City of Richmond

Agenda

Finance Committee

Council Chambers, City Hall
6911 No. 3 Road

Monday, May 3, 2021
Immediately following the General Purposes Committee meeting

Pg. # ITEM

MINUTES

FIN-4 ***Motion to adopt the minutes of the meeting of the Finance Committee held on April 6, 2021.***

FIN-6

DELEGATION

1. C.J. James, Engagement Partner, KPMG LLP, and Aanu Adeleye, Senior Manager, KPMG LLP, to present the 2020 Audit findings on the City's financial statements.

FINANCE AND CORPORATE SERVICES DIVISION

2. **2020 CONSOLIDATED FINANCIAL STATEMENTS**
(File Ref. No. 03-0905-01) (REDMS No. 6662721)

FIN-28 See Page **FIN-28** for full report

Designated Speaker: Cindy Gilfillan

STAFF RECOMMENDATION

(1) That the staff report titled, "2020 Consolidated Financial Statements", dated April 16, 2021 from the Acting Director, Finance be received for information; and

(2) That the 2020 City of Richmond Consolidated Financial Statements as presented in Attachment 2 be approved.

RICHMOND PUBLIC LIBRARY

3. **2020 FINANCIAL STATEMENTS FOR THE RICHMOND PUBLIC LIBRARY**
(File Ref. No. 03-0905-01) (REDMS No. 6657206)

FIN-119 See Page **FIN-119** for full report

Designated Speaker: Susan Walters

STAFF RECOMMENDATION

That the 2020 Richmond Public Library audited financial statements for the year ended December 31, 2020, as presented in the attached report from the Chief Librarian, be received for information.

LULU ISLAND ENERGY COMPANY

4. **2020 FINANCIAL STATEMENTS FOR THE LULU ISLAND ENERGY COMPANY**
(File Ref. No. 01-0060-20-LIEC1) (REDMS No. 6655282)

FIN-142 See Page **FIN-142** for full report

Designated Speakers: Jerry Chong and Alen Postolka

STAFF RECOMMENDATION

That the Lulu Island Energy Company report titled "2020 Financial Statements for the Lulu Island Energy Company", dated March 8, 2021, from the Chief Financial Officer, be received for information.

Pg. # ITEM

RICHMOND OLYMPIC OVAL CORPORATION

5. **RICHMOND OLYMPIC OVAL CORPORATION 2020 AUDITED FINANCIAL STATEMENTS**
(File Ref. No.) (REDMS No. 6662612)

FIN-181

See Page **FIN-181** for full report

Designated Speaker: Rick Dusanj

STAFF RECOMMENDATION

That the report on the 2020 Audited Financial Statements for the Richmond Olympic Oval Corporation from the Acting Chief Financial Officer and Interim Senior Manager, Finance & Administration, Richmond Olympic Oval Corporation be received for information.

ADJOURNMENT

City of Richmond

Minutes

Finance Committee

Date:	Tuesday, April 6, 2021
Place:	Council Chambers Richmond City Hall
Present:	Mayor Malcolm D. Brodie, Chair Councillor Chak Au Councillor Carol Day (by teleconference) Councillor Alexa Loo (by teleconference) Councillor Bill McNulty (by teleconference) 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 4:59 p.m.

MINUTES

It was moved and seconded
That the minutes of the meeting of the Finance Committee held on March 1, 2021, be adopted as circulated.

CARRIED

FINANCE AND CORPORATE SERVICES DIVISION

1. **2020 ANNUAL DEVELOPMENT COST CHARGES REPORT**
(File Ref. No.) (REDMS No. 6641301)

It was moved and seconded
That the staff report titled, "2020 Annual Development Cost Charges Report," dated March 11, 2021 from the Acting Director, Finance be received for information.

CARRIED

2. **DEVELOPMENT COST CHARGES IMPOSITION BYLAW ANNUAL INFLATIONARY UPDATE (2021)**
(File Ref. No. 03-0900-01) (REDMS No. 6616651 v. 4)

It was moved and seconded

(1) That the proposed Development Cost Charges Imposition Bylaw No. 9499, Amendment Bylaw No. 10161, as recommended under Option 1 in the staff report titled "Development Cost Charges Imposition Bylaw Annual Inflationary Update (2021)" dated March 8, 2021 from the Acting Director, Finance, be introduced and given first reading; and

(2) That the staff report titled "Development Cost Charges Imposition Bylaw Annual Inflationary Update (2021)" dated March 8, 2021 from the Acting Director, Finance, be endorsed as the basis for public consultation in establishing the amended Development Cost Charge Imposition Bylaw.

CARRIED

3. **2020 ANNUAL PROCUREMENT REPORT**
(File Ref. No. 02-0745-00) (REDMS No. 6617254 v. 3)

It was moved and seconded

That the staff report titled, "2020 Annual Procurement Report", dated April 6, 2021 from the Acting Director of Finance, be received for information.

CARRIED

ADJOURNMENT

It was moved and seconded

That the meeting adjourn (5:01 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 6, 2021.

Mayor Malcolm D. Brodie
Chair

Sarah Goddard
Legislative Services Associate

KPMG

City of Richmond

Audit Findings Report for the year ended December 31, 2020

KPMG LLP

Dated April 15, 2021 for the Finance Committee meeting on May 3, 2021

kpmg.ca/audit

Table of contents

FIN – 7

At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours**.

The contacts at KPMG in connection with this report are:

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

Aanu Adeleye, CPA (Illinois), MBA
Engagement Senior Manager
Tel: 604-527-3746
aadeleye@kpmg.ca

Executive summary

Purpose of this report

The purpose of this Audit Findings 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, 2020. This Audit Findings Report builds on the Audit Plan we provided dated November 4, 2020.

What's new in fiscal 2020 impacting financial reporting

There have been significant changes in fiscal 2020 which impacted financial reporting and our audit:

- COVID-19 pandemic; and
- New auditing standard for estimates.

See pages 5 to 6 further details

Changes from the audit plan

There have been no significant changes regarding our audit from the Audit Planning Report previously provided to you.

Finalizing 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 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 draft financial statements, will be dated upon the completion of any remaining procedures.

Executive summary (continued)

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 7 to 10 for further details.

FIN – 9

Adjustments and differences

Adjustments and differences include disclosure and presentation items. Professional standards require that we request of management and Council that all identified differences be corrected.

Uncorrected differences

We did not identify differences that remain uncorrected.

Corrected adjustments

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

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.

See page 12 for further details.

Control 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 13 for further details.

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, 2020 up to the date of this report.

Current developments

There have been no significant updates to the current developments materials which were provided to you in our Audit Planning Report.

What’s new in 2020 impacting financial reporting

COVID-19 pandemic

Area of impact	Key observations
Risk assessment	– We performed a thorough risk assessment specifically targeted at the impacts of the COVID-19 pandemic as described in our audit plan, which also, included an assessment of fraud risk factors. No issues or additional areas were identified.
Working remotely	– We used virtual work rooms, video conferencing, and internally-shared team sites to collaborate in real-time, both amongst the audit team as well as with management. – We used secure technologies to conduct walkthroughs, perform tests of controls and substantive tests.
Financial reporting	– We obtained an understanding of any changes to process activities and controls that have been implemented due to remote working arrangements. We noted that there were no significant changes to financial processes or controls of the City with respect to financial reporting. – We reviewed management’s assessment of the implications of COVID-19 to the City’s operations and the financial effects. The impacts on financial reporting included: reductions in sales of services revenue, investment income, gaming revenue, other revenues, community services expenses, general government expenses, and planning and development expenses. These impacts have been reflected in the financial statements. We noted that there were no other items of significant impact to the financial statements. – We inquired with management about the performance of the investments held by the City and evaluated whether any indicators of permanent impairment have been identified. We noted there were no indicators of permanent impairment identified. We reviewed investment statements and other information received from the investment manager to determine the impact on portfolio values. – We reviewed the accounting treatment for the COVID-19 Safe Restart grant received by the City and noted that it was appropriately recognized as revenue. We agreed the amount received to the cash received and the grant letter from the Province of BC. – Management has included additional disclosure in the notes to the financial statements (within note 1) with respect to the effect of the COVID-19 pandemic for fiscal year 2020 and the nature of any potential future impact to the City. We reviewed the note disclosure and concur that management has appropriately disclosed the impact of COVID-19 on the City’s operations.

FIN – 10

What's new in 2020 impacting financial reporting (continued)

New auditing standard

Standard	Key observations
CAS 540, Auditing Accounting Estimates and Related Disclosures	- This new audit standard was applied on all estimates within the financial statements that had a risk of material misstatement due to estimation uncertainty and not just "key estimates", "critical accounting estimates", or "estimates with significant risk". - The granularity and complexity of the new standard along with our interpretation of the application of that standard necessitated more planning and discussion and increased involvement of more senior members of the engagement team. - We performed more granular risk assessments based on the elements making up each accounting estimate such as the method, the assumptions used, the data used and the application of the method. - We considered the potential for management bias. - We assessed the degree of uncertainty, complexity, and subjectivity involved in making each accounting estimate to determine the level of audit response. The higher the level of response, the more persuasive the audit evidence was needed. - We performed a retrospective review of the estimate used to determine the prior year valuation of post-employment benefits balance to assess whether the estimation methodology remains appropriate for the 2020 year-end. There were no issues noted in our audit of the estimate of the valuation of post-employment benefits.

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 was identified.

Our audit approach

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 recorded on the financial statements 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 audit approach

Our procedures included:

- 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.

Significant findings

- No issues were noted in the audit testing completed.

FIN – 13

Areas of audit focus (continued)

Area of audit focus	New or changed from Audit Planning Report?	Estimate?
Valuation of post-employment benefits	No	Yes – the actuarial valuation of post-employment benefits. Estimation uncertainty with a risk of material misstatement that was more than remote was identified.

Our audit approach

In addition to the additional procedures noted in the section “What’s new in 2020 impacting financial reporting”, we performed the following procedures:

- We obtained the actuarial report prepared by Mercer (Canada) Limited and agreed the amount recorded in the general ledger to the actuarial 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.

Significant findings

- No issues were noted in the audit testing completed.

FIN – 14

Audit risks

Professional requirements	Why is this significant?
Fraud risk from management override of controls	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our audit approach

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.

Significant findings

There were no significant issues noted in our testing.

Data & Analytics in the audit

We have integrated Data & Analytics ("D&A") into our audit approach. Use of innovative D&A allows us to analyze greater quantities of data, dig deeper and deliver more value from our audit. We believe that D&A improves both the quality and effectiveness of our audit by allowing us to analyze large volumes of financial information quickly, enhancing our understanding of your business as well as enabling us to design procedures that better target risks. We have summarized our use of D&A in the audit as follows:

Area of audit focus	D&A tools and routines	Our results
Duplicate payroll testing	– We used KPMG data analytics software (IDEA) to identify any duplicate payroll payments that may have been made during the year.	We did not identify any instances of duplicate payments in 2020.
Payroll payments processed on weekends	– We used KPMG data analytics software (IDEA) to identify payroll payments processed on weekends.	We did not identify any instances of payroll payments processed on the weekends in 2020.
Journal entry testing	– We used KPMG data analytics software (IDEA) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.	There were no issues noted in our testing.

FIN – 16

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.
- 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.
- As requested by the Ministry of Municipal Affairs and Housing, the supplementary information contained within the 2020 Annual Financial Report includes an unaudited schedule for the COVID-19 Safe Restart Grant received by the City in 2020. The schedule shows the amount of funding received, the eligible costs incurred, and the remaining grant balance at December 31, 2020.

Control and other observations

In accordance with professional standards, we are required to communicate to Council significant deficiencies in internal control over financial reporting ("ICFR") that we identified during our audit.

The purpose of our audit is to express an opinion on the financial statements. Our audit included consideration of ICFR 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 ICFR.

The matters being reported are limited to those deficiencies that we have identified during our audit and that we have concluded are of sufficient importance to merit being reported to Council and to meet professional standards.

We did not note any significant deficiencies in internal controls.

Appendices

Appendix 1: Required communications

Appendix 2: Management representation letter

Appendix 1: Required communications

FIN – 20

Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter provided to management.

Draft auditors' report

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

Independence

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

Management representation letter

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

Audit findings report

Represented by this report.

Appendix 2: Management representation letter

MANAGEMENT REPRESENTATION LETTER

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC, V57Y 1K3
Canada

May __, 2021

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 Entity”) as at and for the period ended December 31, 2020.

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 Entity 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.

i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

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 Entity'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 Entity's ability to continue as a going concern.

Other information:

11) We confirm that the final version of the 2020 annual report will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your audit procedures in accordance with professional standards.

Non-SEC registrants or non-reporting issuers:

12) We confirm that the Entity 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).

13) We also confirm that the financial statements of the Entity 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:

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

15) 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,

____

Mr. Jerry Chong, Director of Finance

____

Ms. 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.

kpmg.ca/audit

City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	April 16, 2021
From:	Ivy Wong Acting Director, Finance, CPA, CMA	**File:**	03-0905-01/2021-Vol 01
Re:	**2020 Consolidated Financial Statements**		

Staff Recommendation

1. That the staff report titled, "2020 Consolidated Financial Statements", dated April 16, 2021 from the Acting Director, Finance be received for information; and

2. That the 2020 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	

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 2019 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, 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. The complete Audit Findings Report is attached as Appendix 1.

The annual financial statements and the auditor's report for the year ended December 31, 2020 are attached as Appendix 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 2020 audited consolidated financial statements.

Financial Impact

None.

Conclusion

The City's audited consolidated financial statements for 2020 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. 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, 2020
2: 2020 City of Richmond Consolidated Financial Statements
3: 2020 Financial Statement Discussion and Analysis

Attachment 1

KPMG

City of Richmond

Audit Findings Report for the year ended December 31, 2020

KPMG LLP

Dated April 15, 2021 for the Finance Committee meeting on May 3, 2021

kpmg.ca/audit

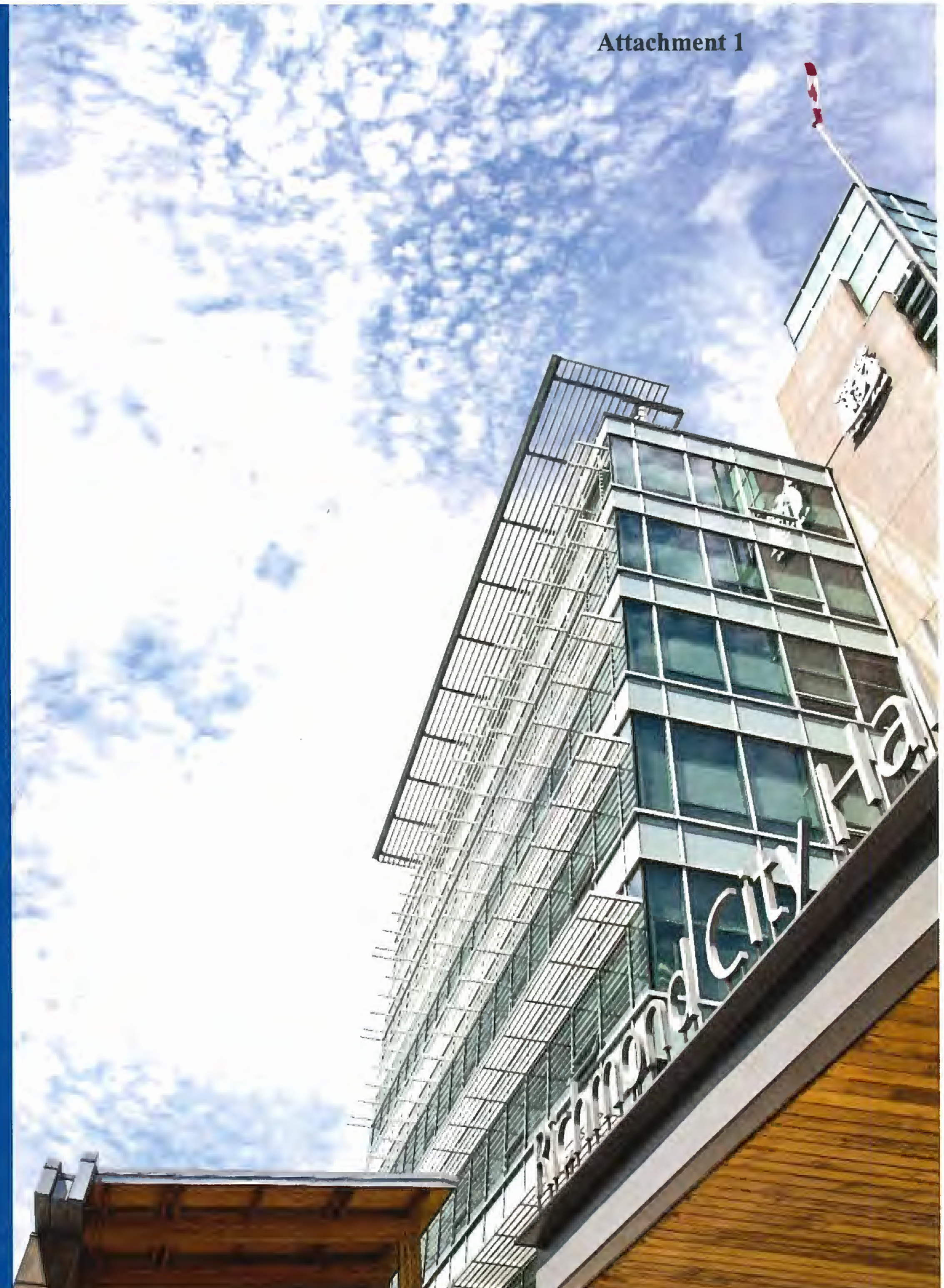

Table of contents

At KPMG, we are **passionate** about earning your **trust**. We take deep **personal accountability**, individually and as a team, to deliver **exceptional service and value** in all our dealings with you.

