



Finance Committee

Anderson Room, City Hall
6911 No. 3 Road

Monday, May 4, 2015

Immediately Following the Open General Purposes Committee meeting

Pg. # ITEM

MINUTES

FIN-4 *Motion to adopt the **minutes** of the meeting of the Finance Committee held on Tuesday, April 7, 2015.*



DELEGATION

FIN-9 1. C.J. James, Engagement Partner, and Archie Johnston, Client Relationship and Quality Review Partner, KPMG, to present the **2014 Auditor's report** on the City's financial statements.

FINANCE AND CORPORATE SERVICES DIVISION

2. **2014 CONSOLIDATED FINANCIAL STATEMENTS**
(File Ref. No. 03-0905-01) (REDMS No. 4556244 v. 2)

FIN-22

See Page FIN-22 for full report

Designated Speaker: Andrew Nazareth

STAFF RECOMMENDATION

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



RICHMOND PUBLIC LIBRARY BOARD

3. **2014 FINANCIAL STATEMENTS FOR THE RICHMOND PUBLIC LIBRARY**

(File Ref. No.) (REDMS No.)

FIN-82

See Page FIN-82 for full report

Designated Speaker: Greg Buss

STAFF RECOMMENDATION

That the report on the 2014 Financial Statements for the Richmond Public Library Board be received for information.



LULU ISLAND ENERGY CORPORATION

4. **2014 FINANCIAL STATEMENTS FOR THE LULU ISLAND ENERGY COMPANY**

(File Ref. No. 01-0060-20-LIEC1) (REDMS No. 4551203 v. 2)

FIN-100

See Page FIN-100 for full report

Designated Speaker: Jerry Chong

STAFF RECOMMENDATION

That the Lulu Island Energy Company audited financial statements for the year ended December 31, 2014, in the report titled 2014 Financial Statements for the Lulu Island Energy Company, dated April, 9, 2015, from the Chief Executive Officer and Chief Financial Officer, Lulu Island Energy Company, be received for information.



RICHMOND OLYMPIC OVAL CORPORATION

5. **2014 FINANCIAL STATEMENTS FOR THE RICHMOND OLYMPIC OVAL CORPORATION**

(File Ref. No.) (REDMS No. 4567913)

FIN-113

See Page FIN-113 for full report

Designated Speaker: Rick Dusanj

Finance Committee Agenda – Monday, May 4, 2015

Pg. #

ITEM

STAFF RECOMMENDATION

That the report on the 2014 Audited Financial Statements for the Richmond Olympic Oval from the Controller, Richmond Olympic Oval Corporation, be received for information.

☐

ADJOURNMENT

☐



Finance Committee

Date: Tuesday, April 7, 2015

Place: Anderson Room
Richmond City Hall

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

Call to Order: The Chair called the meeting to order at 4:27 p.m.

MINUTES

It was moved and seconded

That the minutes of the meeting of the Finance Committee held on Monday, March 2, 2015, be adopted as circulated.

CARRIED

FINANCE AND CORPORATE SERVICES DIVISION

1. **2015 ANNUAL PROPERTY TAX RATES BYLAW**
(File Ref. No. 12-8060-20-009231; 03-0925-01) (REDMS No. 4526152)

In response to a query from Committee, Ivy Wong, Manager, Revenue, commented that there was a slight decrease in the Commercial and Industrial tax rates for 2015.

Finance Committee
Tuesday, April 7, 2015

It was moved and seconded

That the Annual Property Tax Rates (2015) Bylaw No. 9231 be introduced and given first, second and third readings.

The question on the motion was not called as Committee requested clarification on the impact of the residential growth to the 2015 tax rate. Ms. Wong advised that the revenue generated from new residential growth was included as a line item in the 2015 budget, which assists in reducing the amount of revenue to be drawn from the tax base.

CARRIED

1A. TAX LEGISLATION

(File Ref. No. 12-8060-20-008776; 03-0925-01)

The Chair referenced the *2011 Municipalities Enabling and Validating Act (No. 4)* and the City's *City Centre Area Transitional Tax Exemption Bylaw No. 8776*, which provided tax relief, on an interim basis, during a period when there were significant increases in assessment values within the Brighthouse area. The term for any tax exemption provided under Bylaw No. 8776 will expire after the 2016 municipal taxation year. As a result of the discussion, the following **referral** was introduced:

It was moved and seconded

That the 2011 Municipalities Enabling and Validating Act (No.4) and Richmond's City Centre Area Transitional Tax Exemption Bylaw No. 8776 be referred to staff for analysis and to provide advice as to the potential for the renewal of the Bylaw.

The question on the motion was not called as discussion ensued regarding the analysis, including information on whether the area affected has expanded. It was suggested that staff conduct a telephone survey of a random number of commercial rental tenants inquiring whether the tax savings had been passed on by the property owners.

In reply to a query, Ms. Wong advised that Section 19 of the *Assessment Act* allows residential property owners, having occupied the eligible residential property as his or her principal place of residence for more than 10 years, to apply for relief.

The question on the referral was then called and it was **CARRIED**.

Finance Committee
Tuesday, April 7, 2015

2. DONATION OF SURPLUS FROM NON REDEMPTION OF TAX SALE PROPERTY

(File Ref. No. 03-1240-01) (REDMS No. 4530462)

It was moved and seconded

That the donation of the excess proceeds from the sale of 4348 Carter Drive be accepted and the issuance of a donation receipt to Blackcomb Way Properties for \$660.33 be authorized.

CARRIED

3. REVENUE ANTICIPATION BORROWING (2015) BYLAW NO. 9226

(File Ref. No. 03-0900-01) (REDMS No. 4525135)

It was moved and seconded

That Revenue Anticipation Borrowing (2015) Bylaw No. 9226 be introduced and given first, second, and third readings.

CARRIED

LULU ISLAND ENERGY CORPORATION

4. 2015 OPERATING BUDGET FOR THE LULU ISLAND ENERGY COMPANY

(File Ref. No. 01-0060-20-LIEC1) (REDMS No. 4530432 v. 5)

It was moved and seconded

That the report titled 2015 Operating Budget for the Lulu Island Energy Company, dated March 17, 2015, from the Chief Executive Officer and Chief Financial Officer, Lulu Island Energy Company, be received for information.

The question on the motion was not called as in response to a query from Committee, Mr. Chong, Director, Finance, advised that the Lulu Island Energy Company utility rates meet the City's objective to provide users with rates equal to or below other service providers.

The question on the motion was then called and it was **CARRIED**.

RICHMOND OLYMPIC OVAL CORPORATION

5. RICHMOND OLYMPIC OVAL – 2015 ANNUAL OPERATING AND CAPITAL BUDGETS

(File Ref. No.) (REDMS No. 4542029)

In reply to queries from Committee, Rick Dusanj, Controller, Richmond Olympic Oval Corporation (ROOC), provided the following information:

Finance Committee

Tuesday, April 7, 2015

- “other revenue” includes income pertaining to sponsorship, leasing, and parking;
- the increased marketing budget relates to both one-time and annual costs associated with new business initiatives;
- the increase in the Administration/Finance budget includes expenses related to (i) amortization, (ii) new initiatives, and (iii) non-discretionary items including charge backs from City resources used by the ROOC;
- following the completion of the financial audit, the annual report, including a full breakdown of the ROOC revenue and expenses, will be submitted to Council; and
- approximately 50% of the 2015 Capital budget is related to new business initiatives.

In response to queries from Committee, George Duncan, Chief Executive Officer, ROOC, advised that the increased marketing budget is due to the one-time and ongoing expenditures pertaining to the promotion of three significant business initiatives: (i) the Richmond Olympic Experience; (ii) YYoga; and (iii) new retail operations. He further advised that the estimates were below those proposed by marketing experts.

It was suggested that (i) staff provide a memorandum to Council that provides a breakdown of the salary and marketing costs, and (ii) future reports include comparisons of the previous quarter and/or year's figures.

It was moved and seconded

That the report on the 2015 Annual Operating and Capital Budgets for the Richmond Olympic Oval from the Controller of the Richmond Olympic Oval Corporation be received for information.

CARRIED

ADJOURNMENT

It was moved and seconded

That the meeting adjourn (4:48 p.m.).

CARRIED

Finance Committee
Tuesday, April 7, 2015

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 7, 2015.

Mayor Malcolm D. Brodie
Chair

Heather Howey
Committee Clerk



KPMG Enterprise™
Metrotower II
Suite 2400 - 4720 Kingsway
Burnaby BC V5H 4N2
Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca/enterprise

AUDIT FINDINGS LETTER

PRIVATE & CONFIDENTIAL

Finance Committee
City of Richmond
6911 No. 3 Road
Richmond BC V6Y 2C1

April 27, 2015

To: Chair and Members of the Finance Committee of City of Richmond

We are pleased to provide the following information for your review and consideration in order to assist you in carrying out your responsibilities with respect to the review and recommendation to Council of the audited consolidated financial statements of the City of Richmond (the "City") for the year ended December 31, 2014. A summary of the information provided is as follows:

Description

- Audit status and opinion
- Significant audit, accounting and reporting matters
- Significant qualitative aspects of accounting practices
- Misstatements
- Control deficiencies
- Documents containing or referring to the audited financial statements
- Confirmation of independence
- Current developments

This report is intended to communicate to you the results of our examination. We would be pleased to receive any comments or suggestions for improvements, which you may have.

We would like to thank the staff of the City for their cooperation and assistance during the course of our audit fieldwork. We appreciate the opportunity to serve you and look forward to a continuing relationship.

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

Yours very truly

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

Archie G Johnston, MBA, CPA-FCA, CIA
Client Relationship and Quality Review Partner
(604) 527-3757

Enclosures:

Appendix 1 - Management representation letter



AUDIT STATUS AND OPINION

As of the date of this letter, we have completed our audit of the City's December 31, 2014 consolidated financial statements with the exception of the following procedures:

- Completing our discussion with the Finance Committee
- Subsequent event updates
- Receipt of signed management representation letter
- Obtaining evidence that those with approved authority to take responsibility for the City's financial statements have done so.

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

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

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

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

Concession agreement with Corix Utilities Inc. (Corix)

On October 30, 2014, the Lulu Island Energy Company Ltd. ("LIEC") and Corix entered into a 30 year Concession Agreement (the "Agreement"), where Corix will design, construct, finance, operate, and maintain the infrastructure for the district energy utility at the River Green community. The total estimated concession liability to finance the construction is \$31,964,000 and will be accrued over time. The concession liability balance outstanding as of December 31, 2014 is \$283,569, of which \$8,259 represents interest.

