,500
Net income and other comprehensive income	-	-	911,040	911,040
Balance, December 31, 2021	$ 5	$ 27,397,110	$ 6,250,425	$ 33,647,540

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Cash flows provided by (used in) operating activities:		
Net income and other comprehensive income	$ 911,040	$ 1,322,336
Adjustments for:		
Depreciation	1,335,399	1,148,758
Recognition of deferred contributions	(237,347)	(178,502)
Other income	(12,978)	-
Finance expense on concession liability	672,135	426,147
Changes in non-cash operating working capital:		
Accounts receivable	1,358,087	(1,731,813)
Accounts payable and accrued liabilities	880,497	1,013,427
Net cash provided by operating activities	4,906,833	2,000,353
Cash flows provided by (used in) investing activities:		
Additions to plant and equipment	(1,460,215)	(1,858,630)
Deferred developer contributions	638,525	1,347,638
Cash receipts from sales of investments	4,014,336	5,592,923
Cash payments to acquire investments	(4,047,518)	(4,014,336)
Net cash provided by (used in) investing activities	(854,872)	1,067,595
Cash flows provided by (used in) financing activities:		
Concession liability (note 11)	(948,671)	(696,546)
Net cash used in financing activities	(948,671)	(696,546)
Increase in cash and cash equivalents	3,103,290	2,371,402
Cash and cash equivalents, beginning of year	8,604,504	6,233,102
Cash and cash equivalents, end of year	$ 11,707,794	$ 8,604,504
Non-cash transactions:		
Additions to plant and equipment	$ (1,370,459)	$ (3,115,250)
Concession liability	1,370,459	3,115,250

See accompanying notes to financial statements.

1. Incorporation and nature of business:

The Lulu Island Energy Company Ltd. (the "Company") 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 address of the Company's registered office is 6911 No. 3 Road, Richmond, British Columbia, V6Y 2C1.

The business of the Company is to develop, manage and operate district energy utilities in the City, 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. The Company also provides advisory services for energy and infrastructure.

2. Basis of presentation:

(a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved and authorized for issue by the Board of Directors April 12, 2022.

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis and on a going concern basis.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Basis of presentation (continued):

(d) Use of estimates and judgments (continued):

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 10 - recognition of deferred developer contributions.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note 8 - accrued liabilities for distribution pipe leak; and

Note 9 - useful lives of plant and equipment.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

(a) Plant and equipment:

(*i*) Recognition and measurement:

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes amounts that are directly attributable to acquisition, construction, development, or betterment of the asset, after deducting trade discounts and rebates. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and are recognized net within other income in profit and loss.

3. Significant accounting policies (continued):

(a) Plant and equipment (continued):

(*ii*) Subsequent costs:

The cost of replacing a part of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of plant and equipment are recognized in profit or loss as incurred.

(*iii*) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation of plant and equipment commences when the asset is deemed available for use and is recognized in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment as follows:

Asset	Useful life - years
Energy plant center	75
Distribution piping	50
General equipment	25

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(b) Revenue recognition:

The Company recognizes revenue for the provision of energy and supply of other services. Revenue for the provision of energy is based on meter readings and is billed on a cyclical basis. Revenue is accrued for energy delivered but not yet billed. Revenue for other services is recognized upon completion of service. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable.

(c) Concession projects:

Concession projects are delivered by partners selected to design, build, finance, and maintain the assets which are owned by the Company. The cost of the assets under construction are recorded at cost, based on construction progress billings and also includes other costs, if any, incurred directly by the Company.

3. Significant accounting policies (continued):

(c) Concession projects (continued):

When deemed available for use, the project assets are amortized over their estimated useful lives. An obligation for the cost of capital and financing received to date, net of repayments, is recorded under concession liabilities (note 11).

(d) Income taxes:

Under Section 149(1)(d) of the Income Tax Act, the Company is exempt from income and capital taxes by virtue of the fact that it is a wholly owned subsidiary of the City. Accordingly, no provision for such taxes has been made in financial statements.

(e) Cash and cash equivalents:

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. At December 31, 2021 and 2020, all cash and cash equivalents related to cash balances.

(f) Finance income and finance cost:

Finance income comprises interest on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on the concession liability. Finance costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

(g) Financial instruments:

(*i*) Classification and measurement of financial assets and financial liabilities:

Under IFRS 9, *Financial Instruments* ("IFRS 9"), on initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVOCI") - debt instrument, FVOCI - equity instrument, or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

(*i*) Classification and measurement of financial assets and financial liabilities (continued):

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to subsequent measurement of financial assets:

- Financial assets at FVTPL: these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
- Financial assets at amortized cost: these assets are subsequently measured at amortized costs using the effective interest method. The amortized cost is reduced by impairment losses (see note 3(h)(i)). Interest income and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- Debt investments at FVOCI: these assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognized in profit or loss. Other net gains are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

(*i*) Classification and measurement of financial assets and financial liabilities (continued):

The following accounting policies apply to subsequent measurement of financial assets (continued):

- Equity investments at FVOCI: these assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities are initially recognized at amortized cost. Subsequent to initial recognition financial liabilities are measured at amortized cost using the effective interest method.