At the end of the day, we measure our success from the **only perspective that matters – yours**.

The contacts at KPMG in connection with this report are:

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Engagement Partner
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cjjames@kpmg.ca

Aanu Adeleye, CPA (Illinois), MBA
Engagement Senior Manager
Tel: 604-527-3746
aadeleye@kpmg.ca

Executive summary

Purpose of this report

The purpose of this Audit Findings 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, 2020. This Audit Findings Report builds on the Audit Plan we provided dated November 4, 2020.

What's new in fiscal 2020 impacting financial reporting

There have been significant changes in fiscal 2020 which impacted financial reporting and our audit:

- COVID-19 pandemic; and
- New auditing standard for estimates.

See pages 5 to 6 further details

Changes from the audit plan

There have been no significant changes regarding our audit from the Audit Planning Report previously provided to you.

Finalizing 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 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 draft financial statements, will be dated upon the completion of any remaining procedures.

Executive summary (continued)

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 7 to 10 for further details.

Adjustments and differences

Adjustments and differences include disclosure and presentation items. Professional standards require that we request of management and Council that all identified differences be corrected.

Uncorrected differences

We did not identify differences that remain uncorrected.

Corrected adjustments

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

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.

See page 12 for further details.

Control 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 13 for further details.

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, 2020 up to the date of this report.

Current developments

There have been no significant updates to the current developments materials which were provided to you in our Audit Planning Report.

What's new in 2020 impacting financial reporting

COVID-19 pandemic

Area of impact	Key observations
Risk assessment	– We performed a thorough risk assessment specifically targeted at the impacts of the COVID-19 pandemic as described in our audit plan, which also, included an assessment of fraud risk factors. No issues or additional areas were identified.
Working remotely	– We used virtual work rooms, video conferencing, and internally-shared team sites to collaborate in real-time, both amongst the audit team as well as with management. – We used secure technologies to conduct walkthroughs, perform tests of controls and substantive tests.
Financial reporting	– We obtained an understanding of any changes to process activities and controls that have been implemented due to remote working arrangements. We noted that there were no significant changes to financial processes or controls of the City with respect to financial reporting. – We reviewed management's assessment of the implications of COVID-19 to the City's operations and the financial effects. The impacts on financial reporting included: reductions in sales of services revenue, investment income, gaming revenue, other revenues, community services expenses, general government expenses, and planning and development expenses. These impacts have been reflected in the financial statements. We noted that there were no other items of significant impact to the financial statements. – We inquired with management about the performance of the investments held by the City and evaluated whether any indicators of permanent impairment have been identified. We noted there were no indicators of permanent impairment identified. We reviewed investment statements and other information received from the investment manager to determine the impact on portfolio values. – We reviewed the accounting treatment for the COVID-19 Safe Restart grant received by the City and noted that it was appropriately recognized as revenue. We agreed the amount received to the cash received and the grant letter from the Province of BC. – Management has included additional disclosure in the notes to the financial statements (within note 1) with respect to the effect of the COVID-19 pandemic for fiscal year 2020 and the nature of any potential future impact to the City. We reviewed the note disclosure and concur that management has appropriately disclosed the impact of COVID-19 on the City's operations.

What's new in 2020 impacting financial reporting (continued)

New auditing standard

Standard	Key observations
CAS 540, Auditing Accounting Estimates and Related Disclosures	- This new audit standard was applied on all estimates within the financial statements that had a risk of material misstatement due to estimation uncertainty and not just "key estimates", "critical accounting estimates", or "estimates with significant risk". - The granularity and complexity of the new standard along with our interpretation of the application of that standard necessitated more planning and discussion and increased involvement of more senior members of the engagement team. - We performed more granular risk assessments based on the elements making up each accounting estimate such as the method, the assumptions used, the data used and the application of the method. - We considered the potential for management bias. - We assessed the degree of uncertainty, complexity, and subjectivity involved in making each accounting estimate to determine the level of audit response. The higher the level of response, the more persuasive the audit evidence was needed. - We performed a retrospective review of the estimate used to determine the prior year valuation of post-employment benefits balance to assess whether the estimation methodology remains appropriate for the 2020 year-end. There were no issues noted in our audit of the estimate of the valuation of post-employment benefits.

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 was identified.

Our audit approach

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 recorded on the financial statements 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 audit approach

Our procedures included:

- 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.

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?
Valuation of post-employment benefits	No	Yes – the actuarial valuation of post-employment benefits. Estimation uncertainty with a risk of material misstatement that was more than remote was identified.

Our audit approach

In addition to the additional procedures noted in the section "What's new in 2020 impacting financial reporting", we performed the following procedures:

- We obtained the actuarial report prepared by Mercer (Canada) Limited and agreed the amount recorded in the general ledger to the actuarial 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.

Significant findings

- No issues were noted in the audit testing completed.

Audit risks

Professional requirements	Why is this significant?
Fraud risk from management override of controls	This is a presumed fraud risk. We have not identified any specific additional risks of management override relating to this audit.

Our audit approach

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.

Significant findings

There were no significant issues noted in our testing.

FIN – 40

Data & Analytics in the audit

We have integrated Data & Analytics ("D&A") into our audit approach. Use of innovative D&A allows us to analyze greater quantities of data, dig deeper and deliver more value from our audit. We believe that D&A improves both the quality and effectiveness of our audit by allowing us to analyze large volumes of financial information quickly, enhancing our understanding of your business as well as enabling us to design procedures that better target risks. We have summarized our use of D&A in the audit as follows:

Area of audit focus	D&A tools and routines	Our results
Duplicate payroll testing	– We used KPMG data analytics software (IDEA) to identify any duplicate payroll payments that may have been made during the year.	We did not identify any instances of duplicate payments in 2020.
Payroll payments processed on weekends	– We used KPMG data analytics software (IDEA) to identify payroll payments processed on weekends.	We did not identify any instances of payroll payments processed on the weekends in 2020.
Journal entry testing	– We used KPMG data analytics software (IDEA) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.	There were no issues noted in our testing.

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.
- 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.
- As requested by the Ministry of Municipal Affairs and Housing, the supplementary information contained within the 2020 Annual Financial Report includes an unaudited schedule for the COVID-19 Safe Restart Grant received by the City in 2020. The schedule shows the amount of funding received, the eligible costs incurred, and the remaining grant balance at December 31, 2020.

Control and other observations

In accordance with professional standards, we are required to communicate to Council significant deficiencies in internal control over financial reporting ("ICFR") that we identified during our audit.

The purpose of our audit is to express an opinion on the financial statements. Our audit included consideration of ICFR 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 ICFR.

The matters being reported are limited to those deficiencies that we have identified during our audit and that we have concluded are of sufficient importance to merit being reported to Council and to meet professional standards.

We did not note any significant deficiencies in internal controls.

Appendices

Appendix 1: Required communications

Appendix 2: Management representation letter

Appendix 1: Required communications

Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter provided to management.

Draft auditors' report

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

Independence

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

Management representation letter

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

Audit findings report

Represented by this report.

Appendix 2: Management representation letter

MANAGEMENT REPRESENTATION LETTER

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC, V57Y 1K3
Canada

May __, 2021

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 Entity") as at and for the period ended December 31, 2020.

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 Entity 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.

i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the entity, did not intervene in the work the internal auditors performed for you.

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 Entity'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 Entity's ability to continue as a going concern.

Other information:

11) We confirm that the final version of the 2020 annual report will be provided to you when available, and prior to issuance by the Entity, to enable you to complete your audit procedures in accordance with professional standards.

Non-SEC registrants or non-reporting issuers:

12) We confirm that the Entity 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).

13) We also confirm that the financial statements of the Entity 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:

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

15) 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,

____

Mr. Jerry Chong, Director of Finance

____

Ms. 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.

kpmg.ca/audit

KPMG

Attachment 2

Consolidated Financial Statements of

CITY OF RICHMOND

And Independent Auditors' Report thereon

Year ended December 31, 2020

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 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, 2020;
- 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, 2020, 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
May __, 2021

CITY OF RICHMOND

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

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash and cash equivalents	$ 530,034	$ 389,564
Investments (note 3)	834,010	830,896
Investment in Lulu Island Energy Company ("LIEC") (note 4)	32,736	31,414
Accrued interest receivable	9,697	7,781
Accounts receivable (note 5)	21,521	28,407
Taxes receivable	14,419	11,033
Development fees receivable	28,517	21,144
Debt reserve fund - deposits (note 6)	508	508
	1,471,442	1,320,747
Liabilities		
Accounts payable and accrued liabilities (note 7)	192,096	107,590
Development cost charges (note 8)	221,151	197,671
Deposits and holdbacks (note 9)	97,445	117,364
Deferred revenue (note 10)	49,024	64,362
Debt, net of MFA sinking fund deposits (note 11)	22,741	27,891
	582,457	514,878
Net financial assets	888,985	805,869
Non-Financial Assets		
Tangible capital assets (note 12)	2,488,139	2,427,798
Inventory of materials and supplies	4,285	2,961
Prepaid expenses	2,797	2,714
	2,495,221	2,433,473
Accumulated surplus (note 13)	$ 3,384,206	$ 3,239,342

Contingent demand notes (note 6)
Commitments and contingencies (note 18)

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, 2020, with comparative information for 2019

	2020 Budget (notes 2(p) and 24)	2020	2019
Revenue:			
Taxation and levies (note 20)	$ 239,357	$ 239,991	$ 230,198
Utility fees	115,210	114,335	111,472
Sales of services	43,876	29,090	42,747
Payments-in-lieu of taxes	14,841	16,820	16,277
Provincial and federal grants	9,988	16,953	10,687
Development cost charges (note 8)	29,111	16,737	13,802
Other capital funding sources	66,274	71,051	39,028
Other revenue:			
Investment income	18,562	20,175	25,142
Gaming revenue	14,500	2,705	15,140
Licenses and permits	11,435	19,407	13,030
Other (note 21)	12,764	30,466	62,785
Equity income in LIEC (note 4)	1,311	1,322	1,634
	577,229	579,052	581,942
Expenses:			
Community safety	118,205	112,895	106,209
Utilities: water, sewer and sanitation	104,763	102,824	98,653
Engineering, public works and project development	78,618	75,314	80,940
Community services	71,936	50,833	67,522
General government	63,786	51,495	55,689
Planning and development	24,342	19,201	48,104
Richmond Olympic Oval	17,120	12,586	15,972
Richmond Public Library	11,095	9,040	10,601
	489,865	434,188	483,690
Annual surplus	87,364	144,864	98,252
Accumulated surplus, beginning of year	3,239,342	3,239,342	3,141,090
Accumulated surplus, end of year	$ 3,326,706	$ 3,384,206	$ 3,239,342

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, 2020, with comparative information for 2019

	2020 Budget (notes 2(p) and 24)	2020	2019
Annual surplus for the year	$ 87,364	$ 144,864	$ 98,252
Acquisition of tangible capital assets	(169,105)	(70,726)	(93,154)
Contributed tangible capital assets	(50,000)	(58,240)	(28,867)
Amortization of tangible capital assets	63,236	66,254	64,228
Net gain on disposal of tangible capital assets	-	(6,136)	(17,637)
Proceeds on sale of tangible capital assets	-	8,507	19,326
	(68,505)	84,523	42,148
Acquisition of inventory of materials and supplies	-	(4,285)	(2,961)
Acquisition of prepaid expenses	-	(2,797)	(2,714)
Consumption of inventory of materials and supplies	-	2,961	3,602
Use of prepaid expenses	-	2,714	2,673
Change in net financial assets	(68,505)	83,116	42,748
Net financial assets, beginning of year	805,869	805,869	763,121
Net financial assets, end of year	$ 737,364	$ 888,985	$ 805,869

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 144,864	$ 98,252
Items not involving cash:		
Amortization of tangible capital assets	66,254	64,228
Net gain on disposal of tangible capital assets	(6,136)	(17,637)
Contributions of tangible capital assets	(58,240)	(28,867)
Equity income in LIEC	(1,322)	(1,634)
Change in non-cash operating working capital:		
Accrued interest receivable	(1,916)	(338)
Accounts receivable	6,886	744
Taxes receivable	(3,386)	811
Development fees receivable	(7,373)	4,401
Inventory of materials and supplies	(1,324)	641
Prepaid expenses	(83)	(41)
Accounts payable and accrued liabilities	84,506	12,359
Development cost charges	23,480	38,789
Deposits and holdbacks	(19,919)	3,744
Deferred revenue	(15,338)	(3,002)
Net change in cash from operating activities	210,953	172,450
Capital activities:		
Cash used to acquire tangible capital assets	(70,726)	(93,154)
Proceeds on disposal of tangible capital assets	8,507	19,326
Net change in cash from capital activities	(62,219)	(73,828)
Financing activities:		
Repayments of debt	(5,150)	(4,951)
Investing activities:		
Net sale (purchase) of investments	(3,114)	174,032
Net change in cash	140,470	267,703
Cash and cash equivalents, beginning of year	389,564	121,861
Cash and cash equivalents, end of year	$ 530,034	$ 389,564

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. 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. This affected both revenues and expenses for the City and included mitigation measures to reduce the overall financial impact. The primary impact was on parks, recreation and facilities as well as corporate services, bylaw enforcement and fire/rescue. 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.

(*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.

2. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

(*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.

(g) Accounts receivable:

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

2. Significant accounting policies (continued):

(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.

(*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.

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(*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.

(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.

2. Significant accounting policies (continued):

(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 (2020-2024) ("Consolidated Financial Plan") and was adopted through Bylaw No. 10183 on May 11, 2020.

(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;

(Tabular amounts expressed in thousands of dollars)

2. Significant accounting policies (continued):

(q) Contaminated sites:

(*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.

3. Investments:

	2020		2019	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	$ 339,607	$ 339,695	$ 409,759	$ 409,874
Government and government guaranteed bonds	326,838	334,579	192,314	194,229
Municipal Finance Authority pooled investment fund	-	-	47,306	46,123
Other bonds	167,565	171,729	181,517	182,039
	$ 834,010	$ 846,003	$ 830,896	$ 832,265

(Tabular amounts expressed in thousands of dollars)

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:

	2020	2019
Cash, cash equivalents, and investments	$ 12,619	$ 11,826
Accounts receivable	3,034	1,303
Tangible capital assets	37,360	33,412
Total assets	53,013	46,541
Accounts payable and accrued liabilities	1,792	778
Deferred contributions	7,352	6,183
Concession liability	11,133	8,166
Total liabilities	20,277	15,127
Shareholder's equity	$ 32,736	$ 31,414
Total revenue	$ 5,591	$ 5,295
Total expenses	4,269	3,661
Net income	$ 1,322	$ 1,634

Included in accounts payable and accrued liabilities in the City's consolidated statement of financial position are payables to LIEC in the amount of $323,020 (2019 - $136,168).

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 (2019 - $18.2 million).

(Tabular amounts expressed in thousands of dollars)

5. Accounts receivable:

	2020	2019
Water and sewer utilities	$ 11,760	$ 13,671
Casino revenue	-	3,903
Capital grants	4,278	1,291
Other trade receivables	5,483	9,542
	$ 21,521	$ 28,407

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, 2020 are as follows:

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

7. Accounts payable and accrued liabilities:

	2020	2019
Trade and other liabilities	$ 156,975	$ 73,403
Post-employment benefits (note 15)	35,121	34,187
	$ 192,096	$ 107,590

(Tabular amounts expressed in thousands of dollars)

8. Development cost charges:

	2020	2019
Balance, beginning of year	$ 197,671	$ 158,882
Contributions	36,800	48,740
Interest	3,417	3,851
Revenue recognized	(16,737)	(13,802)
Balance, end of year	$ 221,151	$ 197,671

9. Deposits and holdbacks:

	Balance December 31, 2019	Deposit contributions/ interest earned	Refund/ expenditures	Balance December 31, 2020
Security deposits	$ 94,164	$ 16,981	$ (36,168)	$ 74,977
Developer contributions	7,535	262	-	7,797
Contract holdbacks	5,417	2,525	(2,675)	5,267
Other	10,248	5,049	(5,893)	9,404
	$ 117,364	$ 24,817	$ (44,736)	$ 97,445

10. Deferred revenue:

	Balance December 31, 2019	Externally restricted inflows	Revenue earned	Balance December 31, 2020
Taxes and utilities	$ 22,836	$ 23,221	$ (22,836)	$ 23,221
Building permits/development	19,845	6,879	(12,607)	14,117
Oval	1,434	4,868	(5,086)	1,216
Capital grants	10,852	4,489	(13,122)	2,219
Business licenses	2,651	2,211	(2,259)	2,603
Parking easement/leased land	2,441	43	(53)	2,431
Other	4,303	2,267	(3,353)	3,217
	$ 64,362	$ 43,978	$ (59,316)	$ 49,024

(Tabular amounts expressed in thousands of dollars)

11. Debt, net of MFA sinking fund deposits:

The interest rate for the year ended December 31, 2020 on the principal amount of the MFA debenture was 3.30% (2019 - 3.30%) per annum. Interest expense incurred for the year on the long-term debt was $1,676,895 (2019 - $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 2020	Net debt 2019
General Fund	$ 50,815	$ 28,074	$ 22,741	$ 27,891

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

2021	$ 5,355
2022	5,570
2023	5,792
2024	6,024
	$ 22,741

CITY OF RICHMOND

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

Year ended December 31, 2020

12. Tangible capital assets:

Cost	Balance December 31, 2019	Additions and transfers	Disposals	Balance December 31, 2020
Land	$ 1,017,563	$ 44,263	$ (1,646)	$ 1,060,180
Building and building improvements	487,241	68,925	(3,542)	552,624
Infrastructure	1,800,891	36,128	(2,531)	1,834,488
Vehicles, machinery and equipment	149,885	10,742	(2,463)	158,164
Library's collections, furniture and equipment	9,938	748	(741)	9,945
Assets under construction	115,432	(31,840)	-	83,592
	$ 3,580,950	$ 128,966	$ (10,923)	$ 3,698,993

Accumulated amortization	Balance December 31, 2019	Disposals	Amortization expense	Balance December 31, 2020
Building and building improvements	$ 202,309	$ (3,039)	$ 18,072	$ 217,342
Infrastructure	849,992	(2,417)	36,694	884,269
Vehicles, machinery and equipment	94,088	(2,355)	10,426	102,159
Library's collections, furniture and equipment	6,763	(741)	1,062	7,084
	$ 1,153,152	$ (8,552)	$ 66,254	$ 1,210,854

Net book value	December 31, 2020	December 31, 2019
Land	$ 1,060,180	$ 1,017,563
Buildings and building improvements	335,282	284,932
Infrastructure	950,219	950,899
Vehicles, machinery and equipment	56,005	55,797
Library's collection, furniture and equipment	2,861	3,175
Assets under construction	83,592	115,432
Balance, end of year	$ 2,488,139	$ 2,427,798

(Tabular amounts expressed in thousands of dollars)

12. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of $83,592,534 (2019 - $115,432,086) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is $58,239,544 (2019 - $28,866,769) comprised of land in the amount of $38,682,057 (2019 - $14,665,393), infrastructure in the amount of $16,979,272 (2019 - $14,191,349), buildings in the amount of $2,578,215 (2019 - nil), and no library collections in 2020 (2019 - $10,027).