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

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

SIGNIFICANT QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

The following are the significant qualitative aspects of accounting practices:

Significant accounting policies	<ul style="list-style-type: none"> • Critical accounting policies and practices adopted by the City are appropriate and properly disclosed in the consolidated financial statements. • There were no significant changes in accounting policies during 2014. • There are no significant accounting policies in controversial or emerging areas. • The transactions were correctly recorded in relation to the period in which they are related to. • There were no significant unusual transactions undertaken during the year.
Significant accounting estimates	<ul style="list-style-type: none"> • Management's identification of accounting estimates and process for making such accounting estimates are appropriate. • There were no indicators of possible management bias noted during our audit. • Disclosure of estimation uncertainty in the consolidated financial statements is appropriate.
Significant disclosures	<ul style="list-style-type: none"> • There are no particularly sensitive financial statement disclosures. • The disclosures in the consolidated financial statements are consistent and clear. Any potential effect on the consolidated financial statements of significant risks, exposures and uncertainties have been appropriately disclosed.

MISSTATEMENTS

Audit Misstatements – Identification

Misstatements identified during the audit have been categorized as follows:

- uncorrected audit misstatements, including disclosures
- corrected audit misstatements, including disclosures



Uncorrected Audit Misstatements

We have not identified misstatements that remain uncorrected for the year ended December 31, 2014.

Corrected Audit Misstatements

Refer to the Attachment II in the draft management's representation letter in Appendix 1 for a Summary of Corrected Audit Misstatements.

CONTROL DEFICIENCIES

Background and professional standards

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

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. Therefore, there can be no assurance that all significant accounting deficiencies and other control deficiencies have been identified.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

Identification

In the current year, we did not identify any control deficiencies that we consider to be significant deficiencies in ICFR. The performance improvement observations noted in the prior year have been appropriately dealt with by management and we have no further comments on them.

DOCUMENTS CONTAINING OR REFERRING TO THE AUDITED FINANCIAL STATEMENTS

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

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

CONFIRMATION OF 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, 2014 up to the date of this letter.

CURRENT DEVELOPMENTS

In addition to the developments previously reported to you, we note the following developments in Canadian Public Sector Accounting Standards:

Liability for Contaminated Sites

- As previously reported to you, PS 3260 Liability for Contaminated Sites is effective for years commencing on or after April 1, 2014. Early adoption is encouraged.
- Governments will be required to recognize a liability for contaminated sites when the government is responsible for, or accepts responsibility for, the contamination, and the contamination exceeds existing environmental standards. The amount recorded as a liability must be reasonably estimable and would include costs directly related to the remediation activities and post-remediation costs that are an integral part of the remediation strategy. Costs related to asset purchases to be used in remediation would be included in the liability to the extent that the assets have no alternative use.
- Management has commenced work to adopt the new accounting standard.

Related Party Disclosures and Inter-Entity Transactions

- The PSA Handbook previously had no specific accounting standards relating to related parties. PSAB recently approved two new sections: related party disclosures and inter-entity transactions. These new accounting standards are required to be adopted for the City's fiscal year beginning January 1, 2016.
- Related party disclosures
 - Related parties include entities that are controlled by or subject to shared control by a reporting entity, entities that are subject to common control, and entities that are subject to shared control. Disclosure is only required when transactions and events between related parties have or could have a material financial effect on the financial statements.
 - Related parties also include key management personnel and close family members. Disclosure of key management personnel compensation arrangements, expense allowances and other similar payments routinely paid in exchange for services rendered is not required.
 - Determining which related party transactions to disclose is a matter of judgment based on assessment of the terms and conditions underlying the transactions; the financial materiality of the transactions; the relevance of the information; and the need for the information to enable users' understanding of the financial statements and for making comparisons.
- Inter-entity transactions involving the transfer of assets or liabilities should be recognized by both a provider and a recipient at carrying amount, exchange amount or fair value depending on the particular circumstances of each case. Inter-entity transactions in the normal course of operations or under a policy of cost allocation and recovery should be recognized on a gross basis at the exchange amount.

Exposure Drafts

PSAB has issued various exposures drafts during 2014 which are still in the comments process. Below is a listing some of the relevant exposure drafts:

- *Assets, Contingent Assets, and Contractual Rights* –Additional guidance on the definition and disclosure requirements of the assets, contingent assets, and contractual rights is provided. The guidance includes the definition of economic resources, future economic benefits, control, and past transactions and events for assets, the characteristics of contingent assets, and the characteristics of contractual rights.
- *Retirement Obligation* - Retirement obligations associated with tangible capital assets result from legal, constructive, and equitable obligations. Retirement costs increase the carrying amount of the related tangible capital assets and are expensed in a rational and systematic manner. Subsequent remeasurement of the liability can result in a change in the carrying amount of the related tangible capital asset. Retirement obligations include post-retirement operation, maintenance and monitoring.
- *Revenue* - A Statement of Principles was issued in 2013 and comments are currently under deliberation. Adoption of these principles would result in a need to assess current accounting policies. In the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. For unilateral revenues, recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

(Letterhead of Client)

MANAGEMENT REPRESENTATION LETTER

KPMG LLP
Metrotower II Office Complex
Suite 2400 – 4720 Kingsway
Burnaby, BC V5H 4N2

May 11, 2015

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of the City of Richmond (“the City”) as at and for the period ended December 31, 2014.

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 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:

GENERAL:

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

INTERNAL CONTROL OVER FINANCIAL REPORTING:

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

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

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

COMMITMENTS & CONTINGENCIES:

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

SUBSEQUENT EVENTS:

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

RELATED PARTIES:

- 6) We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

ESTIMATES:

- 7) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 8) Significant estimates, which could change materially within the near term, and all areas of measurement uncertainty have been properly recorded or disclosed in the financial statements.
- 9) Fair value estimates and disclosures reflect management's intent and ability to carry out specific course of action on behalf of the City.
- 10) The nature and extend of estimates, which could change materially within the near term, and all areas of measurement uncertainty have been disclosed in the financial statements.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

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

MISSTATEMENTS:

- 12) We approve the corrected misstatements identified by you during the audit described in **Attachment II.**

ACCOUNTING POLICIES:

- 13) The accounting policies selected and applied are appropriate in the circumstances.

ASSETS & LIABILITIES – GENERAL:

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

RECEIVABLES:

- 17) Receivables reported in the financial statements represent valid claims against customers and other debtors for sales or other charges arising on or before the balance sheet date. Receivables have been appropriately reduced to their net realizable value.

CONTRACTUAL AGREEMENTS:

- 18) The City has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance including violations or default of the covenants in the City's debt agreements.

ENVIRONMENTAL MATTERS

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

EMPLOYEE FUTURE BENEFITS

- 20) The employee future benefit costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 21) We have no knowledge of arrangement (contractual or otherwise) by which programs have been established to provide post-employment benefits, except as disclosed to you.
- 22) The significant accounting policies the City has adopted in applying PS 3255, Post-employment benefits, compensated absences and termination benefits (hereinafter referred to as "PS 3255") are disclosed in notes to the financial statements.
- 23) All arrangements (contractual or otherwise) by which programs have been established to provide post-employment benefits have been disclosed to you and included in the determination of pension and post-employment costs and obligations. This includes:
 - a) pension and other retirement benefits expected to be provided after retirement to employees and their beneficiaries.
 - b) post-employment benefits expected to be provided after employment but before retirement to employees and their beneficiaries. These benefits include unused sick leave and severance benefits.
 - c) compensated absences for which it is expected employees will be paid. These benefits include accumulating sick days; and
 - d) termination benefits.
- 24) The post-employment benefit costs, assets and obligations have been determined, accounted for and disclosed in accordance with PS 3255. In particular:
 - a) each of the best estimate assumptions used reflects management's judgment of the most likely set of conditions affecting future events; and
 - b) the best estimate assumptions used are, as a whole, consistent within themselves, and with the valuation method adopted for purposes of this evaluation.
- 25) The assumptions included in the actuarial valuation are those that management instructed Mercer Human Resource Consulting ("Mercer") to use in computing amounts to be used by us in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with PS 3255.
- 26) In arriving at these assumptions, management has obtained the advice of Mercer, but has retained the final responsibility for them.
- 27) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
- 28) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension and other post-employment benefit costs.
- 29) We agree with Mercer's findings in evaluating the accuracy and completeness of employee future benefits and have adequately considered their qualifications in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give nor cause any instructions to be given to Mercer with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on Mercer's independence and objectivity.

OTHER:

- 30) We have appropriately reported the amounts of Home Owner Grants collected and remitted as stated on the Home Owners Grants: Auditor Certificate.
- 31) We have complied with subsection 2 and 3 section 124 of Part 8 of the School Act for the year ended December 31, 2014.
- 32) All transfers out of statutory reserves have been approved by bylaw except for those transfers allowed by Council resolution.

Yours very truly,

CITY OF RICHMOND

By: Andrew Nazareth, General Manager, Finance & Corporate Services

By: Jerry Chong, Director of Finance

We have the recognized authority to take, and assert that we have taken, responsibility for the financial statements

cc: Finance Committee

Attachment I – Definitions

MATERIALITY

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

FRAUD & ERROR

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

Misappropriation of assets involves the theft of 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.

RELATED PARTIES

In accordance with Public Sector Accounting Standards *related party* is defined as:

- exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management and immediate family members.

In accordance with Public Sector Accounting Standards a *related party transaction* is defined as:

- a transfer of economic resources or obligations between related parties or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties

Attachment II – Summary of Audit Misstatements Schedules

Summary of Uncorrected Audit Misstatements

There were no uncorrected audit misstatements noted for the year ending December 31, 2014.

Summary of Corrected Audit Misstatements

Ref	Description	Assets	Liabilities	Annual Surplus	Opening Accumulated Surplus
1	Dr. Revenue Cr. Deferred Revenue <i>To record a liability for an externally restricted contribution that was previously recorded as revenue.</i>	-	(3,450,000)	3,450,000	-
2	Dr. Accounts Payable Cr. Expenses <i>To adjust for the over accrual of water purchase for the month of December 2014.</i>	-	464,709	(464,709)	-
	Total	-	(2,985,291)	2,985,291	-

Summary of Omission and Other Errors in Presentation and Disclosure

There were no omissions or errors in presentation and disclosure noted for the year ending December 31, 2014.



City of Richmond

Report to Committee

To: Finance Committee

Date: April 16, 2015

From: Andrew Nazareth
General Manager, Finance and Corporate
Services

File: 03-0905-01/2015-Vol
01

Re: 2014 Consolidated Financial Statements

Staff Recommendation

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

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

Att. 2

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

Staff Report

Origin

Sections 98 and 167 of the Community Charter require that annual audited financial statements be prepared and presented to Council. The City's audited consolidated financial statements for 2014 have been prepared in accordance with the generally accepted accounting principles for local governments, as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The financial statements consist of:

- Consolidated statement of financial position (summary of financial assets and liabilities, net financial assets, non-financial assets and accumulated surplus at year end). The accumulated surplus can also be viewed as the net worth of the organization;
- Consolidated statement of operations (summary of the annual surplus for the year consisting of revenues from the operating and capital funds that were raised in the year and expenses reflecting how funds were used during the year including the annual costs for owning and using capital assets (amortization));
- Consolidated statement of changes in net financial assets (a reconciliation between the net revenues earned in the year to the change in net financial assets. This statement shows the net revenues, with a reversal of the non-cash accruals for amortization and sale of assets, less donated assets and the spending to acquire new capital assets in the year. The change in net financial assets is an indicator of whether revenues raised in the year were sufficient to cover the spending in the year); and
- Consolidated statement of cash flows (summary of how the City's cash position changed during the year, highlighting sources and uses of cash, including the use of cash to acquire capital assets).