The following table shows the measurement categories for each class of the Company's financial assets and financial liabilities:

Financial assets:	
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Investments	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Concession liability	Amortized cost

(*ii*) Measurement categories:

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2021 and 2020. Unless otherwise noted, the fair values on the instruments approximate their carrying amount due to their short-term nature and/or due to application of market rates of interest.

	2021	2020
Financial assets:		
Financial assets at amortized cost:		
Cash and cash equivalents	$ 11,707,794	$ 8,604,504
Accounts receivable	1,676,423	3,034,510
Investments	4,047,518	4,014,336
	$ 17,431,735	$ 15,653,350
Financial liabilities:		
Financial liabilities at amortized cost:		
Accounts payable and accrued liabilities	$ 2,671,416	$ 1,790,919
Concession liability	12,264,387	11,133,416
	$ 14,935,803	$ 12,924,335

3. Significant accounting policies (continued):

(h) Impairment:

(*i*) Financial assets:

The 'expected credit loss' ("ECL") impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortized cost consist of cash and cash equivalents, accounts receivable and investments.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12-months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs. The Company has elected to measure loss allowances for trade receivables, including amounts due from the City, at an amount equal to lifetime ECLs.

Measurement of ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

(*ii*) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

3. Significant accounting policies (continued):

(h) Impairment (continued):

(*ii*) Non-financial assets (continued):

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(i) Pension benefits:

The Company and its employees participate in the Municipal Pension Plan, a multi-employer defined benefit plan. Defined contribution plan accounting is applied to this plan because separate information for the Company is unable to be provided to apply defined benefit accounting. The expenses associated with this plan are equal to the actual contributions required by the Company during the reporting period.

(j) Standards issued but not yet effective:

A number of new standards are effective for annual periods beginning after January 1, 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the financial statements;

- Amendments to IAS 1, *Classification of Liabilities as Current or Non-Current*, effective periods beginning on or after January 1, 2023.
- Amendments to IAS 16, *Property, Plant and Equipment*, effective periods beginning on or after January 1, 2022.
- Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, on onerous contracts effective periods beginning on or after January 1, 2022.

4. Personnel expenses:

	2021	2020
Wages and salaries	$ 834,736	$ 666,115
Other payroll expenses	7,000	31,000
	$ 841,736	$ 697,115

5. Net finance cost:

		2021		2020
Finance income:				
Investment interest	$	51,182	$	105,529
Bank interest		63,729		62,676
Other		2,178		1,381
		117,089		169,586
Finance cost:				
Finance expense on concession liability (note 11)		(709,183)		(548,486)
Less: Finance cost capitalized to plant and equipment (note 9)		37,048		122,339
		(672,135)		(426,147)
Net finance cost	$	(555,046)	$	(256,561)

6. Accounts receivable:

		2021		2020
Trade receivables	$	184,909	$	1,703,753
Unbilled trade receivables		1,491,514		1,330,757
	$	1,676,423	$	3,034,510

7. Investments:

Investments represent cash term deposits as follows:

Purchase date	Maturity date	Interest rate		2021		2020
July 15, 2021	July 15, 2022	1.50%	$	2,033,628	$	-
October 28, 2021	October 28, 2022	1.50%		2,013,890		-
June 29, 2020	June 29, 2021	0.90%		-		2,005,213
October 28, 2020	October 28, 2021	1.40%		-		2,009,123
			$	4,047,518	$	4,014,336

8. Accounts payable and accrued liabilities:

In 2020, the Company identified a distribution pipe leakage of heat transfer fluid at one of the Company's service areas. During the year ended December 31, 2021, the Company continued to repair, remediate and monitor the service area and recognized expenses, including legal expenses, of $1,084,975 (2020 - $723,000) in other expenses, of which $596,585 (2020 - $723,000) is included in accounts payable and accrued liabilities. Management believes the Company has adequately provided for the remediation costs and intends to seek compensation for such costs from the third parties involved.