(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 2020 (2019 - $1,754,513).

13. Accumulated surplus:

	General and Reserve Funds	Waterworks Utility Fund	Sewerworks Utility Fund	Richmond Olympic Oval	Library	2020 Total	2019 Total
Investment in tangible capital assets	$ 2,450,559	$ -	$ -	$ 8,621	$ 2,862	$ 2,462,042	$ 2,397,476
Reserves (note 14)	601,723	-	-	7,810	-	609,533	557,576
Appropriated surplus	222,156	18,800	10,182	1,617	1,035	253,790	224,052
Investment in LIEC	32,736	-	-	-	-	32,736	31,414
Surplus	12,529	407	6,293	605	2,140	21,974	25,994
Other equity	4,131	-	-	-	-	4,131	2,830
Balance, end of year	$ 3,323,834	$19,207	$16,475	$ 18,653	$ 6,037	$ 3,384,206	$ 3,239,342

(Tabular amounts expressed in thousands of dollars)

14. Reserves:

	Balance, December 31, 2019	Change during year	Balance, December 31, 2020
Affordable housing	$ 11,705	$ 545	$ 12,250
Arts, culture and heritage	3,726	(5)	3,721
Capital building and infrastructure	100,686	10,842	111,528
Capital reserve	171,976	50,802	222,778
Capstan station	32,318	(20,841)	11,477
Child care development	8,922	1,133	10,055
Community legacy and land replacement	1,310	77	1,387
Drainage improvement	55,645	4,952	60,597
Equipment replacement	20,203	2,374	22,577
Hamilton area plan community amenity	1,720	1,042	2,762
Leisure facilities	17,676	421	18,097
Local improvements	7,327	132	7,459
Neighborhood improvement	7,860	59	7,919
Oval	8,856	(1,046)	7,810
Public art program	4,858	(276)	4,582
Sanitary sewer	47,731	1,172	48,903
Steveston off-street parking	325	6	331
Steveston road ends	150	3	153
Waterfront improvement	202	(7)	195
Watermain replacement	54,380	572	54,952
	$ 557,576	$ 51,957	$ 609,533

15. Post-employment benefits:

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

	2020	2019
Accrued benefit obligation, beginning of year	$ 35,184	$ 28,423
Current service cost	2,446	1,881
Interest cost	853	954
Past service cost	-	3,155
Benefits paid	(2,262)	(1,953)
Actuarial loss (gain)	(807)	2,724
Accrued benefit obligation, end of year	$ 35,414	$ 35,184

(Tabular amounts expressed in thousands of dollars)

15. Post-employment benefits (continued):

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2019 and has been extrapolated by the actuary to December 31, 2020. This actuarial loss is being amortized over a period equal to the employees' expected average remaining service lifetime of 10 years.

	2020	2019
Accrued benefit obligation, end of year	$ 35,414	$ 35,184
Unamortized net actuarial loss	(293)	(997)
Accrued benefit liability, end of year	$ 35,121	$ 34,187

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

	2020	2019
Discount rate	2.00%	2.40%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary range increases	2.50% to 3.00%	2.50% to 3.00%

16. 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, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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)

16. 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 $13,343,310 (2019 - $13,251,994) for employer contributions while employees contributed $11,199,779 (2019 - $11,120,458) to the plan in fiscal 2020.

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.

17. 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, 2020. Contingent assets are not recorded in the consolidated financial statements.

In 2019, the City had requested payment from the Office of the Minister of Public Services and Procurement Canada, for outstanding payments-in-lieu of taxes in the amount of $11,139,593. As of December 31, 2020 and 2019, collectability of the requested amount is not determinable and has not been accrued for in the City's 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:

2021	$ 16,229
2022	12,957
2023	4,613
2024	3,639
2025	2,335
Thereafter	8,325

(Tabular amounts expressed in thousands of dollars)

17. Contingent assets and contractual rights (continued):

(b) Contractual rights (continued):

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.

18. Commitments and contingencies:

(a) Joint and several liabilities:

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

(b) Lease payments:

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

2021	$ 2,736
2022	2,587
2023	2,574
2024	2,389
2025	2,084
Thereafter	3,385

(c) Litigation:

As at December 31, 2020, 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)

18. 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 35 Class A and 20 Class B shares issued and outstanding as at December 31, 2020). 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.

19. 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.

	2020	2019
Richmond Community Associations	$ 1,909	$ 1,877

(Tabular amounts expressed in thousands of dollars)

20. Taxation and levies:

	2020	2019
Taxes collected:		
Property taxes	$ 413,302	$ 463,679
Payment-in-lieu of taxes and grants	22,375	27,597
Local improvement levies	88	88
	435,765	491,364
Less transfers to other authorities:		
Province of British Columbia – School taxes	(123,333)	(190,650)
TransLink	(41,992)	(40,800)
Metro Vancouver	(7,267)	(7,224)
BC Assessment Authority	(6,286)	(6,185)
Other	(29)	(30)
	(178,907)	(244,889)
Less payment-in-lieu of taxes retained by the City	(16,867)	(16,277)
	$ 239,991	$ 230,198

21. Other revenue:

	2020	2019
Developer contributions	$ 9,044	$ 27,394
Tangible capital assets gain on sale of land	6,513	18,205
Penalties and fines	3,180	4,303
Parking program	1,204	2,091
Other	10,525	10,792
	$ 30,466	$ 62,785

(Tabular amounts expressed in thousands of dollars)

22. Government transfers:

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

	2020	2019
Operating		
Province of British Columbia	$ 17,534	$ 20,602
TransLink	546	3,666
Government of Canada	1,579	1,560
Capital		
Province of British Columbia	9,965	3,968
TransLink	2,125	1,010
Government of Canada	-	4,056
	$ 31,749	$ 34,862

23. 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.

23. 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.

(Tabular amounts expressed in thousands of dollars)

23. 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	$ -	$ -	$ -	$ -	$ 239,991	$ -	$ 239,991
User fees	-	101,246	13,089	-	-	-	114,335
Sales of services	6,255	1,956	2,718	4,113	8,032	2,280	25,354
Payments-in-lieu of taxes	-	-	-	-	16,820	-	16,820
Provincial and federal grants	125	-	546	100	12,717	131	13,619
Development cost charges	-	1,657	1,932	3,346	2,202	7,600	16,737
Other capital funding sources	11	3,510	22,973	162	38,682	5,713	71,051
Other revenue:							
Investment income	-	427	-	-	19,727	-	20,154
Gaming revenue	-	-	-	-	2,705	-	2,705
Licenses and permits	4,539	30	566	-	15	14,257	19,407
Other	1,812	3,555	774	488	22,114	165	28,908
Equity income	-	-	-	-	1,322	-	1,322
	12,742	112,381	42,598	8,209	364,327	30,146	570,403
Expenses:							
Wages and salaries	47,927	12,928	26,114	25,612	26,471	11,963	151,015
Public works maintenance	34	6,585	5,571	1,984	(1,453)	618	13,339
Contract services	58,771	9,658	5,086	2,339	3,798	1,619	81,271
Supplies and materials	2,943	35,076	1,096	9,827	9,665	886	59,493
Interest and finance	73	26,894	4	74	2,729	2	29,776
Transfer from (to) capital for tangible capital assets	(46)	2,612	6,990	1,864	459	1,883	13,762
Amortization of tangible capital assets	3,190	9,061	30,327	8,987	9,761	2,197	63,523
Loss (gain) on disposal of tangible capital assets	3	10	126	146	65	33	383
	112,895	102,824	75,314	50,833	51,495	19,201	412,562
Annual surplus (deficit)	**$ (100,153)**	**$ 9,557**	**$ (32,716)**	**$ (42,624)**	**$ 312,832**	**$ 10,945**	**$ 157,841**

CITY OF RICHMOND

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

Year ended December 31, 2020

23. Segmented reporting (continued):

	Total City subtotal	Richmond Olympic Oval	Richmond Public Library	2020 Consolidated	2019 Consolidated
Revenue:					
Taxation and levies	$ 239,991	$ -	$ -	$ 239,991	$ 230,198
User fees	114,335	-	-	114,335	111,472
Sales of services	25,354	3,724	12	29,090	42,747
Payments-in-lieu of taxes	16,820	-	-	16,820	16,277
Provincial and federal grants	13,619	2,957	377	16,953	10,687
Development cost charges	16,737	-	-	16,737	13,802
Other capital funding sources	71,051	-	-	71,051	39,028
Other revenue:					
Investment income	20,154	-	21	20,175	25,142
Gaming revenue	2,705	-	-	2,705	15,140
Licenses and permits	19,407	-	-	19,407	13,030
Other	28,908	1,475	83	30,466	62,785
Equity income	1,322	-	-	1,322	1,634
	570,403	8,156	493	579,052	581,942
Expenses:					
Wages and salaries	151,015	7,430	6,343	164,788	177,363
Public works maintenance	13,339	-	4	13,343	15,299
Contract services	81,271	-	371	81,642	79,098
Supplies and materials	59,493	3,487	1,457	64,437	68,801
Interest and finance	29,776	-	3	29,779	26,089
Transfer from (to) capital for tangible capital assets	13,762	-	(194)	13,568	52,244
Amortization of tangible capital assets	63,523	1,669	1,062	66,254	64,228
Loss (gain) on disposal of tangible capital assets	383	-	(6)	377	568
	412,562	12,586	9,040	434,188	483,690
Annual surplus (deficit)	**$ 157,841**	**$ (4,430)**	**$ (8,547)**	**$ 144,864**	**$ 98,252**

(Tabular amounts expressed in thousands of dollars)

24. Budget data:

The budget data presented in these consolidated financial statements is based on the Consolidated Financial Plan adopted by Council on May 11, 2020. The table below reconciles the adopted Consolidated Financial Plan to the budget amounts reported in these consolidated financial statements.

	Financial plan Bylaw No. 10183	Financial statement budget
Consolidated financial plan:		
Revenue	$ 577,229	$ 577,229
Expenses	489,865	489,865
	87,364	87,364
Annual surplus	-	-
Less:		
Acquisition of tangible capital assets	(477,714)	-
Contributed tangible capital assets	(50,000)	-
Transfer to reserves	(74,424)	-
Debt principal	(5,149)	-
Add:		
Capital funding	499,513	-
Transfer from surplus	20,410	-
Annual surplus	$ -	$ 87,364

CITY OF RICHMOND

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

Year ended December 31, 2020

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. A schedule will continue to be reported annually until funds are fully drawn down.

		2020
Safe Restart Grant received	$	9,331
Total eligible costs incurred		-
Balance December 31, 2020	$	9,331

Attachment 3

2020 | City of Richmond

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

Prepared by Management

To be read in conjunction with the 2020 Financial Statements

Richmond

6662728

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, 2020 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 2020 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 2019.
- **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 2020 allowing for flexibility and financial sustainability into the future.

- Financial Assets increased by \$150.7M to \$1.5B
- Liabilities increased by \$67.6M to \$582.5M
- Net financial assets increased by \$83.1M to \$889.0M
- Non-financial assets increased by \$61.7M to \$2.5B
- Accumulated surplus increased by \$144.9M to \$3.4B

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 and cash equivalents

Cash increased by $140.5M to $530.0M mainly due to the increased balances in liabilities and reserves. The residual in cash was invested in short-term products to optimize the overall interest yields due to the inversion of the yield curve.

Investments

Investments increased slightly by $3.1M to $834.0M due to the City's yield enhancement strategy by investing in short-term products, which are classified as cash and cash equivalents.

Investment Portfolio by Type ($000's)

	Short-term notes and deposits	Government and Government Guaranteed Bonds	MFA pooled investments	Other bonds	Total Investments
2019	409,759	192,314	47,306	181,517	830,896
2020	339,607	326,838	-	167,565	834,010

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 $32.7M (2019 – $31.4M).

Accrued interest receivable

Accrued interest receivable increased by $1.9M to $9.7M due to the increase in the City's cash and investment balances.

Accounts receivable

Accounts receivable decreased by $6.9M to $21.5M primarily due to reduced casino revenues and reduced Public Works receivable activity.

Accounts Receivable ($000's)	**2020**	**2019**	**Change**
Water and sewer utilities	$ 11,760	$ 13,671	$(1,911)
Casino revenues	0	3,903	(3,903)
Capital grants	4,277	1,291	2,986
Other trade receivables	5,484	9,542	(4,058)
Total	$ 21,521	$ 28,407	$ (6,886)

Taxes receivable

Taxes receivable increased by $3.3M to $14.4M due to the timing of collections, likely impacted by the COVID-19 pandemic.

6662728

Financial Assets

Development fees receivable

Development fees receivable increased by $7.4M to $28.5M due to development activity and the 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 2020 was $11.9M less than 2019. The increase in 2019 was a result of large multi-family developments.

Debt reserve fund - deposits

The debt reserve fund balance of $0.5M did not change from 2019, as the City did not receive payments from the Municipal Finance Authority (MFA) during 2020.

6662728

Liabilities

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by $84.5M to $192.1M. The increase is mainly attributable to the timing of the payment for the RCMP contract and the extension granted by the Province for the school tax remittance.

Development cost charges

The DCC balance of $221.1M (2019 - $197.7M) is restricted by Section 559 of the *Local Government Act* and may only be used on authorized capital expenditures.

Net contributions of $36.8M and interest earned of $3.4M were received in 2020. The balance was offset by $12.8M for capital project expenses funded by DCC during the year.

Development Cost Charges ($000's)	**2020**	**2019**	**Change**
Balance, beginning of year	$ 197,671	$ 158,882	$ 38,789
Contributions	36,800	48,740	(11,940)
Interest	3,417	3,851	(434)
Revenue recognized	(16,737)	(13,802)	(2,935)
Balance, end of year	$ 221,151	$ 197,671	$ 23,480

The $221.1M balance includes amounts that have been allocated to active capital projects but that remain unspent. At December 31st, 2020 there is $63.7M (2019 - $55.4M) committed to active capital projects. Additional DCC funding of $24.7M was approved as part of the 2021 Capital Budget included in the Consolidated 5 Year Financial Plan (2021-2025) Bylaw No. 10239.

Deposits and holdbacks

Deposits and holdbacks decreased by $19.9M to $97.4M mainly due to a decrease in security deposits for development related servicing agreements of $19.2M.

Deposits and Holdbacks ($000's)	**2020**	**2019**	**Change**
Security deposits	$ 74,976	$ 94,164	$(19,188)
Developer contribution	7,797	7,535	262
Contract holdbacks	5,267	5,417	(150)
Other	9,405	10,248	(843)
Total deposits and holdbacks	$ 97,445	$ 117,364	$(19,919)

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. These amounts are recognized as liabilities in the year the funds are deposited and recognized into revenue in the year the related expenditures are incurred.

Deferred Revenue ($000's)	**2020**	**2019**	**Change**
Taxes and utilities	$ 23,221	$ 22,836	$ 385
Building permits / development	14,117	19,845	(5,728)
Oval	1,216	1,434	(218)
Capital grants	2,219	10,852	(8,633)
Other	8,251	9,395	(1,144)
Total deferred revenue	$ 49,024	$ 64,362	$(15,338)

Liabilities

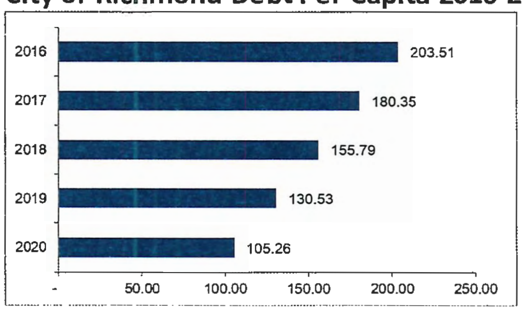
Deferred revenues decreased due to capital grants, building permits/developments and other revenues, resulting in an overall $15.3M decrease compared to 2019.