Analysis

Financial statements present information about the financial position, performance and changes in the financial position of the City. The financial statements provide accountability by supplying information about the City's resources, obligations and financial affairs. They detail the financial viability, the nature and allocation of economic resources, the revenues and financing, and the quality of management.

The consolidated financial statements combine the accounts of the City of Richmond, Richmond Olympic Oval, Richmond Public Library and Lulu Island Energy Company Ltd. (LIEC). Further information about the basis of consolidation is listed in Note 2 to the consolidated financial statements. The consolidated financial statements are included in **Attachment 1**.

Financial Impact2014 Consolidated Statement of Financial Position

Highlights of the 2014 consolidated statement of financial position:

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

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

2014 Consolidated Statement of operations

Highlights of the 2014 consolidated statement of operations:

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

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

An analysis of the consolidated financial statements is provided in the Financial Statement Discussion and Analysis (FSD&A) (Attachment 2). The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as

between budgeted and actual results. This analysis is intended to be read in conjunction with the 2014 audited consolidated financial statements.

Conclusion

The financial statements are legislated reporting requirements and staff recommend that they be approved. As noted in the Auditors' Report, it is the Auditors' opinion that these consolidated financial statements present fairly the consolidated financial position as of December 31, 2014, and its consolidated results of operations and changes in net consolidated financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.



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

CG:cg

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

Consolidated Financial Statements of

CITY OF RICHMOND

Year ended December 31, 2014

INDEPENDENT AUDITORS' REPORT

To the Mayor and Council

We have audited the accompanying consolidated financial statements of the City of Richmond, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Richmond as at December 31, 2014, and its consolidated results of operations, its changes in net consolidated financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

Date

Burnaby, Canada

CITY OF RICHMOND

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

December 31, 2014, with comparative figures for 2013

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

Commitments and contingencies (note 16)

See accompanying notes to consolidated financial statements.

General Manager, Finance and Corporate Services

CITY OF RICHMOND

Consolidated Statement of Operations
(Expressed in thousands of dollars)

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

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

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

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

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

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

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

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

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

Year ended December 31, 2014

1. Operations:

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

2. Significant accounting policies:

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

(a) Basis of consolidation:

The consolidated financial statements reflect a combination of the City's General Revenue, General Capital and Loan, Waterworks and Sewerworks, and Reserve Funds consolidated with the Richmond Public Library (the "Library"), the Richmond Olympic Oval and the Lulu Island Energy Company Ltd. (LIEC). The Library is consolidated as the Library Board is appointed by the City. The Richmond Olympic Oval and LIEC are consolidated as they are wholly owned municipal corporations of the City and operate as other government organizations. Inter-fund transactions, fund balances and activities have been eliminated on consolidation.

(i) General Revenue Fund:

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

(ii) General Capital and Loan Fund:

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

(iii) Waterworks and Sewerworks Funds:

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

(iv) Reserve Funds:

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

CITY OF RICHMOND

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

Year ended December 31, 2014

2. Significant accounting policies (continued):

(b) Basis of accounting:

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

(c) Government transfers:

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

(d) Cash and cash equivalents:

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

(e) Investments:

Investments are recorded at cost, adjusted for amortization of premiums or discounts. Provisions for losses are recorded when they are considered to be other than temporary. At various times during the term of each individual investment, market value may be less than cost. Such declines in value are considered temporary for investments with known maturity dates as they generally reverse as the investments mature and therefore an adjustment to market value for these market declines is not recorded.

(f) Accounts receivable:

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

(g) Development cost charges:

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

(h) Post-employment benefits:

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

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

CITY OF RICHMOND

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

Year ended December 31, 2014

2. Significant accounting policies (continued):

(i) Non-financial assets:

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

(i) Tangible capital assets:

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

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

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

(ii) Contributions of tangible capital assets:

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

(iii) Natural resources:

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

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

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

(v) Interest capitalization:

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

(vi) Labour capitalization:

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

CITY OF RICHMOND

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

Year ended December 31, 2014

2. Significant accounting policies (continued):

(vii) Leased tangible capital assets:

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

(viii) Impairment of tangible capital assets:

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

(ix) Inventory of materials and supplies:

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

(j) Revenue recognition:

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

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

(k) Deferred revenue:

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

(k) Deposits:

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

(l) Debt:

Debt is recorded net of related sinking fund balances.

CITY OF RICHMOND

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

Year ended December 31, 2014

2. Significant accounting policies (continued):

(m) Budget information:

Budget information, presented on a basis consistent with that used for actual results, was included in the City of Richmond's Five Year Financial Plan and was originally adopted through Bylaw No. 9100 on February 24, 2014.

(n) Use of accounting estimates:

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

(o) Segment disclosures:

A segment is defined as a distinguishable activity of group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The City of Richmond has provided definitions of segments used by the City as well as presented financial information in segment format (note 21).

(p) Public-private partnership projects:

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

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

CITY OF RICHMOND

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

Year ended December 31, 2014

3. Investments:

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

4. Accounts receivable:

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

5. Debt reserve fund deposits and contingent demand notes:

The City issues its debt instruments through the Municipal Finance Authority (the "MFA"). As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA in a Debt Reserve Fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the MFA. These demand notes are contingent in nature and are not reflected in the City's accounts. The details of the cash deposits and contingent demand notes at December 31, 2014 are as follows:

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

CITY OF RICHMOND

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

Year ended December 31, 2014

6. Accounts payable and accrued liabilities:

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

7. Development cost charges:

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

8. Deposits and holdbacks:

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

9. Deferred revenue:

Deferred revenue represents revenues that are collected but not earned as of December 31, 2014. These revenues will be recognized in future periods as they are earned. Deferred revenue also represents funds received from external parties for specified purposes. These revenues are recognized in the period in which the related expenses are incurred.

CITY OF RICHMOND

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

Year ended December 31, 2014

9. Deferred revenue (continued):

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

10. Debt:

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

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

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

	Gross amount borrowed	Repayments and actuarial adjustments	Net debt 2014	Net debt 2013
General Fund	\$ 70,815	\$ 20,000	\$ 50,815	\$ 1,056
	\$ 70,815	\$ 20,000	\$ 50,815	\$ 1,056

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

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

CITY OF RICHMOND

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

Year ended December 31, 2014

11. Tangible capital assets:

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

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

CITY OF RICHMOND

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

Year ended December 31, 2014

11. Tangible capital assets (continued):

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

(a) Assets under construction:

Assets under construction having a value of approximately \$66,223,263 (2013 - \$42,231,645) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is approximately \$43,834,556 (2013 - \$50,887,000) comprised of infrastructure in the amount of approximately \$18,937,542 (2013 - \$10,934,000), land in the amount of approximately \$24,897,014 (2013 - \$38,892,000), and Library books in the amount of approximately nil (2013 - \$971,000).

(c) Tangible capital assets disclosed at nominal values:

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

(d) Works of Art and Historical Treasures:

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

(e) Write-down of tangible capital assets:

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

CITY OF RICHMOND

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

Year ended December 31, 2014

12. Accumulated surplus:

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

13. Reserves:

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

CITY OF RICHMOND

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

Year ended December 31, 2014

14. Post-employment benefits:

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

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

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

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

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

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

CITY OF RICHMOND

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

Year ended December 31, 2014

15. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteesd pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including the investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 1,500 contributors from the City.

The most recent actuarial valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the year (defined contribution pension plan accounting). This is because Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

The City paid \$10,649,936 (2013 - \$10,311,445) for employer contributions to the Plan in fiscal 2014. Employees paid \$8,780,321 (2013 - \$8,677,397) for employee contributions to the Plan in fiscal 2013.

16. Commitments and contingencies:

(a) Joint and several liabilities:

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

(b) Lease payments:

In addition to the obligations under capital leases, at December 31, 2014, the City was committed to operating lease payments for premises and equipment in the following approximate amounts:

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

CITY OF RICHMOND

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

Year ended December 31, 2014

16. Commitments and contingencies (continued):

(c) Litigation:

As at December 31, 2014, there were a number of claims or risk exposures in various stages of resolution. The City has made no specific provision for those where the outcome is presently not determinable.

(d) Municipal Insurance Association of British Columbia:

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

(e) Contractual obligation:

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

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

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

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

The City is a shareholder of the Emergency Communications for Southwest British Columbia Incorporated (E-Comm) whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City has 2 Class A shares and 1 Class B share (of a total of 28 Class A and 23 Class B shares issued and outstanding as at December 31, 2013). As a Class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.

CITY OF RICHMOND

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

Year ended December 31, 2014

16. Commitments and contingencies (continued):

(g) Community Associations:

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

17. Trusts:

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

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

18. Collections for other governments:

The City is obligated to collect certain taxation revenue on behalf of other government bodies. These funds are excluded from the City's financial statements since they are not revenue of the City. Such taxes collected and remitted to the government bodies during the year are as follows:

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

CITY OF RICHMOND

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

Year ended December 31, 2014

19. Other revenue:

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

20. Government transfers:

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

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

CITY OF RICHMOND

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

Year ended December 31, 2014

21. Segmented reporting:

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

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

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

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

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

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

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

CITY OF RICHMOND

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

Year ended December 31, 2014

21. Segmented reporting (continued):

Richmond Olympic Oval is formed as a wholly owned subsidiary of the City. The City uses the Richmond Olympic Oval facility as a venue for a wide range of sports, business and community activities. The financial statements include the Oval's 50% proportionate share of operations of VROX Sport Simulation Ltd (VROX). VROX is a government partnership established to develop, manufacture and sell sport simulators to the Richmond Olympic Experience and third party customers.

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

Lulu Island Energy Company Ltd. (LIEC) was incorporated on August 19, 2013 under the Business Corporations Act of British Columbia as a municipal corporation wholly-owned by the City of Richmond for the management of district energy utilities.