9. Plant and equipment:

	Energy plant center	General equipment	Distribution piping	Total
Cost:				
Balance as at January 1, 2020	$ 5,031,915	$ 22,419,284	$ 9,387,971	$ 36,839,170
Additions	-	2,266,536	2,829,683	5,096,219
Balance as at December 31, 2020	5,031,915	24,685,820	12,217,654	41,935,389
Additions	-	1,955,387	925,313	2,880,700
Balance as at December 31, 2021	$ 5,031,915	$ 26,641,207	$ 13,142,967	$ 44,816,089
Accumulated depreciation:				
Balance as at January 1, 2020	$ 201,276	$ 2,722,373	$ 503,137	$ 3,426,786
Depreciation	67,092	915,611	166,055	1,148,758
Balance as at December 31, 2020	268,368	3,637,984	669,192	4,575,544
Depreciation	67,092	1,045,148	223,159	1,335,399
Balance as at December 31, 2021	$ 335,460	$ 4,683,132	$ 892,351	$ 5,910,943
Net book value:				
At January 1, 2020	$ 4,830,639	$ 19,696,911	$ 8,884,834	$ 33,412,384
At December 31, 2020	4,763,547	21,047,836	11,548,462	37,359,845
At December 31, 2021	4,696,455	21,958,075	12,250,616	38,905,146

Included in plant and equipment is $1,951,975 (2020 - $3,591,015) of assets under construction being $1,070,537 (2020 - $449,647) general equipment and $881,438 (2020 - $3,141,368) distribution piping. For the year ended December 31, 2021, capitalized borrowing costs related to the construction of the general equipment and distribution system in the year amounted to $37,048 (2020 - $122,339).

10. Deferred developer contributions:

The Company defers contribution amounts received from developers related to the cost of initial connection and assets, including installation of the energy transfer station. The developer contributions are recognized over the useful life of the associated general equipment from the date the respective asset is deemed available to use.

The following table summarizes the amounts recognized as at year end:

	2021	2020
Deferred developer contributions, beginning of year	$ 7,352,360	$ 6,183,224
Developer contributions received (net of refunds)	638,525	1,347,638
Recognized revenue from developer contributions	(237,347)	(178,502)
	7,753,538	7,352,360
Less: current portion of deferred developer contributions	337,732	522,932
Non-current deferred developer contributions	$ 7,415,806	$ 6,829,428

11. Oval Village District Energy Utility ("OVDEU") Concession Agreement:

On October 30, 2014, the Company and the OVDEU developer (the "Concessionaire") entered into a 30-year Concession Agreement, where the Concessionaire 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 $41,414,000 (2020 - $39,126,000) and will be accrued over time as the services are rendered.

The Concession Agreement is payable monthly in accordance with the Concession Agreement terms. Required concession liability payment obligations are disclosed in note 13.

OVDEU Concession Agreement liability:

	2021	2020
Concession Agreement liability - capital	$ 10,983,397	$ 9,884,744
Concession Agreement liability - non-capital	1,280,990	1,248,672
	12,264,387	11,133,416
Less: current capital portion of concession liability	1,965,760	1,465,969
Less: current non-capital portion of concession liability	1,346,853	1,169,758
	3,312,613	2,635,727
Non-current portion of concession liability	$ 8,951,774	$ 8,497,689

11. Oval Village District Energy Utility ("OVDEU") Concession Agreement (continued):

The average finance cost on the concession liability is 5.24% for the year ended December 31, 2021 (2020 - 5.21%).

The concession liability is repayable as follows:

2022	$	3,312,613
2023		1,809,353
2024		2,715,647
2025		2,824,273
2026 and thereafter		1,602,501
Total	$	12,264,387

The following tables summarizes the changes in the concession liability due to financing cash flows and liability related charges:

Balance January 1, 2021	$	11,133,416
Additions		1,370,459
Finance expense (note 5)		709,183
Net repayment		(948,671)
Balance December 31, 2021	$	12,264,387

12. Limited Guarantee Agreement:

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

13. Commitments and contingencies:

(a) Concession project commitments:

Payments to the Concessionaire under the Concession Agreement are based on the Concessionaire'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.

13. Commitments and contingencies (continued):

(a) Concession project commitments (continued):

The information presented below shows the expected committed cash outflow for the next year under the Concession Agreement for the capital and operating costs of the assets. As construction progresses the asset values are recorded as plant and equipment and the corresponding liabilities are recorded as concession agreement liabilities as disclosed in note 11.

	Capital commitment	Operating commitment	Total commitment
2022	$ 1,965,760	$ 1,346,853	$ 3,312,613

(b) Distribution pipe leakage:

An accrual has been recognized in accounts payable and accrued liabilities for the damages that resulted from a distribution pipe leakage at one of the Company's service areas (note 8). Management believes the Company has adequately provided for the remediation costs and intends to seek compensation for such costs from the third parties involved. It is not permissible at this time to accrue the estimated financial effect of any recovery of expenses from the other parties involved or the Company's insurer.

14. Related party transactions:

Included in these financial statements are transactions with various Crown corporations, ministries, agencies, boards and commissions related to the Company by virtue of common control by the City, the Province of British Columbia or the Government of Canada. The Company has applied the modified disclosure requirements under IAS 24, *Related Party Disclosures*, which is only applicable for government-related entities.

(a) Due from City of Richmond:

During 2021, the Company received and recognized in revenues $981,000 (2020 - $981,000) for its services of advancing district energy opportunities in the City. Staff and advanced design activities on low carbon district energy initiatives are covered by this fee. With or without the Company, the City would need to fund these costs in order to successfully implement district energy initiatives for the City and position itself at the forefront of tackling local and global environmental challenges our world faces.