Debt, net of MFA sinking fund deposits

Debt decreased by $5.2M to $22.7M as a result of the annual repayment made in 2020 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 $105.26 per person in 2020 from $130.53 as of December 31, 2019. The decrease in debt per capita is the combined result of principal payments reducing the outstanding balance along with an increase in population.

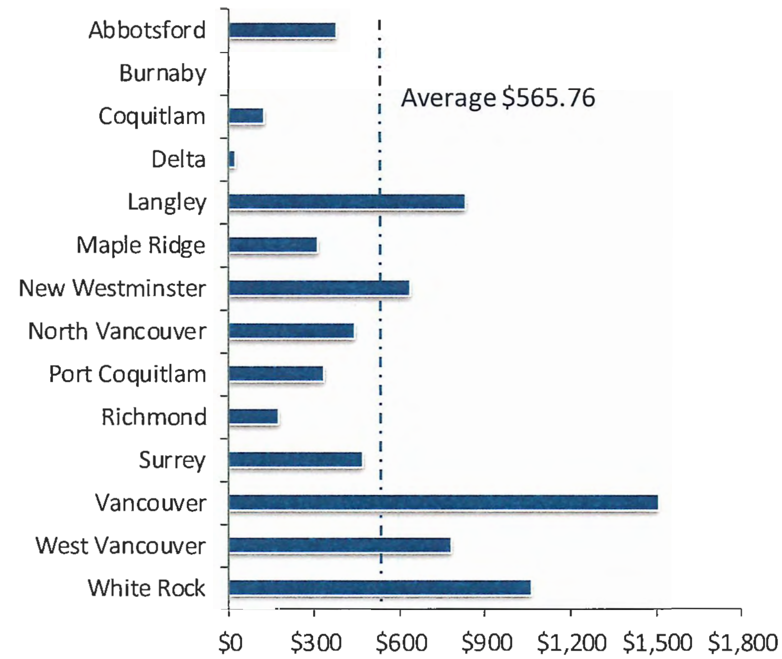
City of Richmond Debt Per Capita 2016-2020



Graph has been updated with population estimates from BC Stats, Demographic Analysis Section, Jan 2021.

The 2019 values for the other municipalities are the most current figures available from the Local Government Statistics. For comparative purposes, Richmond's 2019 debt per capita of $130.53 is included below and is well below the 2019 regional average of $565.76.

Debt Per Capita by City (2019)



Long-Term debt data obtained from the Ministry of Municipal Affairs and Housing - 2019 Local Government Statistics. Population estimates for 2019 obtained from BC Stats, Demographic Section, Jan 2021.

6662728

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 $60.3M to $2.5B. The change is a result of $129.0M of asset additions and current year amortization expense of $66.3M.

Tangible Capital Assets ($000's)	**2020**	**2019**	**Change**
Land	$1,060,180	$1,017,563	$ 42,617
Buildings and building improvements	335,282	284,932	50,350
Infrastructure	950,219	950,899	(680)
Vehicles, machinery and equipment	56,005	55,797	208
Library's collections, furniture and equipment	2,861	3,175	(314)
Assets under construction	83,592	115,432	(31,840)
Total	$2,488,139	$2,427,798	$ 60,341

Land increased by $42.62M mainly due to $44.3M increase in additions. Net disposal in 2020 was $1.6M. The additions in 2020 included $38.7M of contributed assets received through development.

Buildings increased by $50.4M mainly due to $68.9M increase in additions offset by $18.1M of amortization expenses. Net disposal in 2020 was $0.1M. The additions in 2020 included $49.0M for Minoru Centre for Active Living Aquatics and Fitness Centre.

Infrastructure decreased by $0.7M mainly due to $36.0M increase in additions offset by $36.7M of amortization expenses. Net disposal in 2020 was $0.1M. The additions in 2020 included $16.8M of contributed assets received through development and $6.6M for dike upgrades.

Vehicles, machinery and equipment increased by $0.2M mainly due to $10.7M increase in additions offset by $10.5M of amortization expenses. The additions in 2020 include $2.8M for various vehicle purchases and $1.6M of traffic and pedestrian signals at various locations.

Library's collections, furniture and equipment decreased by $0.3M mainly due to $1.0M of amortization expenses offset by $0.7M additions.

Assets under construction decreased by $31.8M mainly due to the completion and capitalization of Minoru Centre for Active Living.

Non-Financial Assets

Inventory of materials and supplies

Inventory increased by $1.3M to $4.3M based on timing of materials issued and stocking of personal protective equipment.

Prepaid expenses

Prepaid expenses increased by $83K to $2.8M due to timing of expense utilization and increases to insurance premium costs.

6662728

Accumulated Surplus

The accumulated surplus increased by $144.9M to $3.4B. The annual increase is presented on the Consolidated Statement of Operations.

Accumulated Surplus ($000's)	**2020**	**2019**	**Change**
Investment in TCA	$ 2,462,042	$ 2,397,476	$ 64,566
Reserves	609,533	557,576	51,957
Appropriated surplus	253,790	224,052	29,738
Investment in LIEC	32,736	31,414	1,322
Surplus	21,974	25,994	(4,020)
Other equity	4,131	2,830	1,301
Total	$ 3,384,206	$ 3,239,342	$ 144,864

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 restricted capital deferred revenue (for Oval).

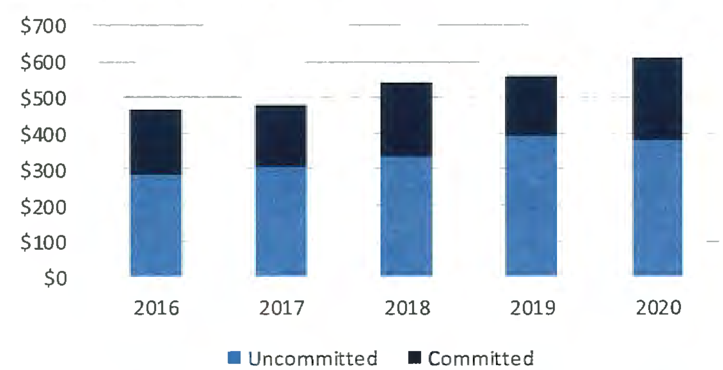
In accordance with accounting standards, this balance is accounted for using the cost method, net of accumulated amortization. It does not reflect market value or replacement value of the assets.

The investment in TCA balance increased by $64.6M. 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 $609.5M includes amounts that have been approved for expenditure but remain unspent as at December 31st. The uncommitted reserve balance is $382.7M (2019 - $391.7M).

Reserve Balance 2016-2020



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, 2020.

From the available $382.7M at December 31st, 2020, $48.9M has been approved for the City's 2021 Capital Budget included in the Consolidated 5 Year Financial Plan (2021-2025) Bylaw

Accumulated Surplus

No. 10239. An additional $392.9M is estimated for the remaining 4 years (2022-2025) of the 5 Year Capital Plan.

Appropriated Surplus

Appropriated surplus is internally restricted for future commitments and potential liabilities. The balance increased by $29.7M to $253.8M partially due to expected future costs with respect to contracts including the RCMP and amounts received for the COVID 19 Safe Restart Grant.

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, 2020 at $32.7M, an increase of $1.3M from the 2019 balance of $31.4M.

Surplus

The consolidated surplus decreased by $4.0M to $22.0M in 2020. The decrease is mainly attributed to:

- ($6.9M) transfer of the City's 2019 operating surplus to the Rate Stabilization Account
- $0.1M 2020 operating surplus for the City
- $2.1M internal repayments

Other Equity

Other equity relates to the City's inventory. The balance increased by $1.3M to $4.1M in 2020.

6662728

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 2020 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 24 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

2020 Budget to Actual Comparison

Total consolidated revenues are $579.1M compared to the budgeted revenues of $577.2M. 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)	2020 Budget	2020 Actual	Variance
Taxation and levies	$ 239,357	$ 239,991	$ 634
Utility fees	115,210	114,335	(875)
Sales of services	43,876	29,090	(14,786)
Payments-in-lieu of taxes	14,841	16,820	1,979
Provincial and federal grants	9,988	16,953	6,965
Development cost charges	29,111	16,737	(12,374)
Other capital funding sources	66,274	71,051	4,777
Investment income	18,562	20,175	1,613
Gaming revenue	14,500	2,705	(11,795)
Licences and permits	11,435	19,407	7,972
Other	12,764	30,466	17,702
Equity income	1,311	1,322	11
Total	$ 577,229	$ 579,052	$ 1,823

Taxation and levies had a favourable variance of $0.6M mainly due to slightly higher than expected new growth.

Utility Fees had an unfavourable variance of $0.9M mainly due to lower than budgeted meter billings due to decline in usage due to COVID 19 pandemic offset by higher than budgeted garbage utility and recycling revenues and unbudgeted construction flat rate utility prepayments.

Sales of services had an unfavourable variance of $14.8M mainly due to the decrease in facility and program revenues as impacted by the COVID 19 pandemic and significantly lower receivable income.

Payments in lieu of taxes had a favourable variance of $2.0M due to higher than expected payments from various authorities.

Provincial and federal grants were favourable by $7.0M mainly due to one-time unbudgeted COVID-19 Safe Restart Grant for Local Government offset by temporary discontinuation of the TransLink grant for the Major Road Network due to COVID-19 pandemic.

Development cost charges had an unfavourable variance of $12.4M due to the timing of capital expenditures. DCC revenue is recognized when the amounts are spent, while the budget represents the 2020 allocation of DCC's towards capital projects that can be spent over multiple years.

The other capital funding favourable variance of $4.8M is due to $8.2M higher than budgeted amounts relating to contributed assets received through development offset by the timing of the capital expenditures. The revenue recognition relating to these contributed assets is based on

Revenues

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

Investment income had a favourable variance due to the timing of capital expenditures as committed reserves were not spent, which resulted in a higher than projected investment balance and higher than projected investment income.

Gaming revenue had an unfavourable variance of $11.8M due to closure of the River Rock Casino since the Attorney General ordered the temporary closure of all gambling facilities in British Columbia in consultation with and on the advice of the Provincial Health Officer in March 2020.

Licences and permits had a favourable variance of $8.0M due to the completion of multi-phased projects, building permits, underpinning fees and engineering planning permits for municipal agreements.

Other revenue had a favourable variance of $17.7M due to the unbudgeted external developer contributions and miscellaneous revenues.

Equity income relates to the City's investment in LIEC and represents LIEC's net income for the year. LIEC's net income for 2020 is $1.3M (2019 - $1.6M).

Revenues

2020 to 2019 Actual Comparison

Total 2020 consolidated revenues were $579.1M compared to $581.9M in 2019.

Revenues ($000's)	**2020 Actual**	**2019 Actual**	**Change**
Taxation and levies	$239,991	$230,198	$ 9,793
Utility fees	114,335	111,472	2,863
Sales of services	29,090	42,747	(13,657)
Payments-in-lieu of taxes	16,820	16,277	543
Provincial and federal grants	16,953	10,687	6,266
Development cost charges	16,737	13,802	2,935
Other capital funding sources	71,051	39,028	32,023
Investment income	20,175	25,142	(4,967)
Gaming revenue	2,705	15,140	(12,435)
Licences and permits	19,407	13,030	6,377
Other	30,466	62,785	(32,319)
Equity income	1,322	1,634	(312)
Total	$579,052	$581,942	$(2,890)

Taxation and levies increased by $9.8M due to the 2.97% tax rate increase and new growth.

Utility Fees increased by $2.9M due to Council approved rate increases, higher Greater Vancouver Sewerage & Drainage District debt levy offset by decline in metered utility revenue from businesses as a result of the COVID-19 pandemic.

Sales of services decreased by $13.7M due mainly due to the decrease in facility and program revenues due to the COVID 19 pandemic and significantly lower receivable income.

Payments in lieu of taxes increased by $0.5M due to increases in assessment values for certain properties.

Grant revenues increased by $6.3M mainly due to the onetime $9.3M COVID-19 Safe Restart Grant for offset by a $3.1M decrease in the TransLink grant for the Major Road Network due to the COVID-19 pandemic.

Development cost charges increased by $2.9M due to timing of capital expenditures as DCC revenue is recognized when the amounts are spent.

The other capital funding increased by $32.0M mainly due to $29.4M increase in donated assets by developers primarily relating to a $24.0M increase of land donated assets.

Investment income decreased by $5.0M due to reduced market yield as a result of the decrease in the overnight interest rate relating to the Bank of Canada's fiscal policy in response to the economic impact of the Covid-19 pandemic.

Gaming revenue decreased by $12.4M due to closure of the River Rock Casino by Provincial order in March 2020.

Revenues

Licences and permits increased by $6.4M mainly due to building permits revenue recognized due to inspection progress made on large scale development construction.

Other revenue decreased by $32.3M due to lower gain on sale of land and lower developer reserve contributions.

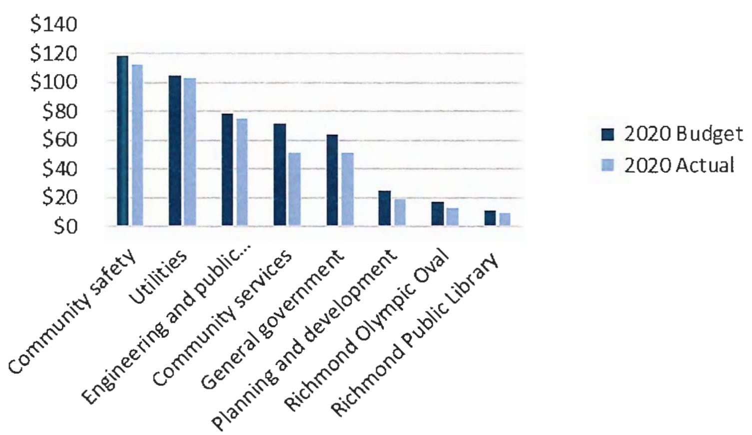
Equity income relates to the City's investment in LIEC and represents LIEC's net income for the year. LIEC's net income for 2020 decreased by $0.3M.

Expenses

2020 Budget to Actual Comparison

Total consolidated expenses are $434.2M compared to the budget of $489.9M.

2020 Expenses by Function



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

Community Safety had a favourable variance of $5.3M mainly due to RCMP contract savings from lower than budgeted complement and salary savings due to vacancies and the time required to fill new fire fighters positions approved in 2020.

Utilities had a favourable variance of $1.9M mainly due to budgeted public works maintenance projects not yet completed and less water purchases because of COVID-19 pandemic, offset by higher than budgeted amortization expense and non-capital expenditures.

Engineering and public works has a favourable variance of $3.3M mainly due to uncompleted public works expenses for roads and building maintenance projects and lower operating expenses offset by higher than budgeted capital expenditures, which do not meet the criteria for capitalization.

Community Services had a favourable variance of $21.1M mainly due to facilities closure resulting from the COVID-19 pandemic and lower than budgeted capital expenditures that do not meet criteria for capitalization.

General Government had a favourable variance of $12.3M mainly due to unfilled vacancies and staff redeployment for the temporary Community Ambassador Program and lower supplies and materials due to decline in activities because of the COVID-19 pandemic.

Planning and Development had a favourable variance of $5.1M mainly due to staff vacancies and lower than budgeted capital expenses not meeting the criteria for capitalization.

Richmond Olympic Oval had a favourable variance of $4.5M mainly due to lower than expected general and administration and amortization costs.

Richmond Public Library had a favourable variance of $2.1M mainly due to facilities closure because of the COVID 19 pandemic.

Expenses

2020 to 2019 Actual Comparison

Total 2020 consolidated expenses were $434.2M compared to $483.7M in 2019.

Expenses ($000's)	2020 Actual	2019 Actual	Change
Community safety	$ 112,895	$ 106,209	$ 6,686
Utilities: water, sewer and sanitation	102,824	98,653	4,171
Engineering, public works and project development	75,314	80,940	(5,626)
Community services	50,833	67,522	(16,689)
General government	51,495	55,689	(4,194)
Planning and development	19,201	48,104	(28,903)
Richmond Olympic Oval	12,586	15,972	(3,386)
Richmond Public Library	9,040	10,601	(1,561)
Total	$ 434,188	$ 483,690	(49,502)

Community Safety expenses increased by $6.7M mainly due to the temporary Community Ambassador program in 2020, hiring of 12 new firefighters as approved by Council in 2020, and higher RCMP contract expense due to severance obligation liability, base contract costs, retroactive salary accrual.

Utilities expenses increased by $4.2M mainly due to increased debt levy from the GVSDD and higher processing fees.

Engineering, Public Works and Project Development expenses decreased by $5.6M mainly due to the $3.1M in box culverts repair for the Major Road Network and $1.8M in pool damage in the Minoru Centre for Active Living in 2019 and lower public works expenses.

Community services decreased by $16.7M mainly due to facilities closure resulting from the COVID 19 pandemic, reduced lease expense for Richmond Ice Center acquired in 2019, and lower capital expenditures related to Parks capital projects that do not meet criteria for capitalization.

General government expenses decreased by $4.2M mainly due to unfilled vacancies and staff redeployment for the temporary Community Ambassador Program and lower supplies and materials due to decline in activities as a result of the COVID-19 pandemic.

Planning and development costs decreased by $28.9M mainly due to the release of funds to TransLink for the construction of the Canada Line Capstan Station in 2019.

Richmond Olympic Oval expenses decreased by $3.4M mainly due to facility closure and subsequent limited reopening because of the COVID-19 pandemic.