CITY OF RICHMOND

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

Year ended December 31, 2014

21. Segmented reporting (continued):

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

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

CITY OF RICHMOND

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

Year ended December 31, 2014

22. Budget data:

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

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

23. Comparative Figures:

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

2014 | City of Richmond

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

FIN - 52





Table of Contents

Contents

INTRODUCTION	1
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
FINANCIAL ASSETS.....	3
LIABILITIES	4
NON-FINANCIAL ASSETS.....	6
ACCUMULATED SURPLUS	7
CONSOLIDATED STATEMENT OF OPERATIONS.....	9
REVENUES	10
EXPENSES	12
ANNUAL SURPLUS	15
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS.....	16
CONSOLIDATED STATEMENT OF CASH FLOWS.....	17
RATIO ANALYSIS	18
ENVIRONMENTAL ANALYSIS.....	21
TERM GOALS.....	22
ENVIRONMENT	24
SERVICES	26
CONCLUSION	27

Introduction

The Community Charter requires that annual audited financial statements be prepared and presented to Council. The City's audited consolidated financial statements for 2014 have been prepared in accordance with the generally accepted accounting principles for local governments, as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The Financial Statement Discussion and Analysis (FSD&A) provides a detailed analysis of the Consolidated Financial Statements. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis is intended to be read in conjunction with the 2014 audited Consolidated Financial Statements.

The Consolidated Financial Statements combine the accounts of the City of Richmond, Richmond Olympic Oval, Richmond Public Library and Lulu Island Energy Company Ltd. (LIEC). Further information about the basis of consolidation is listed in Note 2 to the Consolidated Financial Statements.

The Consolidated Financial Statements include the following individual statements:

- **Consolidated statement of financial position** summarizes the assets (financial and non-financial), liabilities, net debt, and accumulated surplus as at December 31st.
- **Consolidated statement of operations** outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, and reserve funds for the City and its consolidated entities, and provides the calculation of the City's accumulated surplus at year end.
- **Consolidated statement of changes in net financial assets** outlines the changes in net debt as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
- **Consolidated statement of cash flows** summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is the equivalent of the private sector's balance sheet. This statement focuses on the City's assets (financial and non-financial) and liabilities. The difference between the financial assets and liabilities is the City's net assets, which represents the amount available in the future.

The City maintained its strong financial position in 2014 allowing flexibility and financial sustainability well into the future.

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

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

Financial Assets

Cash and cash equivalents

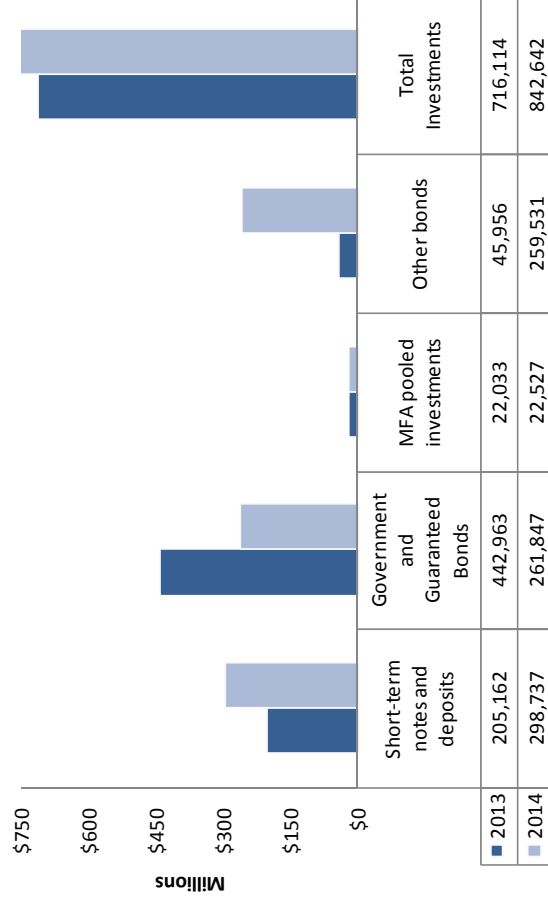
Cash and cash equivalents decreased by \$16.3M to \$22.1M mainly due to the timing of expenditures and maintenance for cash flow.

Investments

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

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

Investment Portfolio by Type



Accrued interest receivable

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

Accounts receivable

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

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

Taxes receivable

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

Development fees receivable

Development fees receivable rose by \$4.0M to \$25.4M due to increased use the instalment payment option. Development cost charges can be paid in instalments where equal instalments are paid at the originating date, and at the one and two year anniversary dates. A letter of credit is held for the receivable balance.

Debt reserve fund

The debt reserve fund increased by \$0.5M.

Liabilities

Accounts payable and accrued liabilities

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

Development cost charges

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

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

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

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

Deposits and holdbacks

Deposits and holdbacks increased by \$13.3M to \$65.1M primarily due to security deposits increasing by \$12.5M. This amount represents deposits that may in the future become development cost charge contributions. The remaining increase is for other deposits relating to general activities.

Deposits and Holdbacks (\$000's)	2014	2013	Change
Security deposits	\$48,377	\$35,859	\$12,518
Developer contribution	5,337	6,164	(827)
Contract holdbacks	1,968	1,598	370
Transit Oriented Development	1,523	1,523	0
Other	7,898	6,697	1,201
Total deposits and holdbacks	\$65,103	\$51,841	\$13,262

Deferred revenue

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

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

Liabilities

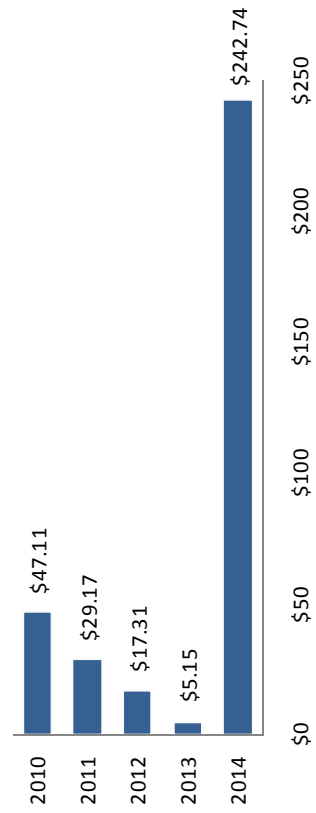
Debt, net of MFA sinking fund deposits

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

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

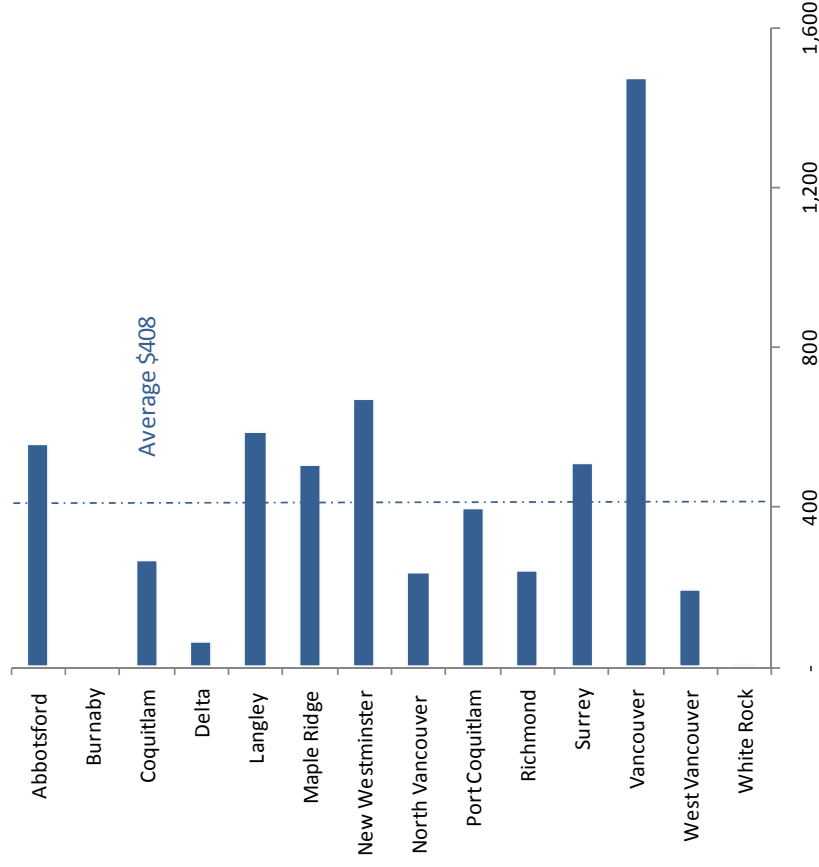
The debt per capita has decreased over the past 4 years as no additional debt was obtained until the \$50.8M was received in 2014. This new debt increases the debt per capita as at December 31, 2014 to \$242.74.

City of Richmond Debt Per Capita 2010-2014



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

Debt Per Capita by City



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

Non-Financial Assets

Tangible Capital Assets

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

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

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

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

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

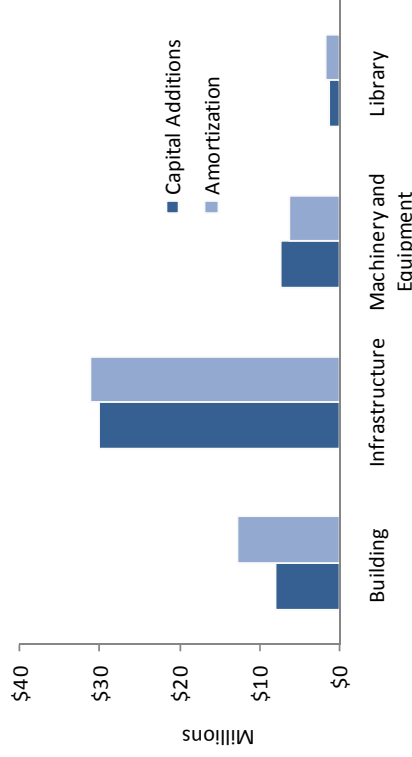
Infrastructure decreased by \$1.9M due to additions of \$30.1M including contributed assets of \$18.9 received through development, offset mainly by \$31.2M of amortization expense and net disposal of \$0.8M.

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

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

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

2014 Capital Additions Compared to Amortization Expense



Inventory of materials and supplies

Inventory increased by \$0.1M.

Prepaid expenses

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

Accumulated Surplus

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

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

Investment in Tangible Capital Assets

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

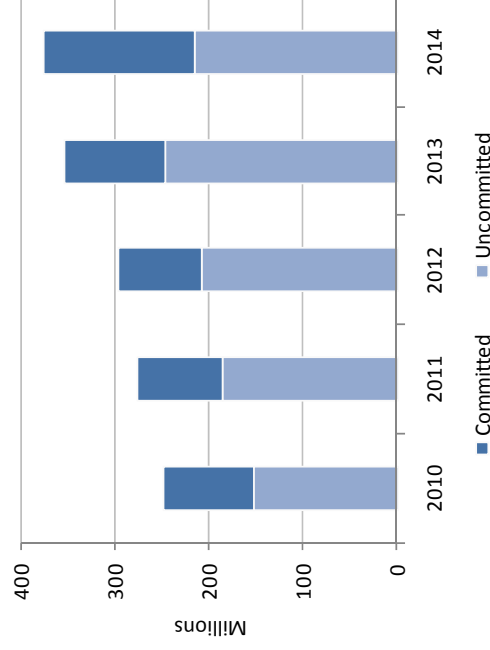
This balance is based on the historical cost of the asset net of accumulated amortization in accordance with accounting standards. This does not reflect market value or replacement value of the assets.