In addition, included in revenue for 2021 is $34,926 (2020 - $37,294) for district energy utility services rendered by the Company to the City.

During 2021, the Company received and recognized energy model review fees into other income of $36,543 (2020 - $24,628) relating to district energy permit fees collected by the City for in-building district energy related equipment reviews performed by the Company.

14. Related party transactions (continued):

(a) Due from City of Richmond (continued):

During 2021, $156,854 (2020 - $165,125) of salary and benefit expenses were charged to the City for costs incurred due to Company staff being assigned to perform project management duties for the City projects. These costs have been charged to the City on a cost recovery basis and are included as a reduction to general and administrative expenses.

The total amount due from the City as a result of the above transactions as at December 31, 2021 is $151,454 (2020 - $323,020) and is included within accounts receivable.

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 related parties. The amount is non-interest bearing and repayable on demand.

(b) Key management personnel:

A fee of $129,412 (2020 - $67,863), included in general and administrative expenses, was paid to the City for the day-to-day support that the Company received from City staff during the year. These costs have been charged to the Company on a cost recovery basis and include an element of re-charge for City key management personnel.

15. Share capital:

At December 31, 2021, the authorized share capital comprised 10,000 (2020 - 10,000) common shares without par value.

As at December 31, 2021, the Company has issued 450 common shares (2020 - 450) at $0.01 per share totaling $4.50 (2020 - $4.50) and contributed surplus of $27,397,110 (2020 - $27,397,110).

16. Fair values:

The Company uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 - inputs other than quoted prices that are observable for asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

16. Fair values (continued):

(a) Financial assets and liabilities not measured at fair value:

The carrying amounts for cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

(b) Non-current financial liabilities:

Subsequent to initial recognition the concession liability is accounted for at amortized cost using the effective interest method. The carrying amount of the concession liability approximates its fair value due to the nature of liabilities accrued and benchmark market rate of interest rate applied (Level 3 inputs).

17. Financial risk management and financial instruments:

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (interest rate risk).

(b) Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The management reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(c) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Company consisting of its cash and cash equivalents, trade accounts receivables and other investments. The Company assesses these financial assets on a continuous basis for any amounts that are not collectible or realizable. It is management's opinion that the Company is not exposed to significant credit risk from its financial instruments.

17. Financial risk management and financial instruments (continued):

(c) Credit risk (continued):

(*i*) Trade and unbilled trade receivables:

The Company trades mainly with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade and other receivables based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

The sale of energy utilities is made to end-user customers in the City's geographic region. On the basis of the Company's collective experience, management considers the credit risk associated with trade receivables to be low.

(*ii*) Due from the City:

The credit risk on amounts due from the City is considered to be low as the City is a Crown entity incorporated under the Local Government Act of British Columbia.

(*iii*) Cash and investments:

Credit risk arising from other financial assets of the Company comprises cash and investments. The Company's exposure to credit risk arises from default of the counterparties. The Company manages credit risk through depositing cash and only investing in cash term deposits with established financial institutions which are considered to be low.

(d) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is 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 Company's reputation.

The Company's terms of business require amounts to be paid from customers within 30-days of the date of invoice. The accounts payable and accrued liabilities and due from the City are in the normal course of operations and paid within the following fiscal year. The commitments under the concession liability are disclosed in note 13.

The information presented below shows the undiscounted contractual maturities of the concession liability, including estimated interest payments.

17. Financial risk management and financial instruments (continued):

(d) Liquidity risk (continued):

	Carrying amount	Contractual cash flow	Less than 1 year	1 - 2 years	2 - 5 years
December 31, 2021	$ 12,264,387	$ 13,821,248	$ 3,397,805	$ 1,952,570	$ 8,470,873
December 31, 2020	11,133,416	12,685,549	2,703,511	1,708,510	8,273,528

(e) Market risk:

Market risk is the risk that changes in market prices, such as interest rates and other rate risks, will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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

The Company is exposed to interest rate risk associated with the concession liability (note 11) as this is subject to an annual determination of financing interest rate for new and renewing debt portion of financing. The Company manages this risk through the annual 5-year capital plan submission provided by the Concessionaire in accordance with the Concession Agreement.

18. Capital management:

The Company's objective when managing capital is to maintain a strong capital base to sustain future development of the business, so that it can provide return for the shareholder and benefits for other stakeholders.

The Company considers the items included in shareholder's equity and the concession liability as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may request additional investment from its shareholder. The Company is not required to meet any debt covenants. The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year (2020 - no changes).

19. Pension plan:

The Company and its employees contribute to the Municipal Pension Plan (a jointly trusteed 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.

19. Pension plan (continued):

As at December 31, 2020, the plan has about 220,000 active members and approximately 106,000 retired members. Active members include approximately 42,000 contributors from local governments.