Richmond Public Library services expenses decreased by $1.6M mainly due to facilities closure in 2020 because of the COVID-19 pandemic

Expenses

Expenses by Object

Expenses ($000's)	2020 Actual	2019 Actual	Change
Wages and salaries	$164,788	$ 177,363	$(12,575)
Public works maintenance	$13,343	15,299	(1,956)
Contract services	$81,642	79,098	2,544
Supplies and materials	$64,437	68,801	(4,364)
Interest and finance	$29,779	26,089	3,690
Transfer from (to) capital for tangible capital assets	$13,568	52,244	(38,676)
Amortization of tangible capital assets	$66,254	64,228	2,026
Loss on disposal of tangible capital assets	$377	568	(191)
Total	$ 434,188	$ 483,690	$(49,502)

Wages and salaries decreased by $12.6M mainly due to vacant positions and auxiliary staff layoffs as facilities were closed resulting from the impact of the COVID-19 pandemic.

Public Works non-salary decreased by $2.0M mainly due to less receivable works.

Contract services increased by $2.5M mainly due to higher policing costs offset by lower consulting and contracts expenses. Other operating expenses decreased by $1.8M mainly due to cancellation of major events in 2020 and a decrease in lease expenses because of the acquisition of the Richmond Ice Centre in 2019.

Supplies and materials decreased by $4.4M mainly due to lower consumption of supplies and property expenses because of facilities closure and reduced operational activities.

Interest and finance increased by $3.7M mainly due to increased debt payment to Greater Vancouver Sewerage & Drainage District.

Transfer from (to) capital for tangible capital assets decreased by $38.7M mainly due to non-capital costs relating to the contribution towards construction of the Canada Line Capstan Station made in 2019 and capital expenses incurred last year that did not meet the capitalization criteria.

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

Loss on disposal of tangible capital assets decreased by $0.2M due to timing of asset disposal.

Annual Surplus

The 2020 consolidated annual surplus of $144.9M 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 $144.9M annual surplus is the change in investment in capital assets of $64.6M. This is the net activity of asset additions $128.9M offset by amortization expense of $66.3M, disposals and debt reduction.

Investment in LIEC increased by $1.3M.

Appropriated surplus increased by $29.7M partially due to expected future costs with respect to contracts including the RCMP and amounts received for the COVID 19 Safe Restart Grant.

Reserves increased by $52.0M due to the timing of capital expenditures. Included in the total reserve balance is $226.8M committed towards active capital projects.

Surplus decreased by $4.0M due to transferring 2019 operating surplus to the Rate Stabilization Account, minimal operating surplus in 2020 offset by repayments for internal borrowing.

Other surplus increased by $1.3M.

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, 2020 increased by $83.1M to $889.0M (2019 - $805.9M).

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 $140.5M to $530.0M and investments increased by $3.1M to $834.0M. The increases are mainly due to the increase in liabilities and reserves.

In 2020, cash provided by operating activities was $211.0M, compared to $172.4M in 2019.

Cash used in capital activities was $62.2M, compared to $73.8M in 2019.

Cash used in financing activities was $5.2M compared to $5.0M in 2019, and was used to pay down MFA debentures.

Cash spent on investing activities was $3.1M, compared to cash provided from investing activities was $174.0M in 2019.

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 2018-2020:

Sustainability ratios:	**2020**	**2019**	**2018**
Assets to liabilities (times)	6.8	7.3	7.7
Financial assets to liabilities (times)	2.5	2.6	2.6
Net debt to total revenues	3.9%	4.8%	5.5%
Net debt to the total assessment	0.02%	0.03%	0.03%
Expenses to the total assessment	0.6%	0.5%	0.4%
Flexibility ratios:	**2020**	**2019**	**2018**
Debt charges to revenues	0.3%	0.3%	0.3%
Net book value of capital assets to cost	67.3%	67.8%	68.3%
Net book value of capital assets (excluding land) to cost	54.1%	55.0%	55.8%
Own source revenue to the assessment	0.5%	0.5%	0.5%
Vulnerability ratios:	**2020**	**2019**	**2018**
Government transfers to total revenues	3.4%	4.4%	4.5%
Government transfers (excluding gaming revenue) to total revenues	2.9%	1.8%	1.7%

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 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.

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.

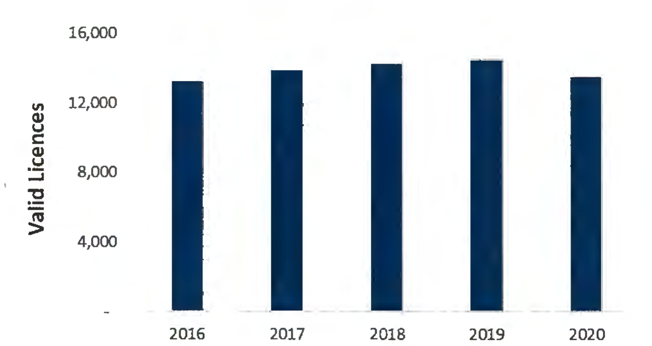
7. Sound Financial Management
Maintain the City's strong financial position with clear accountability through transparent budgeting practices and effective public communication that supports the needs of the community into the future.

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

Business Licences

The total number of business licences issued decreased to 13,253 in 2020 compared to 14,487 licences issued in 2019.

Business Licences 2016-2020

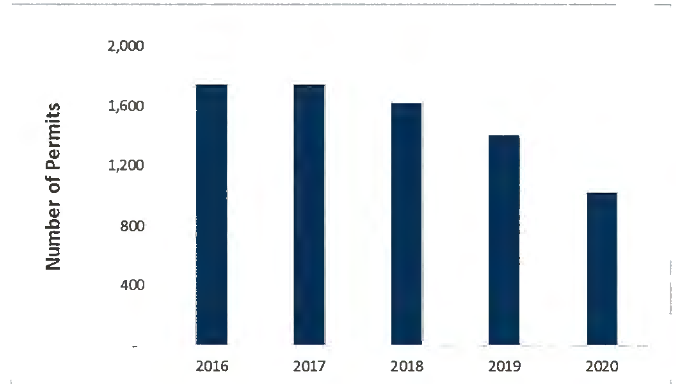


Housing Activity

Richmond house prices increased by 6.7%, with a 2020 detached median house price of $1,575,000. The total number of sales increased year-over-year by 21.4% to 3,512.

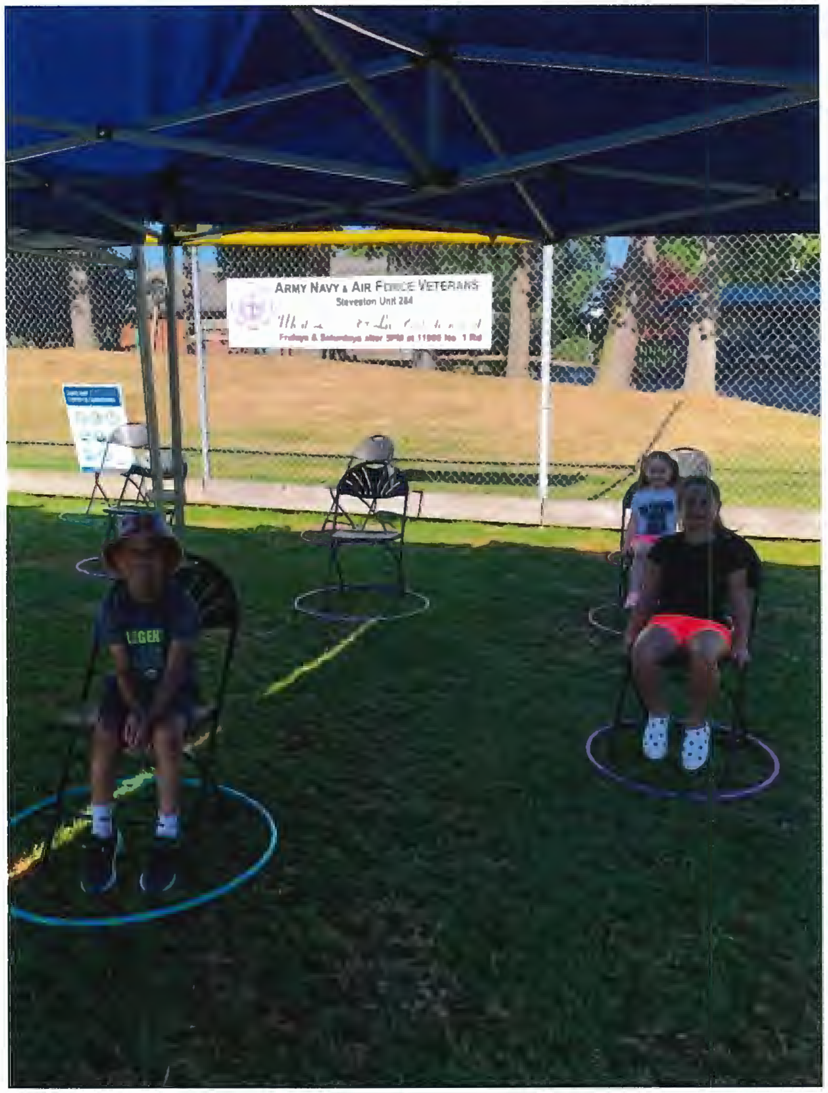
In 2020, the total number of building permits issued was 1,024, which was a 26.9% decrease from 2019. The year over year decline is a result of decreases in all types permits issued including single family dwellings, multi-family developments, commercial and industrial. The actual permit fees collected for 2020 was $9.0M.

Building Permits 2016-2020



The construction value of building permits issued in 2020 was $717M, however, the construction value approved during 2020 was approximately $1B as approximately $330M of large value applications ready for issuance were requested by applicants to be issued in the first quarter of 2021. 2019 at $981M was a near record year, and years following record years tend to be much lower such as 40% less in 2016 following the record $997M in 2015. $717M in 2020 is the third highest for construction value on record.

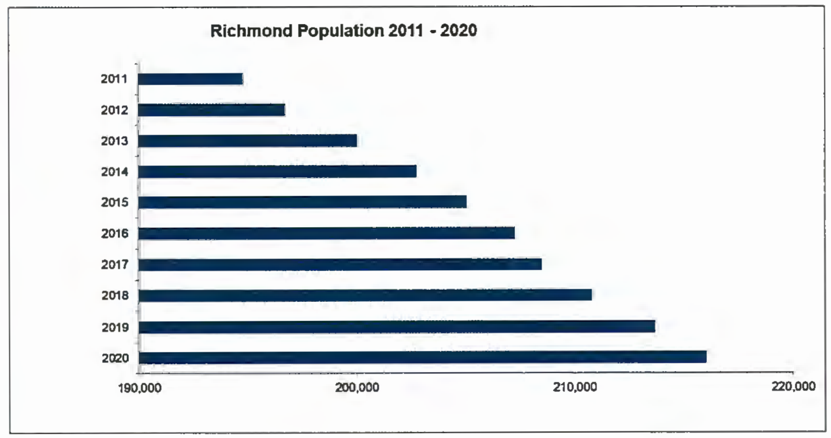
The number of development applications received in 2020 decreased by 8.81% to 145 applications from 159 applications in 2019. Total fees collected in 2020 decreased by 10.9%.



Population

Richmond's current population is estimated at 216,046, which is a 1.1% increase from 2019. According to the 2016 Census, Richmond is the fourth most populous municipality in the Greater Vancouver region.

Richmond Population 2011-2020



Graph has been updated with population figures from BC Stats, Demographic Analysis Section, updated Jan 2021.

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 2020 operating, capital and utility budgets.

	2018	2019	2020
Population growth (per annum) [1]	1.02%	0.93%	1.10%
Capital construction costs ($mil) [2]	$156.6	$97.59	$158.88
City Grants Program ($mil)	$0.82	$0.84	$0.82
Other grants ($mil) [3]	$1.65	$1.64	$1.59
Registration in recreation programs	145,841	145,435	128,464
RCMP calls for services	69,312	75,573	55,085
Fire Rescue responses	9,805	9,491	6,412

[1] *Annual growth based on updated population figures from BC Stats, Demographic Analysis Section, Jan 2020.*
[2] *This is 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.

2020 saw new challenges with the COVID-19 pandemic including reduction in revenues, as well as increased cleaning and other costs incurred to prevent the spread of the coronavirus. Wherever possible, these impacts have been mitigated by senior management through reduced expenditures such as implementing a tactical hiring freeze, staff redeployments, reduced seasonal staff, cancellation of special events and projects, and general operating costs reductions

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 2021 – 2025 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 13, 2021
From:	Jerry Chong Acting General Manager, Finance and Corporate Services	**File:**	03-0905-01/2021-Vol 01
Re:	**2020 Financial Statements for the Richmond Public Library**		

Staff Recommendation

That the 2020 Richmond Public Library audited financial statements for the year ended December 31, 2020, 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	

6657206

Richmond Public Library

REPORT TO CITY OF RICHMOND
FINANCE COMMITTEE

TO:	City of Richmond Finance Committee
FROM:	Susan Walters, Chief Librarian
DATE:	March 24, 2021
RE:	2020 Financial Statements of the Richmond Public Library Board

Recommendation

That the 2020 Financial Statements of the Richmond Public Library Board be received for information.

SWalters.

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

Attachment:
Financial Statements of Richmond Public Library Board Year Ended December 31, 2020

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

This report deals with the 2020 financial statements of the Richmond Public Library Board.

Analysis
Please see the attached Financial Statements of the Richmond Public Library Board for the year ended December 31, 2020. The library's financial statements are prepared in accordance with Canadian public sector accounting standards.

KPMG conducted the audit virtually and did not identify any control deficiencies that they consider to be significant deficiencies in internal control for financial reporting.

The library's Finance and Audit Committee reviewed the statements on March 23, 2021, and the Library Board approved them at their regular meeting on Wednesday, March 31, 2021.

Statement of Financial Position
<u>Financial Assets</u>
The amount due from the City of Richmond ($3,831,286) increased by $1,829,956 due to lower expenditures in library operations. Accounts receivable decreased by ($1,929) in the normal course of business. Note that certain comparative information has been reclassified to conform to the financial statement presentation for the current year.

<u>Liabilities</u>
Accounts payable and accrued liabilities as of December 31, 2021 were $1,291,342 and primarily included accrued payroll liabilities and post-employment benefits. Deferred revenue of $124,450 is the amount of restricted donations received. Donation revenue is recognized in the year in which the related expenses are incurred.

<u>Non-Financial Assets</u>
As of December 31, 2020 the library had $2,862,421 in tangible capital assets, which includes the library's collections, computer hardware and software, equipment and furniture. Note 6 in the financial statements contain a breakdown of cost, accumulated depreciation and net book value.

The 2020 net book value of tangible capital assets declined by $313,636 due to a decline in the collection's net book value as a result of amortization exceeding additions as more resources were allocated to digital books and multimedia.

The prepaid expense of $663,222 consists of e-book subscriptions with durations longer than one year.

<u>Accumulated Surplus</u>
The accumulated surplus at December 31, 2020, was $6,037,209 and consists of tangible capital assets of $2,862,421, appropriated surplus of $1,034,599 and surplus of $2,140,189. Appropriated surplus included $480,723 approved for capital expenditures, $300,000 to budget stabilization, $137,472 for future capital acquisitions, $33,401 for library operations and $83,003 for future salary and benefits obligations.

Statement of Operations

Revenue

The library received $10,066,310 in contributions from the City, $376,528 from grants, $70,772 from fines and miscellaneous charges and $20,531 from investment income. The COVID-19 pandemic resulted in an increased use of online services and reduced in-person services, causing InterLINK revenues to fall significantly by $28,256. Book fine revenue was suspended on March 17, 2020. Donation revenue matches the donations expenses incurred during 2020. The 2020 figure of $24,577 was a decrease of $66,063 over the previous year.

Expenses

Salaries and benefits had a budget favourable variance of $1,598,967 and were $1,420,141 lower than 2019 mainly due to a number of vacant positions and staff layoffs as a consequence of the pandemic.

Amortization of tangible capital assets is on a straight-line basis with library collections over 4 to 20 years, furniture and fixtures over 10 to 20 years and equipment over 5 to 10 years. In 2019 this amounted to $1,061,803.

Library digital collections and databases include “eBooks”, multimedia, databases, newspapers and magazines. There is a year over year expenditure increase of $77,148 due to increase resources in digital collections.

Supplies and equipment services expense is a consolidation of various items including cataloguing, supplies, printing, training and equipment purchases and maintenance. The actual cost was $366,698 lower than the budget and $104,921 lower than 2019 mainly due to reduced services for all branches since the pandemic.

Building, leases and maintenance expenses were $87,074 lower than budget and $67,962 lower than 2019 due to reduce maintenance service.

General and administration expenses were $8,585 higher than last year but $42,504 lower than budget. There was a favourable budget variance due to lower IT equipment failure rate.

Overall, 2020 expenses were $1,592,811 lower than 2019 and $2,049,937 lower than the budget due to a number of vacant positions and staff layoffsand reduced facilities costs as part of the service adjustment from the pandemic.

Library Board Approval

The Library Board reviewed the statements and approved them at their regular meeting on Wednesday, March 31, 2021.

Susan Walters

SWalters.