The investment in tangible capital asset balance increased by \$70.6M to \$1.9B. This is the net activity of asset additions of \$122.8M, amortization of \$52.1M, disposals and debt reduction.

Reserves

Reserves are established by Bylaw for specific purposes, mainly capital expenditures. The balance of \$374.9M includes amounts that have been approved for expenditure but remain unspent as at December 31 as prescribed by accounting standards. The uncommitted reserve balance is \$213.4M (2013 - \$246.0M).

Reserve Balance 2010-2014



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

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

Accumulated Surplus

Appropriated Surplus

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

Surplus

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

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

Surplus Distribution

The surplus balance is comprised of multiple funds and entities. The balance represents the cumulative activity since the inception of the fund or entity. The distribution is shown in the following chart.

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

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

Other Equity

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

Consolidated Statement of Operations

The Consolidated Statement of Operations is the equivalent to the private sector's Statement of Income and Retained Earnings. The Consolidated Statement of Operations provides a summary of the revenues, expenses, and surplus throughout the reporting period and outlines the change in accumulated surplus.

The 2014 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash requirement" basis and amounts recorded in these financial statements on a "full accrual" basis.

Note 22 outlines the adjustments to the approved budget, particularly exclusion of intercity and intercompany payments, principal payments, transfers to other funds and tangible capital asset purchases. These adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The accrual based budget typically results in a surplus, as the City must fund reinvestment in assets at amounts greater than their historical cost.

Revenues

2014 Budget to Actual Comparison

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

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

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

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

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

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

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

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

Provincial and federal grants were on in a favourable position by \$0.7M mainly due to \$0.6M received for the gas tax agreement for the Community Works Fund.

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

The other capital funding variance is the result of the timing of capital expenditures. The budget of \$192.1M is the approved total 2014 Capital budget including all sources of funding. The actual revenue figure of \$51.7M relates to external funding for all projects regardless of the year the project was approved. These revenues are recognized when the expenditures are made. Included in the 2014 revenue is \$43.8M for contributed assets.

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

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

Revenues

2014 to 2013 Actual Comparison

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

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

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

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

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

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

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

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

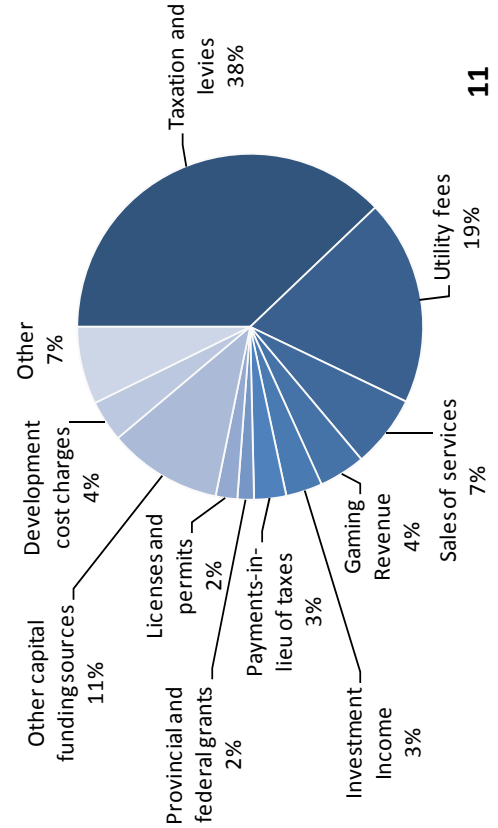
Licenses and permits increased by \$0.6M due to additional permit revenue of \$0.3M and business license revenue of \$0.3M.

Other capital funding sources decreased by \$3.9M due to the timing of capital expenditures.

Development cost charges increased by \$7.0M due to the timing of capital expenditures. These revenues are recognized when capital expenditures are made and relate to approved capital budgets from previous years.

Other revenue increased by \$11.2M mainly due to a \$14.4M gain on the disposal of land (2013 - \$4.0M).

2014 Revenue Distribution

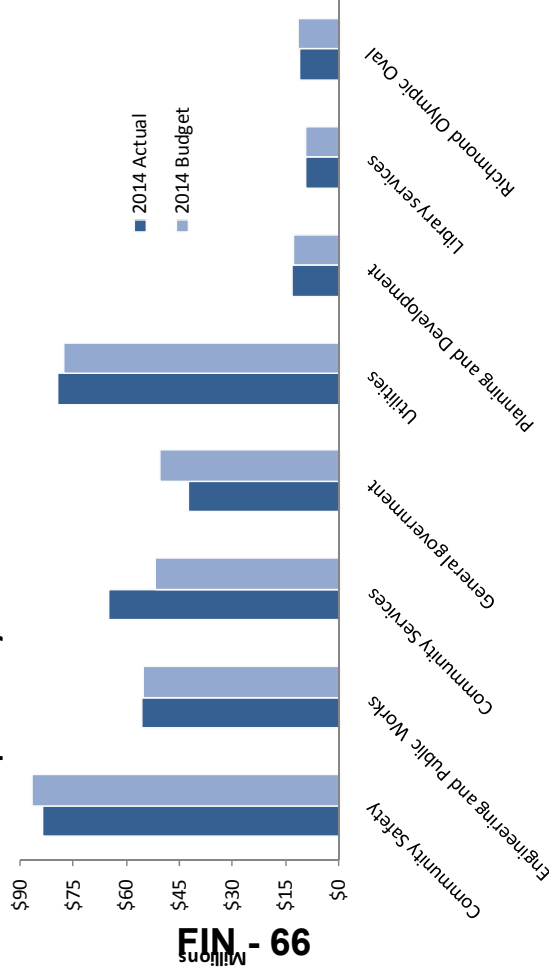


Expenses

2014 Budget to Actual Comparison

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

2014 Expenses by Function



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

Engineering and Public Works had an unfavourable variance of \$0.5M mainly due to the inclusion of non-capital expenses of \$1.9M offset by savings of \$1.4M in consulting and contracts.

Community Services had an unfavourable variance of \$13.1M due to the re-classification of \$14.7M of expenses from capital, mainly \$11.8M for the Kiwanis affordable housing contributions and \$1.3M for public art.

General government had a favourable variance of \$8.2M for the year mainly due to \$3.5M from salaries and benefits, \$2.1M from consulting, legal, training and professional fees \$1.2M recovery for public works maintenance overhead. Most of this variance was set aside for future commitments.

Utilities had an unfavourable variance of \$1.4M due mainly to non-capital expenses of \$0.7M and a loss on the disposal of assets of \$0.4M.

Planning and Development had an unfavourable variance of \$0.5M due mainly to non-capital expenses of \$0.6M and offset by other savings.

Library was on budget for the year.

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

Expenses

2014 to 2013 Actual Comparison

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

Expenses (\$000's)	2014 Actual	2013 Actual	Change
Law and Community Safety	\$83,820	\$77,649	\$6,171
Utilities	79,552	75,134	4,418
Community Services	65,137	49,753	15,384
Engineering, Public Works and Project Development	55,899	53,268	2,631
General government	42,582	41,061	1,521
Planning and Development	13,301	11,854	1,447
Richmond Olympic Oval	11,065	10,509	556
Library services	9,563	9,390	173
Lulu Island Energy Company	8	0	8
Total	\$360,927	\$328,618	\$32,309

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

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

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

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

General government expenses increased by \$1.5M mainly due to \$1.0M increase of long term interest and financing costs relating to the \$50.8M debt obtained in 2014.

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

The expenses for the Oval increased by \$0.6M mainly due to \$0.2M salaries and benefits, \$0.2M supplies and equipment, \$0.1M program services, 0.1M professional fees offset by a reduction in utilities of \$0.1M.

Library services increased by \$0.2M due to \$0.1M increase in salaries and benefits and a \$0.1M increase in amortization expense.

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

Expenses

Expenses by Object

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

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

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

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

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

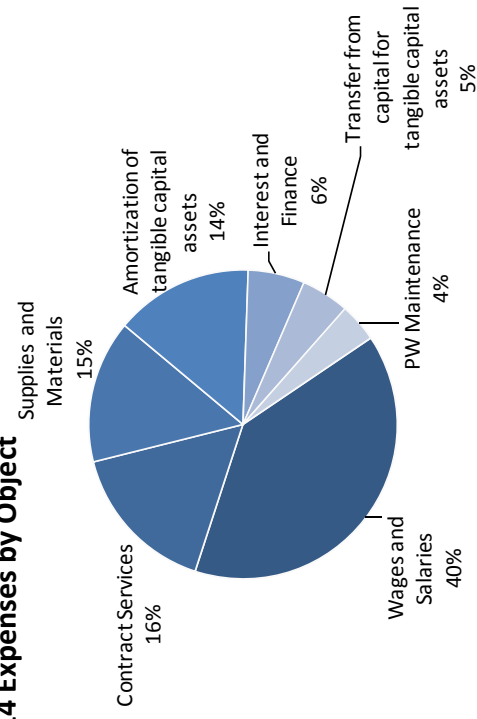
Interest and finance increased by \$1.6M mainly due to \$1.5M increased payment to Metro Vancouver for collection of Greater Vancouver Sewerage and Drainage District development cost charges

Transfer from (to) capital for tangible capital assets increased by \$15.8M mainly due to \$11.8M for the Kiwanis affordable housing contributions and \$1.3M for public art.

Public works maintenance increased by 2.1% to \$14.5M.

Loss on the disposal of tangible capital assets increased by \$0.2M.

2014 Expenses by Object



Annual Surplus

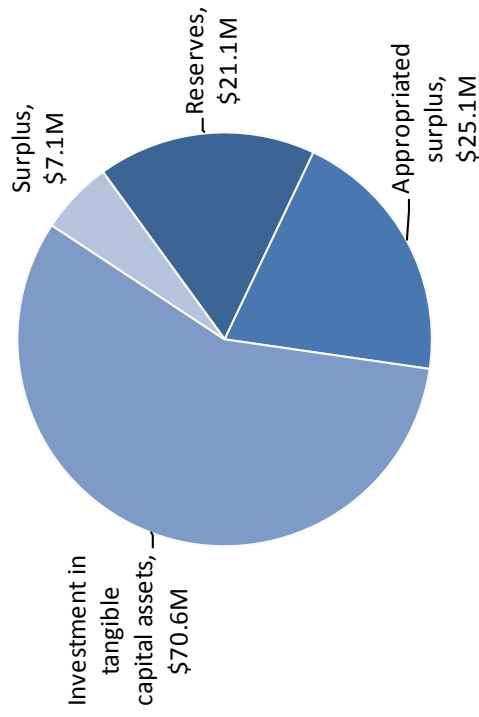
The 2014 annual surplus of \$123.9M is calculated as the difference between revenues and expenses. The annual surplus is reflected in the year over year change in the accumulated surplus on the Statement of Financial Position.