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

The most recent valuation for the Municipal Pension Plan as at December 31, 2018, indicated a $2,866 million funding surplus for basic pension benefits on a going concern basis. The next valuation will be at December 31, 2021, with results available in 2022.

The Company paid $86,323 (2020 - $84,498) for employer contributions to the Plan in 2021.

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.

City of
Richmond

Report to Committee

To:	Finance Committee	**Date:**	April 22, 2022
From:	George Duncan Chief Administrative Officer Rick Dusanj, CPA, CA Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation	**File:**	
Re:	**Richmond Olympic Oval Corporation 2021 Audited Financial Statements**		

Staff Recommendation

That the report on the 2021 Audited Financial Statements for the Richmond Olympic Oval Corporation from the Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation be received for information.

George Duncan
Chief Administrative Officer

Rick Dusanj, CPA, CA
Director, Finance, Innovation & Technology
Richmond Olympic Oval Corporation

RICHMOND OLYMPIC OVAL

Report

DATE: April 21, 2022

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

FROM: Rick Dusanj, CPA, CA
Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation

Re: **Richmond Olympic Oval Corporation 2021 audited financial statements**

Origin

This staff report addresses the Richmond Olympic Oval Corporation's (the "Corporation") 2021 audited financial statements (attachment #1) which were unanimously approved by the Corporation's Board of Directors ("BOD") on April 20, 2022, as well as an update on the 4th quarter ("Q4").

During Q4 the Corporation continued its gradual restoration of services approach to the COVID-19 pandemic. With safety and community health as our guiding principles, the Corporation remained agile and continued to make operational adjustments to adhere to evolving provincial health orders and province wide restrictions. Below are some of the highlights of the activities undertaken by the Corporation during Q4.

Q4 Highlights

Community Use

In Q4 2021, additional restrictions on adult fitness activities, sporting events and tournaments, and gatherings were put in place by the Public Health Officer. In accordance with these restrictions, the Oval made the appropriate changes to its operations, temporarily suspending group fitness classes and access to the fitness centre beginning December 23, 2021, and postponing tournaments and events into 2022. Even with these restrictions in place at the end of the quarter, the Oval realized success in their program registration.

The Corporation's youth sport programs continued to prove popular in the community. Oval Learn to Skate private and group lessons garnered 1,300 registrations, while Climbing Programs also experienced a successful quarter, with 234 participants registered.

In Q4, numerous community groups utilized the Oval to operate their programs and services for ages ranging from tots to seniors. These programs and services include the following sports: aikido, badminton, baseball, basketball, figure skating, gymnastics, hockey, karate, rowing, soccer, speedskating, table tennis and volleyball.

In accordance with the Richmond Oval Agreement between the City of Richmond ("City") and the Corporation, the funding that is received from the City on an annual basis is required for the Corporation to fulfill the operating objectives which include the Corporation providing facilities, programs and services for quality sport, fitness, recreational uses and wellness services for the Richmond community, neighbouring communities and the general public. Without the Oval and the annual contribution from the City, these facilities, programs and services would have to be provided elsewhere. As in previous quarters, community group use continued to constitute the majority of Oval usage in Q4.

Sport Development and Events

Due to COVID-19 and the restrictions outlined in the Provincial Health Order, events scheduled to take place in Q4 at the Oval have been limited, altered or postponed. Events that took place in a limited or altered way included: Volleyball Canada High School Tournament, North American Climbing Cup Series, Taekwondo Provincials, Western Canadian Powerlifting Championships, WC Rugby National Team Training, Karate BC Provincials, Pinnacle Cheer Pink Cheerleading Championships, Senior Boys Volleyball Provincials and Monster Futsal Tournament. The postponed events were re-scheduled for 2022 and 2023. Some of the future new events secured in Q4 by Events and Sport Hosting included: Speed and Lead Climbing Nationals, BC School Sports AAA Boys Provincial Volleyball Championships, 2022 Elite Canada Competition in Rhythmic Gymnastics and BC Wheelchair Basketball National Festival.

National and Provincial Team training that took place during Q4 included the following groups: Volleyball Canada Women's National Excellence Program, Field Hockey Canada Men's Team, Wheelchair Rugby Canada, Badminton BC, Wheelchair Basketball Canada and BC Wheelchair Sport Association.

Governance

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

2021 Audited Financial Statements

Please see attachment #1 for the audited financial statements of the Corporation for the year ended December 31, 2021. The comments below refer to figures included in the audited financial statements.

Independent Auditors Report

The Corporation received an unqualified audit opinion, which means that the auditor has concluded that the financial statements are presented fairly in accordance with Canadian public sector accounting standards.