Chief Librarian & Secretary to the Board
Richmond Public Library

Financial Statements of

RICHMOND PUBLIC LIBRARY BOARD

And Independent Auditor's Report thereon

Year ended December 31, 2020

KPMG

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, 2020;
- 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, 2020, 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 31, 2021

RICHMOND PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2020, with comparative information for 2019

		2020		2019
Financial Assets				
Due from City of Richmond (note 3)	$	3,831,286	$	2,001,330
Accounts receivable		96,072		98,001
		3,927,358		2,099,331
Liabilities				
Accounts payable and accrued liabilities (note 4)		1,291,342		1,187,264
Deferred revenue (note 5)		124,450		62,234
		1,415,792		1,249,498
Net financial assets		2,511,566		849,833
Non-Financial Assets				
Tangible capital assets (note 6)		2,862,421		3,176,057
Prepaid expenses		663,222		491,632
		3,525,643		3,667,689
Accumulated surplus (note 8)	$	6,037,209	$	4,517,522

Commitments (note 15)
Economic dependence (note 18)

See accompanying notes to financial statements.

Approved on behalf of the Library Board:

_______________ Trustee

_______________ Trustee

RICHMOND PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2020 with comparative information for 2019

	Budget 2020 (notes 2(a) and 17)	2020	2019
Revenue:			
Municipal contribution	$ 10,179,100	$ 10,066,310	$ 9,710,500
Grants (note 9)	376,500	376,528	376,528
Fines and miscellaneous (note 10)	264,800	70,772	287,339
Donations (note 11)	-	24,577	66,063
Investment income (note 12)	18,400	20,531	20,532
Gain on sale of tangible capital assets	-	6,432	36,711
	10,838,800	10,565,150	10,497,673
Expenses:			
Salaries and employee benefits	7,933,600	6,334,633	7,754,774
Amortization	1,074,000	1,061,803	1,127,629
Library subscriptions and databases (note 13)	562,200	640,162	563,014
Supplies and equipment services	564,700	198,002	302,923
General and administration	407,200	364,696	356,111
Building, leases and maintenance	415,500	328,426	396,388
Utilities	138,200	117,741	137,435
	11,095,400	9,045,463	10,638,274
Annual surplus (deficit)	(256,600)	1,519,687	(140,601)
Accumulated surplus, beginning of year	4,517,522	4,517,522	4,658,123
Accumulated surplus, end of year	$ 4,260,922	$ 6,037,209	$ 4,517,522

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	Budget 2020 (notes 2(a) and 17)	2020	2019
Annual surplus (deficit)	$ (256,600)	$ 1,519,687	$ (140,601)
Acquisition of tangible capital assets	(892,400)	(748,168)	(1,068,303)
Amortization of tangible capital assets	1,074,000	1,061,803	1,127,629
Gain on sale of tangible capital assets	-	(6,432)	(36,711)
Proceeds on sale of tangible capital assets	-	6,433	36,733
Decrease (increase) in prepaid expenses	-	(171,590)	78,163
Change in net financial assets	(75,000)	1,661,733	(3,090)
Net financial assets, beginning of year	849,833	849,833	852,923
Net financial assets, end of year	$ 774,833	$ 2,511,566	$ 849,833

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	$ 1,519,687	$ (140,601)
Items not involving cash:		
Amortization	1,061,803	1,127,629
Gain on sale of tangible capital assets	(6,432)	(36,711)
Changes in non-cash operating working capital:		
Due from City of Richmond	(1,829,956)	74,155
Accounts receivable	1,929	(34,083)
Prepaid expenses	(171,590)	78,163
Accounts payable and accrued liabilities	104,078	11,649
Deferred revenue	62,216	(48,631)
Net change in cash from operating activities	741,735	1,031,570
Capital activities:		
Proceeds on sale of tangible capital assets	6,433	36,733
Acquisition of tangible capital assets	(748,168)	(1,068,303)
Net change in cash from capital activities	(741,735)	(1,031,570)
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") 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 generally accepted accounting principles as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada and include the following specific policies:

(a) Budget data:

The budget data presented in these financial statements is based on the 2020 budget approved by the Board of Trustees on September 25, 2019. 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.

4. Accounts payable and accrued liabilities:

	2020	2019
Accounts payable	$ 200,778	$ 160,039
Accrued liabilities	13,695	48,657
Accrued payroll liabilities	505,169	393,968
Post-employment benefits (note 7)	571,700	584,600
	$ 1,291,342	$ 1,187,264

5. Deferred revenue:

	2020	2019
Balance, beginning of year	$ 62,234	$ 110,865
Contributions	86,700	17,009
Revenue recognized as donations revenue	(24,484)	(65,640)
Balance, end of year	$ 124,450	$ 62,234

6. Tangible capital assets:

Cost	Balance at December 31, 2019	Additions	Disposals	Balance at December 31, 2020
Library collections	$ 6,652,582	$ 569,991	$ (741,012)	$ 6,481,561
Furniture and fixtures	1,340,393	53,620	-	1,394,013
Equipment	1,945,837	124,557	-	2,070,394
	$ 9,938,812	$ 748,168	$ (741,012)	$ 9,945,968

Accumulated amortization	Balance at December 31, 2019	Amortization	Disposals	Balance at December 31, 2020
Library collections	$ 4,280,918	$ 905,783	$ (741,011)	$ 4,445,690
Furniture and fixtures	852,376	24,276	-	876,652
Equipment	1,629,461	131,744	-	1,761,205
	$ 6,762,755	$ 1,061,803	$ (741,011)	$ 7,083,547

Net book value	Balance at December 31, 2020	Balance at December 31, 2019
Library collections	$ 2,035,871	$ 2,371,664
Furniture and fixtures	517,361	488,017
Equipment	309,189	316,376
	$ 2,862,421	$ 3,176,057

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:

	2020	2019
Balance, beginning of year	$ 638,000	$ 452,000
Current service cost	47,000	32,900
Interest cost	15,300	15,100
Past service cost	-	24,200
Benefits paid	(74,600)	(15,900)
Actuarial (gain)/loss	(7,700)	129,700
Balance, end of year	$ 618,000	$ 638,000

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, 2020. This actuarial loss is being amortized over a period equal to the employees' average remaining service lifetime of 10 years.

	2020	2019
Actuarial benefit obligation:		
Accrued liability, end of year	$ 618,000	$ 638,000
Unamortized net actuarial gain/(loss)	(46,300)	(53,400)
Balance, end of year	$ 571,700	$ 584,600

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

	2020	2019
Discount rate	2.00%	2.40%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary increases	2.5% to 3.00%	2.50% to 3.00%

8. Accumulated surplus:

	2020	2019
Operating:		
Appropriated surplus:		
Capital expenditures	$ 480,723	$ 142,676
Budget stabilization	300,000	-
Future capital acquisitions	137,472	131,040
Library operations	33,401	33,401
Future salary and benefit obligations	83,003	83,003
Total appropriated surplus	1,034,599	390,120
Surplus	2,140,189	951,345
Invested in tangible capital assets	2,862,421	3,176,057
	$ 6,037,209	$ 4,517,522

9. Grants:

	2020	2019
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.

(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:

	2020	2019
Book fines	$ 31,059	$ 154,650
InterLINK revenue	(326)	27,930
Photocopy and printer revenue	12,779	60,326
Miscellaneous	27,260	44,433
	$ 70,772	$ 287,339

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.

	2020	2019
Friends of the Library	$ 17,664	$ 31,402
Other	6,913	34,661
	$ 24,577	$ 66,063

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, 2020 (2019 - $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, 2020, the fair value of the capital in the fund amounted to $395,876 (2019 - $379,349).

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, 2020 was $14,765 (2019 - $14,398) and is presented as investment income on the statement of operations.

12. Investment income (continued):

(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 $145,518 at December 31, 2020 (2019 - $140,518). The balance is comprised of donations from Friends of the Library of $54,000 (2019 - $49,000) and other donors of $91,518 (2019 - $91,518).

As at December 31, 2020, the fair value of the capital in the fund amounted to $168,144 (2019 - $168,388).

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, 2020 was $5,766 (2019 - $6,134) and is presented as investment income on the statement of operations.

13. Library subscriptions and databases:

	2020	2019
Digital books and multimedia	$ 483,557	$ 395,137
Databases, newspapers and magazines	156,605	167,877
	$ 640,162	$ 563,014

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, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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.

14. 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.

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 $457,463 (2019 - $560,054) for employer contributions while employees contributed $408,866 (2019 - $497,289) to the plan in fiscal 2020.

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:

2021	$ 295,260
2022	289,059
2023	276,013
2024	91,129
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 2020 budget approved by the Board of Trustees on September 25, 2019. 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	$ 10,838,800	$ 10,838,800
Expenses:		
Operating budget	(9,946,400)	(9,946,400)
Less: Transfer from / to surplus	-	(75,000)
Less: Acquisition of tangible capital assets	(892,400)	-
Less: Amortization of tangible capital assets	-	(1,074,000)
Annual deficit	$ -	$ (256,600)

18. Economic dependence:

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

19. Comparative information:

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

RICHMOND PUBLIC LIBRARY BOARD

Unaudited Statement of Operations by Fund

Year ended December 31, 2020

	2020			2019		
	Operating	Capital	Total	Operating	Capital	Total
Revenue:						
Municipal contribution	$ 9,173,910	$ 892,400	$ 10,066,310	$ 8,818,100	$ 892,400	$ 9,710,500
Grants	376,528	-	376,528	376,528	-	376,528
Fines and miscellaneous	70,772	-	70,772	277,313	10,026	287,339
Donations	24,577	-	24,577	66,063	-	66,063
Investment income	20,531	-	20,531	20,532	-	20,532
Gain on sale of tangible capital assets	-	6,432	6,432	-	36,711	36,711
	9,666,268	898,832	10,565,150	9,558,536	939,137	10,497,673
Expenses:						
Salaries and employee benefits	6,334,633	-	6,334,633	7,754,774	-	7,754,774
Amortization	-	1,061,803	1,061,803	-	1,127,629	1,127,629
Library subscriptions and databases	640,162	-	640,162	563,014	-	563,014
Supplies and equipment services	198,002	-	198,002	302,923	-	302,923
General and administration	364,696	-	364,696	356,111	-	356,111
Building, leases and maintenance	328,426	-	328,426	396,388	-	396,388
Utilities	117,741	-	117,741	137,435	-	137,435
	7,983,660	1,061,803	9,045,463	9,510,645	1,127,629	10,638,274
Annual surplus (deficit)	1,682,658	(162,971)	1,519,687	47,891	(188,492)	(140,601)
Accumulated surplus, beginning of year	737,529	3,779,993	4,517,522	689,638	3,968,485	4,658,123
Accumulated surplus, end of year	$ 2,420,187	$ 3,617,022	$ 6,037,209	$ 737,529	$ 3,779,993	$ 4,517,522

City of Richmond

Report to Committee

To: Finance Committee

Date: April 9, 2021

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-LIEC1/2021-Vol 01

Re: **2020 Financial Statements for the Lulu Island Energy Company**

Staff Recommendation

That the Lulu Island Energy Company report titled "2020 Financial Statements for the Lulu Island Energy Company", dated March 8, 2021, from the 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	

6655282

Lulu Island
ENERGY COMPANY

6911 NO. 3 ROAD
RICHMOND, BC V6Y 2C1

Report

DATE: March 8, 2021

TO: Board of Directors

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

Re: **2020 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, 2020, 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 2020 audited financial statements for the LIEC Board's approval.

Background

LIEC, a corporation wholly-owned by the City of Richmond, was established to provide district energy services for the City to reduce community Greenhouse Gases (GHG) 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 Utilities (ADEU), Oval Village District Energy Utilities (OVDEU), and continues to advance new district energy opportunities. Both the Alexandra and the Oval Village neighbourhoods are experiencing rapid redevelopment 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 2.3 million square feet of serviced floor area. While some electricity is consumed for pumping and equipment operations, nearly 100% 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 utility assets. There are 10 residential buildings connected to the OVDEU system with over 2,270 residential units and 2.7 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 recently 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 already been initiated; once completed (estimated 2023-2024), the system will be able to produce up to 80% of low-carbon energy from the Gilbert Trunk sanitary sewer force main.

The ADEU and OVDEU service areas' operations, assets and liabilities are administered by LIEC. All capital and operating costs are recovered through revenue from meter billings, ensuring that the business is financially self-sustaining.

The economic impacts of the Covid-19 pandemic have been significant. Some residents may have experienced job or income loss, and some businesses may have been forced to suspend or close their operations. In consideration of this, LIEC gave to their customers a 90 day extension of Q2 bill payments, as directed by the Board and City Council. During the pandemic LIEC continued to provide service to its customers. The purpose of this report is to present the 2020 Financial Statements to the Board for approval. If approved by the Board, staff will present LIEC's 2020 Financial Statements to Council for information purposes, in conjunction with the City's reporting process.

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 2.

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 2020, LIEC experienced some delays with payments from customers compared to previous years. Management 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

	2020	2019	$ Changes	% Change
Current Assets	$ 15,653,350	$ 13,128,722	$ 2,524,628	19%
Non-current Assets	37,359,845	33,412,384	3,947,461	12%
Total Assets	$ 53,013,195	$ 46,541,106	$ 6,472,089	14%
Current Liabilities	$ 4,949,578	$ 3,421,581	$ 1,527,997	45%
Non-current Liabilities	15,327,117	11,705,361	3,621,756	31%
Shareholder's Equity	32,736,500	31,414,164	1,322,336	4%
Total Liabilities and Shareholder's Equity	$ 53,013,195	$ 46,541,106	$ 6,472,089	14%

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 $6,472,089 in 2020 with total assets of $53,013,195 (2019 - $46,541,106).

Total assets are comprised of current assets (cash, investments, and receivables) totaling $15,653,350 (2019 – $13,128,722) and non-current assets (plant and equipment) of $37,359,845 (2019 - $33,412,384). The current assets increased by $2,524,628 mainly due to advanced payments received from developers for future building connections and net cash flows generated from operations. LIEC investments have decreased slightly over 2019 as the interest rates and risk from the company's bank were deemed to be a better option. Non-current assets increased by $3,947,461, bringing the total to $37,359,845. The increase is the net result of capital additions in the year offset by amortization expense.

LIEC's current liabilities of $4,949,578 (2019 -$3,421,581) consists of outstanding invoices and payables due within 12 months. The increase of $1,527,997 is mainly due to the accrued liability from 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's non-current liabilities consist of deferred contributions and concession liabilities. The non-current liabilities increased by $3,621,756 to $15,327,117 (2019 - $11,705,361), 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 2020, LIEC's shareholder equity was $32,736,500 (2019 - $31,414,164), which indicates that the company's value has increased by $1,322,336, showing good financial health of the company.

Income Statement

	2020	2019	$ Changes	% Change
Revenues				
Metered Billings	$ 4,609,628	$ 3,808,872	$ 800,756	21%
Service fee	981,000	962,241	18,759	2%
	5,590,628	4,771,113	819,515	17%
Cost of Sales				
Contracts	641,757	515,606	126,151	24%
Utilities	806,198	702,670	103,528	15%
Amortization	1,148,758	1,076,097	72,661	7%
	2,596,713	2,294,373	302,340	13%
Gross Margin	**2,993,915**	**2,476,740**	**517,175**	**21%**
General and Administration Expenses				
Salaries and benefits	697,113	745,215	(48,102)	(6%)
Administration expenses	93,487	94,248	(761)	(1%)
Insurance	78,421	70,639	7,782	11%
Professional fees	26,127	20,587	5,540	27%
	895,148	930,689	(35,541)	(4%)
Net Income Before Other Items	2,098,767	1,546,051	552,716	36%
Contributions and Financing Expense				
Developer contributions	178,502	119,764	58,738	49%
Energy modeling review fee	24,628	156,740	(132,112)	(84%)
Other expense	(723,000)	-	(723,000)	(100%)
Net finance cost	(256,561)	(188,157)	(68,404)	36%
	(776,431)	88,347	(864,778)	
Net Income	**$ 1,322,336**	**$ 1,634,398**	**($312,062)**	**(19%)**

Earnings before interest, taxes and amortization (EBITA)				
Net income per above	$1,322,336	$1,634,398	($312,062)	(19%)
Net finance cost	256,561	188,157	68,404	36%
Amortization expense	1,148,758	1,076,097	72,661	7%
EBITA	$2,727,655	$2,898,652	($170,997)	(6%)

The income statement provides a summary of the company's revenues, expenses and profits over the fiscal year of 2020. It reports the financial performance of the company.

Table 2: Percentage of revenue

	December 31, 2020	December 31, 2019
Percentage of Revenue		
Gross margin percentage	54%	52%
General and administration percentage	16%	20%
EBITA percentage (before non-recurring item)	62%	61%
Net income percentage	24%	34%

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 $800,756 to $4,609,628 (2019 – $3,808,872) mainly due to:

- An increase of $362,545 in ADEU metered billings due to two new building connections in 2020 (Spark and Berkeley House) and a full year service for Westmark which was connected in late 2019.
- An increase of $438,211 in OVDEU metered billings due to an annual utility rate increase and additional energy use as a result of a new building connection (ASPAC 12) and a full year service for River Park Place 2 which was connected late 2019.

The service fee of $981,000 (2019 - $962,241) is for LIEC services of advancing district energy opportunities in the City, which results in numerous benefits to the City and Richmond community. 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 system has resulted in the reduction of over 6,700 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 $126,151 to $641,757 (2019 - $515,606). This is mainly due to the addition of three new building connections resulted in a cost increase as associated operational and maintenance activities were needed to service the new connections.

Utility expenses increased by $103,528 to $806,198 (2019 - $702,670). This increase is due to continued growth at both the ADEU and OVDEU Utilities. At the ADEU, there was two new customers connected. At the OVDEU, there was one new customer connected. Across both utilities, higher than normal customer energy demand was also seen due to higher occupancy levels as a result of the Covid-19 pandemic and people staying and working from home. This resulted in an increased use of electricity and natural gas required to run the generation and auxiliary equipment, which are used to deliver energy to the customers' buildings.