The annual surplus as presented in the financial statements is different from surplus in the context of the operating surplus. The primary difference is that the annual surplus does not reflect contributions to and from reserves, principal payments on debt and capital contributions. Another important distinction is that the annual surplus as presented in the financial statements is consolidated and includes the results for other funds and entities.

The 2014 operating surplus of \$5.7M is one component of the 2014 annual surplus of \$123.9M. The remaining portion of the annual surplus relates to transactions that impact the capital equity, reserves, appropriated surplus and other accumulated surplus items.

The following chart details the distribution of the items that comprise the annual surplus. These amounts represent the changes during the year. Note that the annual operating budget surplus of \$5.7M is included in the total surplus figure.

Annual Surplus Distribution



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

Consolidated Statement of Changes in Net Financial Assets

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

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

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

Consolidated Statement of Cash Flows

FIN - 71

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

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

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

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

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

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

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

Ratio Analysis

Ratio analysis enables the readers of financial reports not only to interpret the financial reports but also to also assess the quality of financial management.

The following ratio analysis was conducted as recommended by the Statement of Recommended Practice SOPR-4 “Indicators of financial condition” issued by the Canadian Institute of Chartered Accountants.

Based on best practice, the conducted analysis addresses the following three key areas:

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

The following table presents the ratio analysis for the three-year period 2012-2014:

Sustainability ratios:	2014	2013	2012
Assets to liabilities (times)	10.0	11.1	11.3
Financial assets to liabilities (times)	3.0	3.1	2.9
Net debt to total revenues	4.1%	0.8%	1.5%
Net debt to the total assessment	0.0%	0.0%	0.0%
Expenses to the total assessment	0.6%	0.6%	0.6%
Flexibility ratios:	2014	2013	2012
Debt charges to revenues*	0.3%	0.8%	1.3%
Net book value of capital assets to cost	68.8%	69.4%	70.0%
Own source revenue to the assessment	0.7%	0.7%	0.7%
Vulnerability ratios:	2014	2013	2012
Government transfers to total revenues	5.9%	5.7%	5.5%
Government transfers (excluding gaming revenue) to total revenues	1.9%	2.0%	2.0%

-All ratios are calculated based on 3 year average

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

An explanation of each of the ratios is provided below.

Assessment of sustainability

- Assets to liabilities, indicates sustainability by the extent to which the government entity finances its operations by issuing debt. A higher ratio indicates a greater ability to cover liabilities.

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

Assessment of flexibility

- Debt charges to revenues, indicates the extent to which past borrowing decisions present a constraint on a government's ability to meet its financial

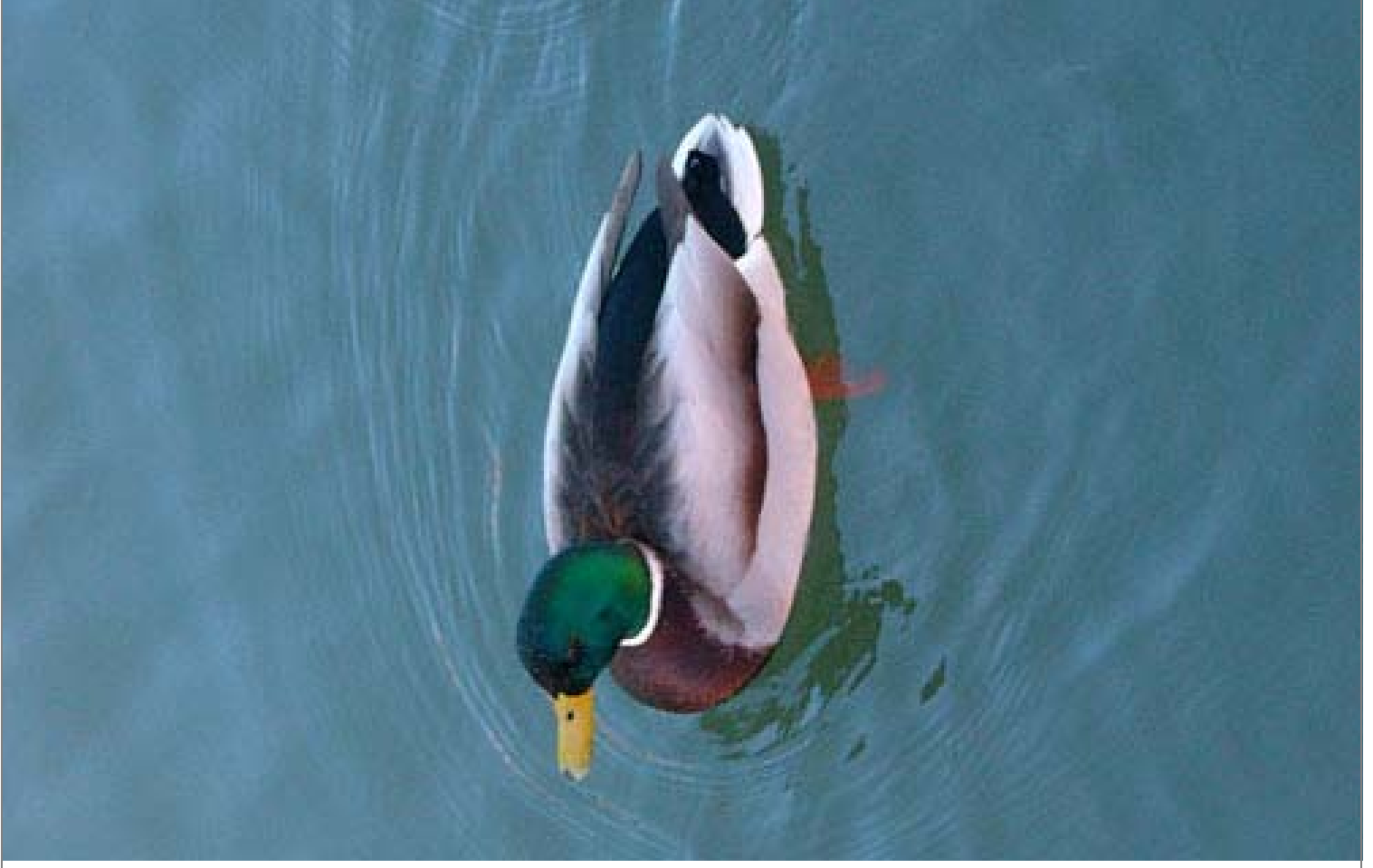
commitments. A lower ratio indicates a lesser reliance on existing revenues to finance debt charges.

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

- Net book value of capital assets to cost, indicates the estimated useful life of the capital assets to provide services. A higher ratio indicates a newer asset inventory.
- Own source revenue to assessment, indicates the degree to which represents the percentage of taxes taken from its own tax base. A lower ratio indicates a lesser proportion of existing revenues from own sources on the current assessment base.

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

FIN - 75

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

The following section highlights:

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

Term Goals

The term goals help guide the development and implementation of the City's work programs and operations during the term of office. The following are the 2011-2014 Council Term Goals:

1. **Community Safety**

Ensure Richmond remains a safe and desirable community to live, work and play in, through the delivery of effective public safety services that are targeted to the City's specific needs and priorities.

2. **Community Social Services**

Develop and implement an updated social services strategy that clearly articulates and communicates the City's roles, priorities and limitations with respect to social services issues and needs.

3. **Economic Development**

Enhance the City's economic well being and financial sustainability through the development and implementation of strategies and initiatives that lead to long-term business retention, expansion and attraction by clearly defining the businesses and industries we want to attract and retain; placing a stronger focus on tourism and Asia Pacific Gateway business development opportunities; and incorporating a broad business community engagement model.

4. **Facility Development**

Ensure provision of quality public facilities and amenities in Richmond that keep pace with the rate of growth, through implementation of an updated comprehensive Facility Development Plan that includes an analysis of existing facilities, the identification of required new facilities, and the recommended timing, financial strategies and public process for implementing the plan.

5. **Financial Management**

Develop and implement effective and innovative financial policies and strategies that help the City to successfully manage the challenges of tough economic times, while taking advantage of financial opportunities, and balance current and long term financial needs.

6. **Intergovernmental Relations**

Strengthen relationships with other levels of government and government agencies to ensure City needs and priorities are well represented, understood and proactively advanced.

7. **Managing Growth and Development**

Ensure effective growth management for the City, including the adequate provision of facility, service and amenity requirements associated with growth.

8. **Sustainability**

Demonstrate leadership in sustainability through continued implementation of the City's Sustainability Framework.

Term Goals

9. Arts and Culture

Continue to support the development of a thriving, resilient and diverse cultural sector and related initiatives in creating a vibrant healthy and sustainable City.

10. Community Wellness

Continue to collaborate with community organizations and agencies to optimize resources in the implementation of the City's adopted Wellness Strategy.

11. Municipal Infrastructure Improvement

Continue to invest in the City's infrastructure networks and systems in a manner that meets community needs and responds to the issues of aging components of the system, growth related capacity issues and the requirements due to changing climate and environmental impacts.

12. Waterfront Enhancement

Place greater emphasis on protecting and enhancing the City's waterfront while successfully integrating a balance between urban development, public access and events, and a healthy river environment.

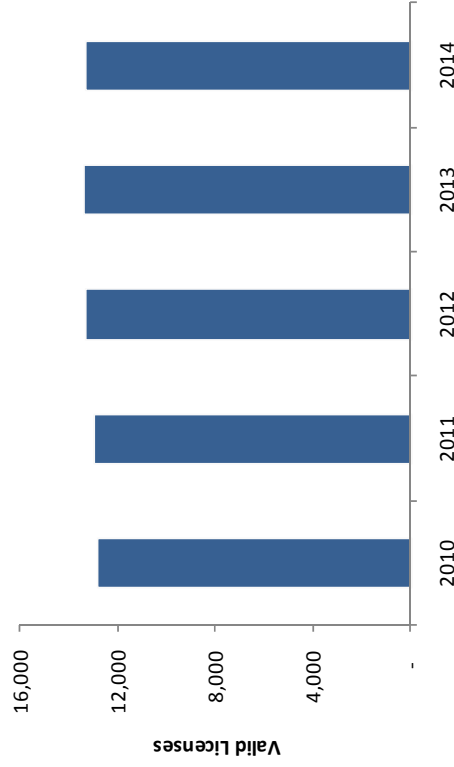
13. A Well Informed Public

Ensure a well informed public regarding Council priorities, activities and achievements.