Statement of Financial Position

The total financial assets of the Corporation were \$13.4M, with liabilities of \$7.5M, and non-financial assets of \$12.8M as of December 31, 2021. The total financial assets of \$13.4M primarily included investments of

$11.6M which represents the Corporation's investments placed through the City, an accounts receivable balance of $0.3M and a cash balance of $1.4M. The total liabilities of $7.5M primarily included accounts payable and accrued liabilities of $1.8M and deferred revenue of $5.6M. The non-financial assets of the Corporation of $12.8M included $12.1M of tangible capital assets and $0.7M of prepaid expenses.

Statement of Operations

The 2021 audited financial statements have a surplus of $1.9M before amortization and transfers to reserves, which represents a favorable variance of $1.7M when compared to budget and an increase of $1.0M compared to the prior year. Total revenues for 2021 were $14.2M, and total expenses in 2021 before amortization were $12.3M.

Rick Dusanj, CPA, CA
Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation

Attachment #1

Financial Statements of

RICHMOND OLYMPIC OVAL CORPORATION

And Independent Auditors' Report thereon

Year ended December 31, 2021

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

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Richmond Olympic Oval Corporation

Opinion

We have audited the financial statements of the Richmond Olympic Oval Corporation (the "Corporation"), which comprise:

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

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2021, 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.

Basis for Opinion

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

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

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the 2021 annual report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the 2021 annual report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 20, 2022

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Financial Position

December 31, 2021, with comparative information for 2020

		2021		2020
Financial Assets				
Cash	$	1,358,636	$	2,107,288
Investments (note 3)		11,576,894		11,610,136
Accounts receivable		331,912		374,632
Due from City of Richmond (note 4)		-		14,756
Inventories held for resale		139,566		154,078
		13,407,008		14,260,890
Liabilities				
Accounts payable and accrued liabilities		1,847,650		1,922,397
Deferred revenue (note 6)		5,624,365		5,495,607
Due to City of Richmond (note 4)		8,515		-
Rental deposits		7,373		7,373
		7,487,903		7,425,377
Net financial assets		5,919,105		6,835,513
Non-Financial Assets				
Tangible capital assets (note 7)		12,146,220		11,687,489
Prepaid expenses and other deposits		702,300		130,025
		12,848,520		11,817,514
Accumulated surplus (note 8)	$	18,767,625	$	18,653,027

Economic dependence (note 12)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Operations

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

	2021 Budget (Note 2(h))	2021	2020
Revenue:			
2010 Games Operating Trust Fund (note 5)	$ 3,725,000	$ 3,928,165	$ 2,957,347
Contribution from City of Richmond (note 10(a))	3,669,885	3,669,885	3,597,926
Memberships, admissions and programs	4,294,411	5,472,453	3,723,781
Other (note 14)	1,320,973	1,135,930	1,475,249
	13,010,269	14,206,433	11,754,303
Expenses:			
Salaries and benefits	8,726,354	8,802,318	7,429,863
Utilities	903,566	919,381	778,798
Amortization	2,000,000	1,738,703	1,668,641
Supplies and equipment	904,019	663,344	805,047
Insurance	500,000	514,280	421,436
General and administration	790,328	516,603	598,856
Marketing	234,314	184,917	197,471
Program services	720,771	704,324	613,350
Professional fees	65,057	47,965	71,872
	14,844,409	14,091,835	12,585,334
Annual surplus (deficit)	(1,834,140)	114,598	(831,031)
Accumulated surplus, beginning of year	18,653,027	18,653,027	19,484,058
Accumulated surplus, end of year	$ 16,818,887	$ 18,767,625	$ 18,653,027

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Changes in Net Financial Assets

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

	2021 Budget	2021	2020
	(Note 2(h))		
Annual surplus (deficit), for the year	$ (1,834,140)	$ 114,598	$ (831,031)
Acquisition of tangible capital assets	(818,100)	(2,200,995)	(2,371,257)
Loss (gain) on sale of tangible capital assets	-	3,561	(500)
Proceeds on sale of tangible capital assets	-	-	500
Amortization of tangible capital assets	2,000,000	1,738,703	1,668,641
	1,181,900	(458,731)	(702,616)
Amortization of deferred lease costs	-	-	14,346
Acquisition of prepaid expenses and other deposits	-	(1,326,451)	(413,635)
Use of prepaid expenses and other deposits	-	754,176	731,415
Change in net financial assets	(652,240)	(916,408)	(1,201,521)
Net financial assets, beginning of year	6,835,513	6,835,513	8,037,034
Net financial assets, end of year	$ 6,183,273	$ 5,919,105	$ 6,835,513

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION
Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	$ 114,598	$ (831,031)
Items not involving cash:		
Amortization of tangible capital assets	1,738,703	1,668,641
Loss (gain) on sale of tangible capital assets	3,561	(500)
Amortization of deferred lease costs	-	14,346
Changes in non-cash operating working capital:		
Accounts receivable	42,720	231,258
Due from (to) the City of Richmond	23,271	139,095
Inventories held for resale	14,512	(22,953)
Prepaid expenses and other deposits	(572,275)	317,780
Accounts payable and accrued liabilities	(74,747)	254,904
Deferred revenue	128,758	(331,401)
	1,419,101	1,440,139
Capital activities:		
Acquisition of tangible capital assets	(2,200,995)	(2,371,257)
Proceeds on sale of tangible capital assets	-	500
	(2,200,995)	(2,370,757)
Investing activities:		
Net redemption of investments	33,242	1,759,494
Increase (decrease) in cash	(748,652)	828,876
Cash, beginning of year	2,107,288	1,278,412
Cash, end of year	$ 1,358,636	$ 2,107,288

See accompanying notes to financial statements.