The amortization expense increased due to capital asset additions. Overall, the total cost of sales increased by $302,340 to $2,596,713 (2019 - $2,294,373).

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 $67,863 (2019 - $61,417), paid by LIEC to the City of Richmond for the support provided by the City. The general and administration expenses decreased by $35,541 to $895,148 over 2019 (2019 - $930,689), mainly due to:

- Salaries and benefits – The decrease by $48,102 to $697,113 (2019 - $745,215) of salaries and benefits is mainly due to the hiring freeze that was enacted due to Covid-19 and a staff member was redeployed to the City's Community Ambassador Program.
- 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 lower at 16% for 2020 compared to 20% for 2019.

The contributions and financing expense section represents other sources of revenue and expenses for the business. The current energy modeling review fees collected are lower than 2019 due to less buildings 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 unforeseen construction defect, which resulted in a leak and subsequent clean up of the released heat transfer fluid in the Alexandra DEU service area.

LIEC's EBITA (earnings before interest, tax, and amortization), before the non-recurring item was 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 $1,322,336 (2019 - $1,634,398). However, compared to 2019, the net income has decreased by $312,062 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 recent Alexandra DEU. 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 1 for 2020 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 $2,419,565 from the ADEU and $2,190,063 from the OVDEU. Overall, 2020 actual revenues of $4,609,628 are slightly under budget due to delays with the ETS coming online due to the slow down in construction as a result of the pandemic.

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 19% mainly due to less unscheduled repairs and maintenance.

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 22% mainly due to:

- Electricity used to provide peak cooling demand and run distribution and geo-exchange pumps at ADEU was lower than expected due to the delay in one of the new building connections and due to moderate weather conditions. Also, due to the lower energy demand, air-source heat pumps at Smart Centres did not operate at maximum heating and cooling capacity throughout the year, resulting in lower than planned electricity use.
- Natural gas used to provide peak heating capacity at ADEU was lower than expected due to the delay in one of the new buildings connections and due to moderate winter conditions. ADEU was able to meet nearly all heating 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 dropped below freezing conditions.
- Electricity used to power distribution pumps and auxiliary equipment at each of the OVDEU interim energy centres was lower than expected due to the later than planned commissioning of the new Interim Energy Centre (#3), the addition of high efficiency auxiliary boilers at the Carrera Energy centre, and other operational improvements to major equipment items.
- Natural gas used to provide heating at the OVDEU was over budget by 6% in 2020. This variance is attributed to the unforeseen Fortis BC rate increase and an increase in energy demand during the pandemic as the home occupancy increased compared to pre-pandemic levels (though this was partially mitigated by the milder winter and fall).

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 16%.

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 2020 as staff have not engaged in as many training opportunities as they would in a typically year and have put on hold any avoidable expenses due to Covid-19 uncertainty. LIEC still carried on with business as usual during this pandemic preforming the everyday tasks to ensure uninterrupted service to its customers and business development. The total general and administration expense of $895,148 is under budget by 15%.

Contributions and Financing Expense

The Contributions and Financing Expense section represents other sources of income and costs. Energy Modeling Review Fee collected are lower than 2019 due to less then projected buildings permit applications, while the Net Finance Cost on concession liabilities are shown lower than what was budgeted due to the implementation of a new accounting standard. The Net Finance Cost is offset by the interest income. The Other Expense is a result of the expenses related to the construction defect of the pipe that resulted in a leak and related clean up of the released heat transfer fluid in the Alexandra DEU service area.

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 was within 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, 2020, and its financial performance, and its cash flows for the year ended in accordance with International Financial Reporting standards.

Johana Vuletin
Senior Financial Accountant
Lulu Island Energy Company
(604-204-8699)

Attachment 1: 2020 Budget and Actual Comparison
Attachment 2: 2020 Audited Financial Statements

Attachment 1: 2020 Budget and Actual Comparison

	Budget	Actual	$ Changes	% Change
Revenues				
Metered Billings	$ 4,719,042	$ 4,609,628	($ 109,414)	(2%)
Service fee	981,486	981,000	(486)	-%
	5,700,528	5,590,628	(109,900)	(2%)
Cost of Sales				
Contracts	792,325	641,757	(150,568)	(19%)
Utilities	1,030,750	806,198	(224,552)	(22%)
Amortization	1,258,025	1,148,758	(109,267)	(9%)
	3,081,100	2,596,713	(484,387)	(16%)
Gross margin	**2,619,428**	**2,993,915**	**374,487**	**14%**
General and Administration Expenses				
Salaries and benefits	732,835	697,113	(35,722)	(5%)
Administration expenses	149,900	93,487	(56,413)	(38%)
Insurance	95,000	78,421	(16,579)	(17%)
Professional Fees	69,815	26,127	(43,688)	(63%)
	1,047,550	895,148	(152,402)	(15%)
Net income before other items	1,571,878	2,098,767	526,889	34%
Contributions and Financing expense				
Developer contributions	169,888	178,502	8,614	5%
Energy modeling review fee	51,000	24,628	(26,372)	(52%)
Other expense	-	(723,000)	(723,000)	(100%)
Net finance cost	(481,423)	(256,561)	224,862	(47%)
	(260,535)	(776,431)	(515,896)	
Net Income	**$ 1,311,343**	**$ 1,322,336**	**$ 10,993**	**1%**

Earnings before interest, taxes and amortization (EBITA)				
Net income per above	$1,311,343	$1,322,336	$ 10,993	1%
Net Financing cost	481,423	256,561	(224,862)	(47%)
Amortization expense	1,258,025	1,148,758	(109,267)	(9%)
EBITA	$3,050,791	$2,727,655	($323,136)	(11%)

Attachment 2 – 2020 Audited Financial Statements

Financial Statements
(Expressed in Canadian dollars)

LULU ISLAND ENERGY COMPANY LTD.

And Independent Auditors' Report thereon

Year ended December 31, 2020

KPMG LLP
Metro Tower I
4710 Kingsway, Suite 2401
Burnaby BC V5H 4M2
Canada
Telephone (604) 527-3600
Fax (604) 527-3636

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, 2020
- 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, 2020, 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.

Chartered Professional Accountants

Burnaby, Canada
April 9, 2021

LULU ISLAND ENERGY COMPANY LTD.

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 8,604,504	$ 6,233,102
Accounts receivable (note 6)	3,034,510	1,302,697
Investments (note 7)	4,014,336	5,592,923
	15,653,350	13,128,722
Non-current assets:		
Plant and equipment (note 9)	37,359,845	33,412,384
	$ 53,013,195	$ 46,541,106
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 1,790,919	$ 777,492
Current portion of deferred developer contributions (note 10)	522,932	322,307
Current portion of concession liability (note 11)	2,635,727	2,321,782
	4,949,578	3,421,581
Non-current liabilities:		
Deferred developer contributions (note 10)	6,829,428	5,860,917
Concession liability (note 11)	8,497,689	5,844,444
	15,327,117	11,705,361
Shareholder's equity:		
Share capital and contributed surplus (note 15)	27,397,115	27,397,115
Retained earnings	5,339,385	4,017,049
	32,736,500	31,414,164
Commitments and contingencies (note 13)		
Impact of COVID-19 (note 20)		
	$ 53,013,195	$ 46,541,106

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, 2020, with comparative information for 2019

	2020	2019
Revenue (note 14)	$ 5,590,628	$ 4,771,113
Cost of sales:		
Operating expenses	1,447,955	1,218,276
Depreciation	1,148,758	1,076,097
	2,596,713	2,294,373
Gross profit	2,993,915	2,476,740
General and administrative expenses	895,148	930,689
Income before undernoted items	2,098,767	1,546,051
Developer contributions, other income and net finance cost:		
Developer contributions (note 10)	178,502	119,764
Other income (note 14)	24,628	156,740
Other expenses (note 8)	(723,000)	-
Net finance cost (note 5)	(256,561)	(188,157)
	(776,431)	88,347
Net income and comprehensive income	$ 1,322,336	$ 1,634,398

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Changes in Equity

Year ended December 31, 2020, with comparative information for 2019

	Share capital (note 15)	Contributed surplus (note 15)	Retained earnings	Shareholder's equity
Balance, January 1, 2019	$ 5	$ 27,397,110	$ 2,382,651	$ 29,779,766
Net income and comprehensive income	-	-	1,634,398	1,634,398
Balance, December 31, 2019	5	27,397,110	4,017,049	31,414,164
Net income and comprehensive income	-	-	1,322,336	1,322,336
Balance, December 31, 2020	$ 5	$ 27,397,110	$ 5,339,385	$ 32,736,500

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Cash flows provided by (used in) operating activities:		
Net income	$ 1,322,336	$ 1,634,398
Adjustments for:		
Depreciation	1,148,758	1,076,097
Recognition of deferred contributions	(178,502)	(119,764)
Finance expense on concession liability	426,147	435,608
Changes in non-cash operating working capital:		
Accounts receivable	(1,731,813)	939,947
Accounts payable and accrued liabilities	1,013,427	363,055
Net cash provided by operating activities	2,000,353	4,324,341
Cash flows provided by (used in) investing activities:		
Additions to plant and equipment	(1,858,630)	(1,429,609)
Deferred developer contributions	1,347,638	928,351
Change in investments	1,578,587	1,362,609
Net cash provided by investing activities	1,067,595	861,351
Cash flows provided by (used in) financing activities:		
Concession liability (note 11)	(696,546)	(597,609)
Net cash used in financing activities	(696,546)	(597,609)
Increase in cash and cash equivalents	2,371,402	4,593,083
Cash and cash equivalents, beginning of year	6,233,102	1,640,019
Cash and cash equivalents, end of year	$ 8,604,504	$ 6,233,102

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 9, 2021.

(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 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. 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.

(*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.

3. Significant accounting policies (continued):

(a) Plant and equipment (continued):

(*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) Public-private partnership project:

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

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.

3. Significant accounting policies (continued):

(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, 2020 and 2019, 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.

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.

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

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

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.
- 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

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

(*ii*) Measurement categories:

The following table shows the carrying values of assets and liabilities for each of these categories at December 31, 2020 and 2019. 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.

	2020	2019
Financial assets:		
Financial assets at amortized cost:		
Cash and cash equivalents	$ 8,604,504	$ 6,233,102
Accounts receivable	3,034,510	1,302,697
Investments	4,014,336	5,592,923
	$ 15,653,350	$ 13,128,722
Financial liabilities:		
Financial liabilities at amortized cost:		
Accounts payable and accrued liabilities	$ 1,790,919	$ 777,492
Concession liability	11,133,416	8,166,226
	$ 12,924,335	$ 8,943,718

(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.

3. Significant accounting policies (continued):

(h) Impairment (continued):

(*i*) Financial assets (continued):

The Company measures loss allowances at an amount equal to lifetime ECLs. The Company has elected to measure loss allowances for trade receivables and 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.

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.

3. Significant accounting policies (continued):

(j) Standards issued but not yet effective:

A number of new standards are effective for annual periods beginning after January 1, 2021 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.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 related to *Interest Rate Benchmark Reform - Phase 2*, effective periods beginning on or after January 1, 2021.

4. Personnel expenses:

	2020	2019
Wages and salaries	$ 666,115	$ 655,230
Other payroll expenses	31,000	89,985
	$ 697,115	$ 745,215

5. Net finance cost:

	2020	2019
Finance income:		
Investment interest	$ 105,529	$ 171,801
Bank interest	62,676	74,663
Other	1,381	987
	169,586	247,451
Finance cost:		
Finance expense on concession liability (note 11)	(548,486)	(435,608)
Less: Finance cost capitalized to plant and equipment (note 9)	122,339	-
	(426,147)	(435,608)
Net finance cost	$ (256,561)	$ (188,157)

6. Accounts receivable:

	2020	2019
Trade receivables	$ 1,703,753	$ 244,706
Unbilled trade receivables	1,330,757	1,057,991
	$ 3,034,510	$ 1,302,697

7. Investments:

Investments represent cash term deposits as follows:

Purchase date	Maturity date (interest rate)	2020	2019
February 26, 2019	February 25, 2020 (3.15%)	$ -	$ 311,594
May 13, 2019	May 12, 2020 (2.75%)	-	2,129,752
August 23, 2019	August 22, 2020 (2.60%)	-	1,557,036
November 28, 2019	November 28, 2020 (2.60%)	-	1594,541
June 29, 2020	June 29, 2021 (0.90%)	2,005,213	-
October 28, 2020	October 28, 2021 (1.40%)	2,009,123	-
		$ 4,014,336	$ 5,592,923

8. Accounts payable and accrued liabilities:

Subsequent to the balance sheet date, a distribution pipe leakage of heat transfer fluid was identified at one of the Company's service areas. Management assessed that the leakage was a result of a construction defect in the pipe which existed on the balance sheet date and has recognized a provision of $723,000 for the estimated known remediation expenditures and this is included in accounts payable and accrued liabilities.

The accrual of any possible obligation or contingent liabilities will be considered in future years once the risk of such obligation can be better assessed and the amount of such obligation can be reasonably estimated.

9. Plant and equipment:

	Energy plant center	General equipment	Distribution piping	Total
Cost:				
Balance as at January 1, 2019	$ 5,031,915	$ 21,510,797	$ 8,168,726	$ 34,711,438
Additions	-	908,487	1,219,245	2,127,732
Balance as at December 31, 2019	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
Accumulated depreciation:				
Balance as at January 1, 2019	$ 134,184	$ 1,879,021	$ 337,484	$ 2,350,689
Depreciation	67,092	843,352	165,653	1,076,097
Balance as at December 31, 2019	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
Net book value:				
At January 1, 2019	$ 4,897,731	$ 19,631,776	$ 7,831,242	$ 32,360,749
At December 31, 2019	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

Included in plant and equipment is $3,591,015 (2019 - $1,818,895) of assets under construction being $449,647 (2019 - $1,264,862) general equipment and $3,141,368 (2019 - $554,033) distribution piping. For the year ended December 31, 2020, capitalized borrowing costs related to the construction of the general equipment and distribution system in the year amounted to $122,339 (2019 - nil).

10. Deferred developer contributions:

The Company defers contribution amounts received from developers related to the cost of initial connection, 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 building is deemed available to use.

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

	2020	2019
Deferred developer contributions, beginning of year	$ 6,183,224	$ 5,374,637
Developer contributions received (net of refunds)	1,347,638	928,351
Recognized revenue from developer contributions	(178,502)	(119,764)
	7,352,360	6,183,224
Less: current portion of deferred developer contributions	522,932	322,307
Non-current deferred developer contributions	$ 6,829,428	$ 5,860,917

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

On October 30, 2014, the Corporation and the OVDEU 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. The total estimated concession liability to finance the construction of the OVDEU at full build out is $39,126,000 (2019 - $38,686,000) 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.

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

OVDEU Concession Agreement liability:

	2020	2019
Concession Agreement liability - capital	$ 9,884,744	$ 7,049,839
Concession Agreement liability - non-capital	1,248,672	1,116,387
	11,133,416	8,166,226
Less: current capital portion of concession liability	1,465,969	1,265,563
Less: current non-capital portion of concession liability	1,169,758	1,056,219
	2,635,727	2,321,782
Non-current portion of concession liability	$ 8,497,689	$ 5,844,444

The average finance cost on the concession liability is 5.21% for the year ended December 31, 2020 (2019 - 5.08%).

The concession liability is repayable as follows:

2021	$ 2,635,727
2022	1,583,195
2023	2,236,856
2024	2,326,330
2025 and thereafter	2,351,308
Total	$ 11,133,416

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

Balance January 1, 2020	$ 8,166,226
Additions	3,115,250
Finance expense (note 5)	548,486
Net repayment	(696,546)
Balance December 31, 2020	$ 11,133,416

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 (2019 - $18.2 million).

13. Commitments and contingencies:

(a) Public-private partnership 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.

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
2021	$ 1,465,969	$ 1,169,758	$ 2,635,727

(b) Distribution pipe leakage:

A provision has been recognized for the damages that resulted from a distribution pipe leakage at one of the Company's service areas (note 8). While management believes the Company has adequately provided for the remediation costs, it is not possible at this time to determine the total costs or assess any potential 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.

14. Related party transactions (continued):

(a) Due from City of Richmond:

During 2020, the Company received and recognized in revenues $981,000 (2019 - $962,241) 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 2020 is $37,294 (2019 - $35,185) for district energy utility services rendered by the Company to the City.

During 2020, the Company received and recognized energy model review fees into other income of $24,628 (2019 - $156,740) relating to district energy permit fees collected by the City for in-building district energy related equipment reviews performed by the Company.

During 2020, $165,125 (2019 - $158,761) of salary and benefit expenses were charged to the City for the 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, 2020 is $323,020 (2019 - $136,168) 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:

The Company did not enter into any transactions with key management personnel in the year ended December 31, 2020 (2019 - nil).

A fee of $67,863 (2019 - $61,417), included in general and administration expenses, was paid to the City for the day-to-day support that the Company received from the City staff over 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, 2020, the authorized share capital comprised 10,000 (2019 - 10,000) common shares without par value.

As at December 31, 2020, the Company has issued 450 common shares (2019 - 450) at $0.01 per share totaling $4.50 (2019 - $4.50) and contributed surplus of $27,397,110 (2019 - $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 entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(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.

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

(b) Risk management framework (continued):

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.

(*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 risk.

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

(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.