Business Licenses

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

Business Licenses 2010-2014

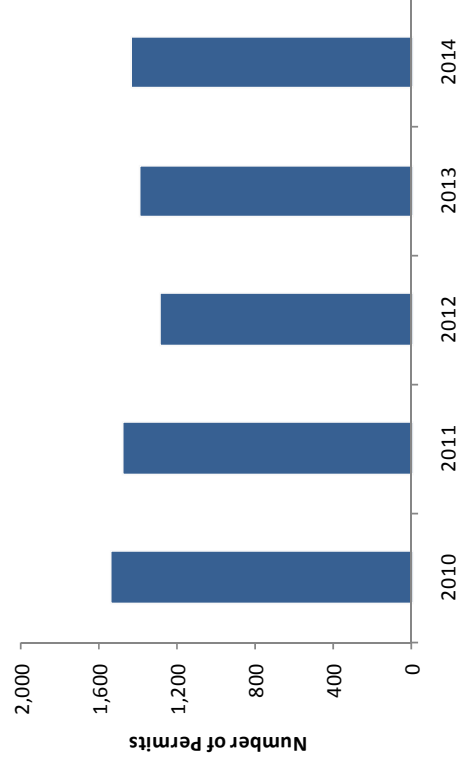


Housing Activity

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

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

Building Permits 2010-2014



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

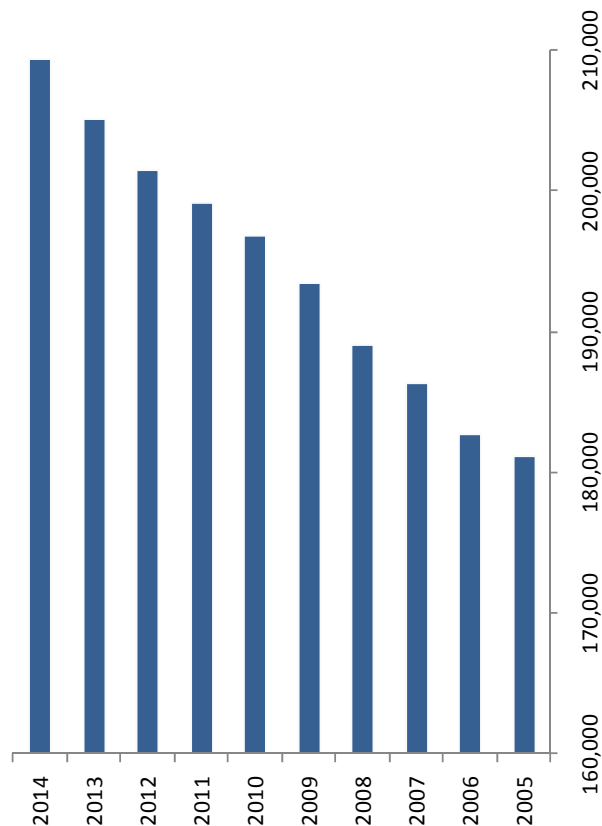
The number of development applications received in 2014 was decreased by 3.4% from 2013 from 206 to 199 applications. Total fees collected in 2014 decreased by 24.1% compared to 2013.

Environment

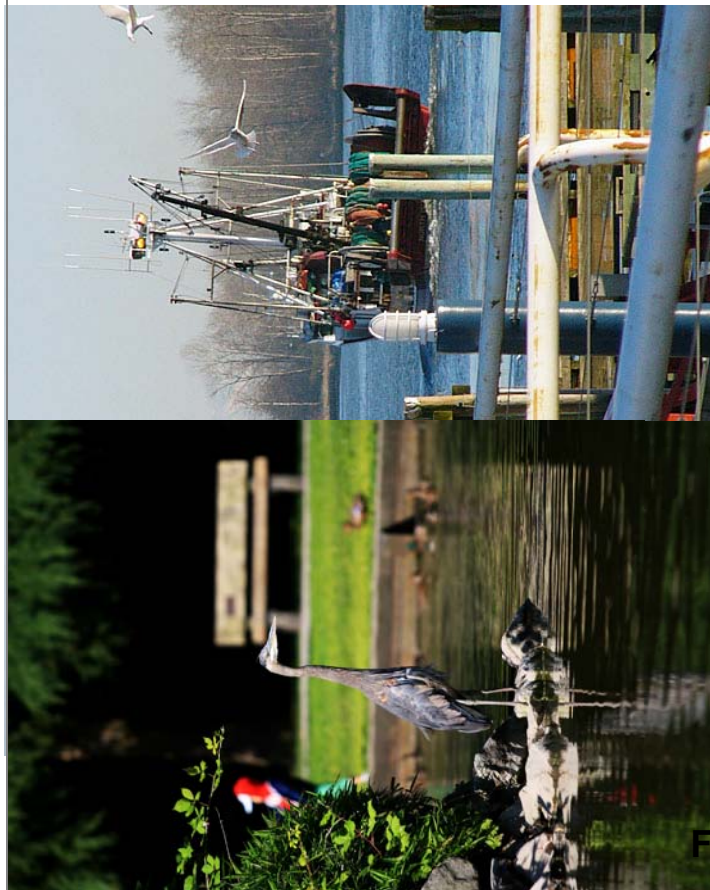
Population

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

Richmond Population 2005-2014



¹City of Richmond Policy Planning



Services

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

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

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

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

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

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

Conclusion

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

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

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

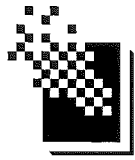
In 2003, Council adopted the Long Term Financial Management Strategy (LTFMS) to ensure prudent fiscal practices while maintaining the City's high service standards and balancing current and long term financial needs. The effects of this policy can be seen in the current financial health of the organization.

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

The 2015 – 2019 Five Year Financial Plan combines the Operating, Utility and Capital Budgets. It provides details on the services provided, anticipated revenues and expenses, and planned capital projects.

Additional information about the current financial plan can be found at:

<http://www.richmond.ca/cityhall/finance/reporting/fiveyear.htm>



Richmond Public Library

REPORT TO COMMITTEE

To: Finance Committee

Date: April 30, 2015

From: Greg Buss
Chief Librarian

Re: 2014 Financial Statements for Richmond Public Library Board

Recommendation

That the 2014 Financial Statements for the Richmond Public Library Board be received for information.

Greg Buss
Chief Librarian & Secretary to the Board
Richmond Public Library

Attachment:

Financial Statements for the Richmond Public Library Board Year Ended December 31, 2014

2014 Financial Statements for Richmond Public Library

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 2014 audited financial statements of the Richmond Public Library Board.

Analysis

Please see the attached Financial Statements of Richmond Public Library Board for the year ended December 31, 2014. The library's financial statements are prepared in accordance with Canadian public sector accounting standards.

The Library Board approved these statements at its regular board meeting on Wednesday, April 29th, 2015. In its presentation to the Library Board KPMG indicated that the library had received a "clean" audit in that there were no corrected or uncorrected audit misstatements, no omissions or errors in presentation and they did not identify any control deficiencies that they consider to be significant deficiencies in internal control.

Statement of Financial Position

Financial Assets

The amount due from the City of Richmond (\$1,323k) and accounts receivable (\$122k) arose in the normal course of business.

Liabilities

Accounts payable and accrued liabilities as of December 31, 2014 were \$1,042k and primarily included accrued payroll liability and post-employment benefits. Deferred revenue of \$88k is related to restricted donation revenues that are recognized in the year in which the related expenses are incurred.

Non-Financial Assets

As of December 31, 2014 the Library had \$4,437k of tangible capital assets which includes the library's collections, computer hardware and software and equipment and furniture. Note 5 in the financial statements contain a breakdown of cost, accumulated depreciation and net book value.

Accumulated Surplus

The accumulated surplus at December 31, 2014 was \$4,753k. Of this amount \$4,437k is invested in tangible capital assets and \$315k is the accumulated operating surplus.

Statement of Operations

Revenue

The Library received \$8,250k in contributions from the City, \$411k from grants and \$344k from fines and miscellaneous expenses (book fines and revenues related to circulation have declined as online services increase and other libraries improve their collections causing InterLINK revenues to fall). Other capital funding of \$89k relates to a donation from the Richmond Chinese School Foundation for the mobile shelving unit in the special collection room.

The Library had a very large donation of Chinese language books in 2013, causing the 2013 donations figure to come in at \$1,020k. This year's donations of \$67k are higher than 2013 if the one time large donation is excluded from consideration.

Overall, when adjusted for the 2013 \$986k in-kind donation of Chinese language books, 2014 revenues are \$243k higher than 2013 and were \$6k lower than budget.

Expenses

Salaries and benefits increased by \$108k over 2013 due to contractual salary and step increases, and came in below budget due to a number of maternity leaves and time gaps between positions becoming vacant and being filled. There were 69 full time and 52 part time and auxiliary employees on payroll as of December 31, 2014.

Amortization of tangible capital assets is calculated 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 and amounted to \$1,693k.

Supplies and equipment services is a consolidation of many expense items including cataloguing, supplies, subscriptions and equipment purchases and maintenance. The total of the expenses is down \$17k from previous year.

Building, leases and maintenance expenses were higher than previous year by \$38k. The lease for the Ironwood branch was renewed at a higher base rental rate and caused the increase.

General and administration expenses were \$31k lower than previous year.

Overall, 2014 expenses were \$162k higher than 2013 and were \$24k under budget.

Performance Improvement Opportunity

KPMG communicated what they consider to be a performance improvement opportunity involving the reconciliation of cash receipts and library management has responded by describing improved internal procedures that will be implemented.

Financial Statements of

RICHMOND PUBLIC LIBRARY BOARD

Year ended December 31, 2014



KPMG LLP
Chartered Accountants
Metrotower II
Suite 2400 – 4720 Kingsway
Burnaby BC V5H 4N2
Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

We have audited the accompanying financial statements of Richmond Public Library, which comprise the statement of financial position as at December 31, 2014, the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Richmond Public Library as at December 31, 2014 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The current year's supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

Chartered Accountants

April 29, 2015

Burnaby, Canada

RICHMOND PUBLIC LIBRARY BOARD


Statement of Financial Position

December 31, 2014, with comparative figures for 2013

	2014	2013
Financial Assets		
Due from City of Richmond (note 3)	\$ 1,323,283	\$ 1,464,360
Accounts receivable	122,942	163,314
	<u>1,446,225</u>	<u>1,627,674</u>
Liabilities		
Accounts payable and accrued liabilities (note 4)	1,042,254	1,140,134
Deferred revenue	88,572	169,834
	<u>1,130,826</u>	<u>1,309,968</u>
Net financial assets	315,399	317,706
Non-Financial Assets		
Tangible capital assets (note 5)	4,437,707	4,837,474
	<u>4,437,707</u>	<u>4,837,474</u>
Commitments (note 12)		
Accumulated surplus (note 7)	\$ 4,753,106	\$ 5,155,180

See accompanying notes to financial statements.