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").

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and continues to have an impact. This has resulted in Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The economic situation is dynamic and the ultimate duration and magnitude of the impact on the economy and to the Corporation is not fully known at this time. Management will continue to monitor the on-going financial impact on the Corporation.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards.

(b) 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 the 2010 Games Operating Trust (note 5) and when the related operating expenses and capital maintenance costs of the Oval are incurred. Any amounts received but not yet spent are recognized as deferred revenue.

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

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

(c) 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, due from City of Richmond, 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. As there are no financial instruments carried at fair value, the statement of remeasurement gains and losses has not been prepared.

2. Significant accounting policies (continued):

(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.

(*i*) Tangible capital assets:

Tangible capital assets are initially 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 - 10 years
Building improvements	5 years
Computer software and equipment	3 years
Facility equipment	3 years
Infrastructure	40 years
Signage	3 years
Simulators and exhibit fabrication	10 years
Tenant improvements	Term of the lease
Uniforms, ice skates and helmets	3 years

Work-in-progress ("WIP") assets are not amortized until the asset is available for use.

(*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.

(e) 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.

(f) Income taxes:

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

(g) 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.

2. Significant accounting policies (continued):

(h) Budget data:

The budget data presented in these financial statements is based upon the 2021 budget approved by the Board of Directors on February 18, 2021.

(i) 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. Areas requiring the use of management estimates relate to the determination of valuation of accounts receivable and useful lives of tangible capital assets for amortization. Actual results could differ from those estimates. The estimates are reviewed periodically and as adjustments become necessary, they are recorded in surplus (deficit) in the year in which they become known.

(j) 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. Investments:

Investments represent term deposits as follows:

Purchase date	Maturity date	2021	2020
March 25, 2021	March 25, 2022	$ 2,500,000*	$ -
May 25, 2021	May 25, 2022	2,570,383*	-
June 30, 2021	June 30, 2022	2,578,346*	-
July 14, 2021	July 14, 2022	3,928,165*	-
January 14, 2020	January 14, 2021	-	1,582,278*
February 7, 2020	February 8, 2021	-	3,500,000*
May 25, 2020	May 25, 2021	-	3,000,000*
June 30, 2020	June 30, 2021	-	2,527,858*
December 21, 2020	June 21, 2021	-	1,000,000
		$ 11,576,894	$ 11,610,136

The interest rate of the term deposits ranges from 1.00% to 1.50% (2020 - 0.75% to 2.65%).

* Investments held by the City of Richmond on behalf of the Corporation, with income earned fully attributable to the Corporation.

4. Due from/to City of Richmond:

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

5. 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 ("GOT"), 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 GOT, the City, as owner of the Oval, became a beneficiary of the GOT and became responsible for complying with obligations set by the Society and GOT in order to receive funding.

Effective December 31, 2007:

(a) the Society 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 Society 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 the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games ("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:

	2021	2020
2020 annual distributable amount approved and received in 2021	$ 3,928,165	$ -
2019 annual distributable amount approved and received in 2020	-	2,957,347
	$ 3,928,165	$ 2,957,347

6. Deferred revenue:

	2021	2020
Balance, beginning of year	$ 5,495,607	$ 5,827,008
Add: amounts received	6,737,141	4,867,629
Less: revenue recognized	(6,608,383)	(5,199,030)
Balance, end of year	$ 5,624,365	$ 5,495,607

Deferred revenue comprises of:

	2021	2020
Memberships and programs	$ 1,058,726	$ 967,521
Sponsorship fees	73,000	70,683
Sport Hosting funding (note 10(b))	754,223	554,090
Richmond Olympic Experience (note 10(b))	3,738,416	3,903,313
	$ 5,624,365	$ 5,495,607

7. Tangible capital assets:

	Balance December 31, 2020	Additions	Disposals	Balance December 31, 2021
Athletic equipment	$ 3,975,499	$ 76,652	$ (7,122)	$ 4,045,029
Building improvements	2,359,711	620,834	-	2,980,545
Computer software and equipment	3,192,920	331,669	-	3,524,589
Facility equipment	1,283,926	112,020	-	1,395,946
Infrastructure	5,880,940	-	-	5,880,940
Signage	178,527	5,309	-	183,836
Simulators and exhibit fabrication	3,863,512	9,401	-	3,872,913
Tenant improvements	65,729	-	-	65,729
Uniforms, ice skates and helmets	348,249	22,751	-	371,000
WIP projects	1,427,623	1,022,359	-	2,449,982
	$ 22,576,636	$ 2,200,995	$ (7,122)	$ 24,770,509