	Carrying amount	Contractual cash flow	Less than 1 year	1 - 2 years	2 - 5 years
December 31, 2020	$ 11,133,416	$ 12,685,549	$ 2,703,511	$ 1,708,510	$ 8,273,528
December 31, 2019	8,166,226	9,163,315	2,385,002	1,541,473	5,236,840

(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 (2019 - 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. As at December 31, 2019, the plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 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 $84,498 (2019 - $76,337) for employer contributions to the Plan in 2020.

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.

20. Impact of COVID-19:

COVID-19 pandemic:

During 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The services that the Company provides has been classified as essential services in British Columbia during COVID-19 pandemic. Subsequent to December 31, 2020, the situation continues to present uncertainty over the Company's future cash flows and may have an impact on the Company's future operations. potential impacts on the Company's business could include stagnation and collection of revenue, decrease in profitability of the Company's ongoing operations and delays in completing capital projects. As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Company are not known, an estimate of the financial effect, if any, on the Company is not practicable at this time.

As at the time of approval of these financial statements, there has been no significant impact on the Company's ability to obtain debt and equity financing, carrying value of long-lived assets or revenue and profitability of ongoing operations. Management 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.

City of Richmond

Report to Committee

To:	Finance Committee	**Date:**	April 23, 2021
From:	George Duncan Chief Administrative Officer & President and CEO Richmond Olympic Oval Rick Dusanj Acting Chief Financial Officer & Interim Senior Manager, Finance & Administration	**File:**	
Re:	**Richmond Olympic Oval Corporation 2020 Audited Financial Statements**		

Staff Recommendation

That the report on the 2020 Audited Financial Statements for the Richmond Olympic Oval Corporation from the Acting Chief Financial Officer and Interim Senior Manager, Finance & Administration, Richmond Olympic Oval Corporation be received for information.

George Duncan Chief Administrative Officer & President and CEO Richmond Olympic Oval	Rick Dusanj Acting Chief Financial Officer & Interim Senior Manager, Finance & Administration

RICHMOND OLYMPIC OVAL

Report

DATE: April 23, 2021

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

FROM: Rick Dusanj, CPA, CA
Interim Senior Manager, Finance & Administration, Richmond Olympic Oval Corporation

Re: **Richmond Olympic Oval Corporation 2020 audited financial statements**

Origin

This staff report addresses the Richmond Olympic Oval Corporation's (the "Corporation") 2020 audited financial statements (attachment #1) which were unanimously approved by the Corporation's Board of Directors ("BOD") on April 22, 2021, as well as an update on the 4th quarter ('Q4').

It should be noted that the Corporation has primarily mirrored the City of Richmond's approach to the COVID-19 pandemic. City Council have supported the protective measures recommended by Senior Staff due to this pandemic including the closure of the Oval in mid-March, along with all City arenas, pools, and recreation centres. During the closure, the Corporation started planning for the eventual and appropriately timed reintroduction of programs and services which was conducted in accordance with the provincial health and safety guidelines as our guiding principle. After three and a half months of not being open to the public, the Corporation re-opened based on a progressive resumption of programs and services at the beginning of Q3. Below are some of the highlights of the activities undertaken by the Corporation during Q4.

Q4 Highlights

Community Use

Throughout Q4 of 2020, the Richmond Olympic Oval continued to adapt to evolving regulations surrounding group fitness and sport activities for adults. The OVALfit at Home initiative continued throughout the quarter, offering six classes per week of various formats complimentary for the general public. The classes were livestreamed through the Oval's social media channels totaling 60 livestreams. Available at no cost to the community, the OVALfit at Home workouts have garnered over 128,000 views to date.

Since re-opening to the public in Q3, activated memberships continued to steadily increase during Q4. In addition, given some of the restrictions in place, the Corporation offered private skating lessons in lieu of group Learn to Skate classes with nearly 1,000 private skating lessons taking place in Q4.

The following Community Sport User Groups from Richmond, or with strong Richmond based participation who utilized the Oval in Q4 include, but are not limited to: Drive Basketball, Vancouver Ki Society, Shoseikan Karate, Aura Gymnastics, Brazilian Soccer School, Urban Rec, Connaught Figure Skating Club, RACA, and the Richmond Sockeyes.

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 on gatherings over 50 individuals, events scheduled to take place in Q4 at the Oval were postponed. Several of these events were rescheduled for 2021. Some of the future new events secured in Q4 by Events and Sport Hosting include: Elite Canada – Rhythmic Gymnastics Nationals 2021, Western Rhythmic Canadian Gymnastics 2021, BC Rhythmic Gymnastics Provincial 2021, Wheelchair Rugby National Team Training Camp Jan/Feb 2021, and a USA Climbing 2021 National Cup Series event.

National and Provincial Team training that took place during Q4 included the following groups: Volleyball Canada Women's National Team, Volleyball Canada National Excellence Program (NEP), Field Hockey Canada Men's and Women's National Team, Wheelchair Rugby Canada, Wheelchair Basketball Canada and BC Wheelchair Sport Association.

Local sport organizations who trained with the High Performance team in Q4 include: Greater Vancouver Canadians, UBC Thunderbirds hockey, Vancouver Angels, Richmond Rockets Speed Skating Club, Vancouver Thunder Volleyball Club, Air Attack Volleyball Club, Citius Table Tennis Club, False Creek Racing Canoe Club, Thunder Rowing, Asahi Baseball and Split Second Basketball.

High Performance Department Programs that occurred during Q4 include:

- PEAK Basketball
- High Performance Sport Climbing
- Volleyball Canada Regional Excellence Program (REP)
- High Performance Hockey Player and Goalie Development Programs
- Speed Skating Performance Program

Governance

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

2020 Audited Financial Statements

Please see attachment #1 for the audited financial statements of the Corporation for the year ended December 31, 2020. 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 $14.3M, with liabilities of $7.4M, and non-financial assets of $11.8M as of December 31, 2020. The total financial assets of $14.3M primarily included investments of $11.6M which primarily represents the Corporation's investments placed through the City, an accounts receivable balance of $0.4M and a cash balance of $2.1M. The total liabilities of $7.4M primarily included accounts payable and accrued liabilities of $1.9M and deferred revenue of $5.5M. The non-financial assets of the Corporation of $11.8M primarily included $11.7M of tangible capital assets and $0.1M of prepaid expenses.

Statement of Operations

The 2020 audited financial statements have a surplus of $0.8M before amortization and transfers to reserves. Total revenues for 2020 were $11.7M, and total expenses in 2020 before amortization were $10.9M.

Rick Dusanj, CPA, CA
Interim Senior Manager, Finance & Administration, Richmond Olympic Oval Corporation

Attachment # 1

Financial Statements of

RICHMOND OLYMPIC OVAL CORPORATION

And Independent Auditors' Report thereon

Year ended December 31, 2020

KPMG LLP
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Canada
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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, 2020;
- 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
- 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, 2020, 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.

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 22, 2021

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Financial Assets		
Cash	$ 2,107,288	$ 1,278,412
Investments (note 3)	11,610,136	13,369,630
Accounts receivable	374,632	605,890
Due from City of Richmond (note 4)	14,756	153,851
Inventories held for resale	154,078	131,125
	14,260,890	15,538,908
Liabilities		
Accounts payable and accrued liabilities	1,922,397	1,667,493
Deferred revenue (note 6)	5,495,607	5,827,008
Rental deposits	7,373	7,373
	7,425,377	7,501,874
Net financial assets	6,835,513	8,037,034
Non-Financial Assets		
Tangible capital assets (note 7)	11,687,489	10,984,873
Deferred lease costs (note 8)	-	14,346
Prepaid expenses and other deposits	130,025	447,805
	11,817,514	11,447,024
Economic dependence (note 13)		
Accumulated surplus (note 9)	$ 18,653,027	$ 19,484,058

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, 2020, with comparative information for 2019

	2020 Budget (Note 2(h))	2020	2019
Revenue:			
2010 Games Operating Trust Fund (note 5)	$ 2,900,000	$ 2,957,347	$ 2,882,719
Contribution from City of Richmond (note 11(a))	3,597,926	3,597,926	3,527,378
Memberships, admissions and programs	9,367,603	3,723,781	9,228,392
Other (note 15)	1,957,277	1,475,249	2,288,803
	17,822,806	11,754,303	17,927,292
Expenses:			
Salaries and benefits	9,907,246	7,429,863	9,298,161
Utilities	1,077,316	778,798	1,054,469
Amortization	2,000,000	1,668,641	1,628,450
Supplies and equipment	945,827	805,047	1,004,154
Insurance	419,486	421,436	344,052
General and administration	857,074	598,856	772,990
Marketing	400,223	197,471	376,601
Program services	1,432,174	613,350	1,401,645
Professional fees	80,500	71,872	91,482
	17,119,846	12,585,334	15,972,004
Annual surplus (deficit)	702,960	(831,031)	1,955,288
Accumulated surplus, beginning of year	19,484,058	19,484,058	17,528,770
Accumulated surplus, end of year	$ 20,187,018	$ 18,653,027	$ 19,484,058

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Changes in Net Financial Assets

Year ended December 31, 2020, with comparative information for 2019

	2020 Budget	2020	2019
	(Note 2(h))		
Annual surplus (deficit), for the year	$ 702,960	$ (831,031)	$ 1,955,288
Acquisition of tangible capital assets	(1,721,100)	(2,371,257)	(1,001,564)
Loss (gain) on sale of tangible capital assets	-	(500)	4,429
Proceeds on sale of tangible capital assets	-	500	1,900
Amortization of tangible capital assets	2,000,000	1,668,641	1,628,450
	278,900	(702,616)	633,215
Amortization of deferred lease costs	-	14,346	36,416
Acquisition of prepaid expenses and other deposits	-	(413,635)	(591,072)
Use of prepaid expenses and other deposits	-	731,415	584,059
Change in net financial assets	981,860	(1,201,521)	2,617,906
Net financial assets, beginning of year	8,037,034	8,037,034	5,419,128
Net financial assets, end of year	$ 9,018,894	$ 6,835,513	$ 8,037,034

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION
Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	$ (831,031)	$ 1,955,288
Items not involving cash:		
Amortization of tangible capital assets	1,668,641	1,628,450
Loss (gain) on sale of tangible capital assets	(500)	4,429
Amortization of deferred lease costs	14,346	36,416
Changes in non-cash operating working capital:		
Accounts receivable	231,258	(36,467)
Due from City of Richmond	139,095	(67,856)
Inventories held for resale	(22,953)	5,230
Prepaid expenses and other deposits	317,780	(7,013)
Accounts payable and accrued liabilities	254,904	(41,145)
Deferred revenue	(331,401)	(491,788)
Rental deposits	-	(1,890)
	1,440,139	2,983,654
Capital activities:		
Acquisition of tangible capital assets	(2,371,257)	(1,001,564)
Proceeds on sale of tangible capital assets	500	1,900
	(2,370,757)	(999,664)
Investing activities:		
Net redemption (purchase) of investments	1,759,494	(1,560,018)
Increase in cash	828,876	423,972
Cash, beginning of year	1,278,412	854,440
Cash, end of year	$ 2,107,288	$ 1,278,412

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 generally accepted accounting principles ("GAAP") of the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada.

(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.

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

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.

(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.

(*iii*) Deferred lease costs:

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

2. Significant accounting policies (continued):

(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.

(h) Budget data:

The budget data presented in these financial statements is based upon the 2020 budget approved by the Board of Directors on December 11, 2019.

(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	2020	2019
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	-
January 14, 2019	January 14, 2020	-	1,533,961*
February 19, 2019	February 18, 2020	-	889,373*
April 1, 2019	March 31, 2020	-	2,500,000*
April 1, 2019	March 31, 2020	-	3,218,792*
June 18, 2019	June 17, 2020	-	1,000,000*
July 11, 2019	July 10, 2020	-	1,000,000*
October 1, 2019	March 30, 2020	-	500,000
November 5, 2019	November 4, 2020	-	2,727,504*
		$ 11,610,136	$ 13,369,630

The interest rate of the term deposits ranges from 0.75% to 2.65% (2019 - 2.37% to 3.15%).

* Investments held by the City of Richmond on behalf of the Corporation, with income earned fully attributable to the Corporation.

4. Due from City of Richmond:

The amounts due from 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.

5. 2010 Games Operating Trust Fund (continued):

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:

	2020	2019
2019 annual distributable amount approved and received in 2020	$ 2,957,347	$ -
2018 annual distributable amount approved and received in 2019	-	2,882,719
	$ 2,957,347	$ 2,882,719

6. Deferred revenue:

	2020	2019
Balance, beginning of year	$ 5,827,008	$ 6,318,796
Add: amounts received	4,867,629	11,025,407
Less: revenue recognized	(5,199,030)	(11,517,195)
Balance, end of year	$ 5,495,607	$ 5,827,008

Deferred revenue comprises of:

	2020	2019
Memberships and programs	$ 967,521	$ 941,088
Sponsorship fees	70,683	343,833
Sport Hosting funding (note 11(b))	554,090	473,878
Richmond Olympic Experience (note 11(b))	3,903,313	4,068,209
	$ 5,495,607	$ 5,827,008

7. Tangible capital assets:

	Balance December 31, 2019	Additions	Disposals	Balance December 31, 2020
Athletic equipment	$ 3,266,604	$ 710,830	$ (1,935)	$ 3,975,499
Building improvements	2,110,729	248,982	-	2,359,711
Computer software and equipment	2,877,246	315,674	-	3,192,920
Facility equipment	1,160,782	123,144	-	1,283,926
Infrastructure	5,880,940	-	-	5,880,940
Signage	133,361	45,166	-	178,527
Simulators and exhibit fabrication	3,850,105	13,407	-	3,863,512
Tenant improvements	65,729	-	-	65,729
Uniforms, ice skates and helmets	348,249	-	-	348,249
WIP projects	513,569	914,054	-	1,427,623
	$ 20,207,314	$ 2,371,257	$ (1,935)	$ 22,576,636

	Balance December 31, 2019	Amortization expense	Disposals	Balance December 31, 2020
Athletic equipment	$ 1,985,435	$ 347,773	$ (1,935)	$ 2,331,273
Building improvements	1,038,786	385,886	-	1,424,672
Computer software and equipment	2,526,033	231,845	-	2,757,878
Facility equipment	1,054,198	88,449	-	1,142,647
Infrastructure	610,000	147,023	-	757,023
Signage	125,348	13,823	-	139,171
Simulators and exhibit fabrication	1,539,807	409,720	-	1,949,527
Tenant improvements	65,729	-	-	65,729
Uniforms, ice skates and helmets	277,105	44,122	-	321,227
	$ 9,222,441	$ 1,668,641	$ (1,935)	$ 10,889,147

	2020 Net book value	2019 Net book value
Athletic equipment	$ 1,644,226	$ 1,281,169
Building improvements	935,039	1,071,943
Computer software and equipment	435,042	351,213
Facility equipment	141,279	106,584
Infrastructure	5,123,917	5,270,940
Signage	39,356	8,013
Simulators and exhibit fabrication	1,913,985	2,310,298
Uniforms, ice skates and helmets	27,022	71,144
WIP projects	1,427,623	513,569
	$ 11,687,489	$ 10,984,873

7. Tangible capital assets (continued):

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 (2019 - nil).

8. Deferred lease costs:

	2020	2019
Balance, beginning of year	$ 14,346	$ 50,762
Less amortization	(14,346)	(36,416)
Balance, end of year	$ -	$ 14,346

9. Accumulated surplus:

	2020	2019
Accumulated surplus is comprised of:		
Share capital	$ 1	$ 1
Capital reserve	7,809,594	8,856,084
Other reserves/provisions	1,617,318	1,470,615
Operating surplus	605,050	604,039
Invested in tangible capital assets	8,621,064	8,553,319
	$ 18,653,027	$ 19,484,058

10. 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.

10. Financial risk management (continued):

(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 2019.

11. Related party transactions:

(a) City of Richmond:

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

In 2020, $244,387 (2019 - $248,408) of general and administration and salaries and benefits expenses were charged to the Corporation for the provision of City staff time.

In 2020, $100,000 (2019 - $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.

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 2020, the Corporation received a contribution from the City of $3,597,926 (2019 - $3,527,378) (note 16).

11. Related party transactions (continued):

(b) Sport Hosting Function:

Effective July 1, 2011, the Sport Hosting function of the City was transferred to the Corporation. This function is fully funded by the hotel tax. In 2020, $258,804 (2019 - $400,000) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2020, $554,090 (2019 - $473,878) has been included in deferred revenue (note 6) and during 2020, $178,582 (2019 - $356,529) was recognized in memberships, admissions, and programs 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, $3,903,313 (2019 - $4,068,209) 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.

12. 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, 2019, the Plan has about 213,000 active members and approximately 106,000 retired members. Active members include approximately 41,000 contributors from local governments.

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

The most recent valuation for the Municipal Pension Plan as 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.

12. Pension plan (continued):

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 $514,303 (2019 - $543,071) for employer contributions to the Plan in fiscal 2020.

13. Economic dependence:

The Corporation is economically dependent on receiving funding from GOT (note 5) and the City (note 11).

14. 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 five years in the following total amounts:

2021	$ 521,833
2022	309,610
2023	27,016
2024	27,557
2025	2,300

In addition, the Corporation receives funding from the City (note 11(a)) and from the GOT (note 5).

15. Other revenue:

Other revenue consists primarily of sponsorship revenue, leasing revenue, parking fees, and interest income.

16. Government transfers:

Government transfers are received for operating and capital activities. During 2020, the Corporation received an operating transfer of $3,597,926 (2019 - $3,527,378) (note 11) from the City of Richmond.