7. Tangible capital assets (continued):

	Balance December 31, 2020	Amortization expense	Disposals	Balance December 31, 2021
Athletic equipment	$ 2,331,273	$ 299,750	$ (3,561)	$ 2,627,462
Building improvements	1,424,672	446,047	-	1,870,719
Computer software and equipment	2,757,878	290,151	-	3,048,029
Facility equipment	1,142,647	102,894	-	1,245,541
Infrastructure	757,023	147,023	-	904,046
Signage	139,171	16,344	-	155,515
Simulators and exhibit fabrication	1,949,527	411,364	-	2,360,891
Tenant improvements	65,729	-	-	65,729
Uniforms, ice skates and helmets	321,227	25,130	-	346,357
	$ 10,889,147	$ 1,738,703	$ (3,561)	$ 12,624,289

	2021 Net book value	2020 Net book value
Athletic equipment	$ 1,417,567	$ 1,644,226
Building improvements	1,109,826	935,039
Computer software and equipment	476,560	435,042
Facility equipment	150,405	141,279
Infrastructure	4,976,894	5,123,917
Signage	28,321	39,356
Simulators and exhibit fabrication	1,512,022	1,913,985
Uniforms, ice skates and helmets	24,643	27,022
WIP projects	2,449,982	1,427,623
	$ 12,146,220	$ 11,687,489

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.

There was no write-down of tangible capital assets during the year (2020 - nil).

8. Accumulated surplus:

	2021	2020
Accumulated surplus is comprised of:		
Share capital	$ 1	$ 1
Capital reserve	8,100,246	7,809,594
Other reserves/provisions	1,558,557	1,617,318
Operating surplus	605,776	605,050
Invested in tangible capital assets	8,503,045	8,621,064
	$ 18,767,625	$ 18,653,027

9. 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 account receivables and investments. 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.

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.

There have been no changes in risk disclosures since 2020.

10. Related party transactions:

(a) City of Richmond:

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

In 2021, $34,458 (2020 - $244,387) of general and administration and salaries and benefits expenses were charged to the Corporation for the provision of City staff time.

In 2021, $25,000 (2020 - $100,000) of salaries and benefits expenses were charged to the City relating to the costs of the Corporation's staff time for services performed.

10. Related party transactions (continued):

(a) City of Richmond (continued):

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. 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 2021, the Corporation received a contribution from the City of $3,669,885 (2020 - $3,597,926) (note 15).

(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 2021, $325,000 (2020 - $258,804) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2021, $754,223 (2020 - $554,090) has been included in deferred revenue (note 6) and during 2021, $124,867 (2020 - $178,582) was recognized in memberships, admissions, and programs revenue on the statement of operations relating to Sport Hosting.

In previous years, the Corporation received hotel tax funding restricted for the purpose of purchasing tangible capital assets related to the Richmond Olympic Experience project. In order to retain the funding received in prior years, the Corporation must maintain and operate the tangible capital assets purchased with these funds over the life of the tangible capital assets. On an annual basis, the Corporation must provide a report to the City as to the use of the funds and the maintenance and operation of these tangible capital assets. As at year-end, $3,738,416 (2020 - $3,903,313) of the funds restricted for the purchase of tangible capital assets for the Richmond Olympic Experience remains in deferred revenue and the revenue will be recognized over the life of the underlying assets.

11. Pension plan:

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

11. Pension plan (continued):

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 of December 31, 2018, indicated a $2,866,000,000 funding surplus for basic pension benefits on a going concern basis. The next valuation will be as at December 31, 2021, with results available in 2022.

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

The Corporation paid $524,491 (2020 - $514,303) for employer contributions to the Plan in fiscal 2021.

12. Economic dependence:

The Corporation is economically dependent on receiving funding from GOT (note 5) and the City (note 10).

13. Contractual rights:

Contractual rights are right to economic resources arising from contracts or agreements that will result in revenues and assets in the future and are not yet recorded in the financial statements. The Corporation has contractual rights to receive sponsorship revenue and lease revenue over the next four years in the following total amounts:

2022	$ 319,840
2023	38,176
2024	28,487
2025	2,300

In addition, the Corporation receives funding from the City (note 10(a)) and from the GOT (note 5).

14. Other revenue:

Other revenue consists primarily of sponsorship revenue, leasing revenue, parking fees, and interest income.

15. Government transfers:

Government transfers are received for operating and capital activities. During 2021, the Corporation received an operating transfer of $3,669,885 (2020 - $3,597,926) (note 10) from the City.