Approved on behalf of the Library Board:



Susan L. Koch. Trustee

RICHMOND PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2014 with comparative figures for 2013

	Budget 2014	2014	2013
	(notes 2(a) and 13)		
Revenue:			
Municipal contribution	\$ 8,250,800	\$ 8,250,800	\$ 8,025,400
Grants (note 8)	412,500	411,607	415,326
Fines and miscellaneous (note 9)	507,000	344,818	373,355
Other capital funding	-	89,234	73,409
Donations (note 10)	-	67,735	1,020,250
	9,170,300	9,164,194	9,907,740
Expenses:			
Salaries and employee benefits	6,742,000	6,605,340	6,496,982
Amortization	1,581,300	1,693,915	1,639,501
Supplies and equipment services	723,400	598,566	615,683
Building, leases and maintenance	212,500	262,088	224,172
General and administration	190,500	264,012	295,434
Utilities	140,400	133,911	117,848
Loss on disposal of tangible capital assets	-	8,436	14,652
	9,590,100	9,566,268	9,404,272
Annual surplus (deficit)	(419,800)	(402,074)	503,468
Accumulated surplus, beginning of year	5,155,180	5,155,180	4,651,712
Accumulated surplus, end of year	\$ 4,735,380	\$ 4,753,106	\$ 5,155,180

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

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

	Budget 2014	2014	2013
	(notes 2(a) and 13)		
Annual surplus (deficit)	\$ (419,800)	\$ (402,074)	\$ 503,468
Acquisition of tangible capital assets	(1,161,500)	(1,320,170)	(1,378,993)
Contribution of tangible capital assets	-	-	(971,412)
Amortization of tangible capital assets	1,581,300	1,693,915	1,639,501
Loss on disposal of tangible capital assets	-	8,436	14,652
Proceeds on disposal of tangible capital assets	-	17,586	16,953
Increase in prepaid expenses	-	-	25,615
Change in net financial assets	-	(2,307)	(150,216)
Net financial assets, beginning of year	317,706	317,706	467,922
Net financial assets, end of year	\$ 317,706	\$ 315,399	\$ 317,706

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Cash Flows

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

	2014	2013
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ (402,074)	\$ 503,468
Items not involving cash:		
Amortization	1,693,915	1,639,501
Loss on disposal of tangible capital assets	8,436	14,652
Contributed tangible capital assets	-	(971,412)
Change in non-cash working capital:		
Due from City of Richmond	141,077	375,696
Accounts receivable	40,372	54,077
Prepaid expenses	-	25,615
Accounts payable and accrued liabilities	(97,880)	(271,029)
Deferred revenue	(81,262)	(8,528)
Net change in cash from operating activities	1,302,584	1,362,040
Capital activities:		
Proceeds on disposal of tangible capital assets	17,586	16,953
Cash used to acquire tangible capital assets	(1,320,170)	(1,378,993)
Net change in cash from capital activities	(1,302,584)	(1,362,040)
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements

Year ended December 31, 2014

1. Operations:

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

2. Significant accounting policies:

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

(a) Budget data:

The budget data presented in these financial statements is based upon the 2014 budget submission approved by the Board on November 29, 2013. Note 13 reconciles the approved budget to the budget figures reported in these financial statements.

(b) Use of estimates:

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

(c) Deferred revenue:

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

(d) Non-financial assets:

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

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

2. Significant accounting policies (continued):

(e) Tangible capital assets:

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

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

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

(f) Donations of tangible capital assets:

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

(g) Functional and object reporting:

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

(h) Employee future benefits:

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

Sick leave and post-employment benefits are available to the Library's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The liabilities under these benefits plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits (note 6).

(i) Government transfers:

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

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

3. Due from City of Richmond:

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

4. Accounts payable and accrued liabilities:

	2014	2013
Accounts payable	\$ 121,073	\$ 172,563
Accrued liabilities	18,215	23,737
Accrued payroll liabilities	354,166	363,034
Post-employment benefits (note 6)	548,800	580,800
	<u>\$ 1,042,254</u>	<u>\$ 1,140,134</u>

5. Tangible capital assets:

Cost	Balance December 31, 2013	Additions	Disposals	Balance December 31, 2014
Library collections	\$ 7,130,342	\$ 1,174,760	\$ (1,452,429)	\$ 6,852,673
Furniture and fixture	923,779	105,553	-	1,029,332
Equipment	1,337,895	39,857	-	1,377,752
	<u>\$ 9,392,016</u>	<u>\$ 1,320,170</u>	<u>\$ (1,452,429)</u>	<u>\$ 9,259,757</u>

Accumulated amortization	Balance December 31, 2013	Amortization	Disposals	Balance December 31, 2014
Library collections	\$ 2,953,212	\$ 1,508,099	\$ (1,426,407)	\$ 3,034,904
Furniture and fixture	638,294	74,000	-	712,294
Equipment	963,036	111,816	-	1,074,852
	<u>\$ 4,554,542</u>	<u>\$ 1,693,915</u>	<u>\$ (1,426,407)</u>	<u>\$ 4,822,050</u>

Net book value	Balance December 31, 2013	Balance December 31, 2014
Library collections	\$ 4,177,130	\$ 3,817,769
Furniture and fixture	285,485	317,038
Equipment	374,859	302,900
	<u>\$ 4,837,474</u>	<u>\$ 4,437,707</u>

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

6. 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:

	2014	2013
Balance, beginning of year	\$ 580,800	\$ 611,700
Current service cost	30,600	36,400
Interest cost	18,200	15,400
Amortization of actuarial gain	(24,300)	(37,300)
Benefits paid	(56,500)	(45,400)
Balance, end of year	\$ 548,800	\$ 580,800

An actuarial valuation for these benefits was performed to determine the Library's accrued benefit obligation as at December 31, 2013 and the results are extrapolated to December 31, 2014. The difference between the actuarially determined accrued benefit obligation of \$489,400 and the accrued benefit liability of \$548,800 as at December 31, 2014 is an unamortized net actuarial gain of \$59,400. This actuarial gain is being amortized over the period equal to the employees' average remaining service life of 10 years. The employee future benefit liability is included in accounts payable and accrued liabilities on the statement of financial position.

	2014	2013
Actuarial benefit obligation:		
Accrued liability, end of year	\$ 548,800	\$ 580,800
Unamortized net actuarial gain	(59,400)	(30,500)
Balance, end of year	\$ 489,400	\$ 550,300

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

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

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

7. Accumulated surplus:

	2014	2013
Operating:		
Appropriated Surplus	\$ 200,847	\$ 130,774
Surplus	114,552	186,932
Invested in tangible capital assets	4,437,707	4,837,474
	<u>\$ 4,753,106</u>	<u>\$ 5,155,180</u>

Appropriated surplus includes \$49,100 for approved for capital expenditures, \$68,700 for future capital acquisitions and \$83,000 for future salary and benefit obligations.

8. Grants:

	2014	2013
Provincial Revenue Sharing Grant	\$ 355,909	\$ 351,783
One Card Grant	46,146	52,604
British Columbia Equity Grant	4,500	4,500
Writers in Library Grant	1,905	3,023
Resource Sharing Grants	3,147	3,416
	<u>\$ 411,607</u>	<u>\$ 415,326</u>

Provincial Revenue Sharing Grant is funded by the Libraries and Literacy Branch Ministry of Education.

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

British Columbia Equity Grant is awarded by the Libraries and Literacy Branch Ministry of Education to support the Library in its role in fostering literacy and life-long learning in our community through the purchase of additional library materials in the area of literacy and English as a Second Language (ESL).

The Writers in Library Grant is funded by the Canada Council for the Arts for the secondment of writers to attend libraries and perform readings.

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

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

9. Fines and miscellaneous:

	2014	2013
Book fines	\$ 159,267	\$ 165,369
InterLINK revenue	113,112	142,886
Photocopy and printer revenue	39,214	29,206
Miscellaneous	33,225	35,894
	<u>\$ 344,818</u>	<u>\$ 373,355</u>

10. 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.

	2014	2013
Friends of the Library	\$ 21,575	\$ -
Ozone Showcase Donations	19,861	-
Collection Donations	3,238	986,953
Law Matters	2,774	2,607
Celebrate with Books	1,168	14,970
Other	19,119	15,720
	<u>\$ 67,735</u>	<u>\$ 1,020,250</u>

11. Pension plan:

The Library and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusted pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including the investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 100 contributors from the Library.

The most recent valuation as at December 31, 2012 indicated a \$1,370 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2014

11. Pension plan (continued):

The Library paid \$477,519 (2013 - \$472,197) for employer contributions to the Plan in fiscal 2014. Employees paid \$409,330 (2013 - \$394,306) for employee contributions to the Plan in fiscal 2014.

12. Commitments:

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

2015	\$ 262,422
2016	262,422
2017	250,137
2018	172,575
Thereafter	864,026

13. Budget data:

The budget data presented in these financial statements is based upon the 2014 budget approved by the Board on November 29, 2013. Amortization was not contemplated on the development of the budget and, as such, has not been included. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenue:	
<u>Operating budget</u>	<u>\$ 9,170,300</u>
	9,170,300
Expenses:	
Operating	9,590,100
<u>Capital</u>	<u>1,161,500</u>
	10,751,600
Annual deficit per approved budget	(1,581,300)
Add capital expenditures:	
Library collection	1,161,500
Annual deficit per statement of operations	<u>\$ (419,800)</u>

14. Comparative Figures:

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

RICHMOND PUBLIC LIBRARY BOARD

Schedule 1 - Statement of Operations by Fund
Year ended December 31, 2014, with comparative figures for 2013

	2014			2013		
	Operating	Capital	Total	Operating	Capital	Total
Revenue:						
Municipal contribution	\$ 7,037,450	\$ 1,213,350	\$ 8,250,800	\$ 6,736,769	\$ 1,288,631	\$ 8,025,400
Grants	411,607	-	411,607	415,326	-	415,326
Fines and miscellaneous	344,818	-	344,818	373,355	-	373,355
Other capital funding	-	89,234	89,234	-	73,409	73,409
Donations	67,735	-	67,735	48,838	971,412	971,412
	7,861,610	1,302,584	9,164,194	7,574,288	2,333,452	9,907,740
Expenses:						
Salaries and employee benefits	6,605,340	-	6,605,340	6,496,982	-	6,496,982
Amortization	-	1,693,915	1,693,915	-	1,639,501	1,639,501
Supplies and equipment services	598,566	-	598,566	615,683	-	615,683
General and administration	264,012	-	264,012	295,434	-	295,434
Building, leases and maintenance	262,088	-	262,088	224,172	-	224,172
Utilities	133,911	-	133,911	117,848	-	117,848
Gain (loss) on disposal of tangible capital assets	-	8,436	8,436	-	14,652	14,652
	7,863,917	1,702,351	9,566,268	7,750,119	1,654,153	9,404,272
Annual surplus	(2,307)	(399,767)	(402,074)	(175,831)	679,299	503,468
Accumulated surplus, beginning of year	317,706	4,837,474	5,155,180	493,537	4,158,175	4,651,712
Accumulated surplus, end of year	\$ 315,399	\$ 4,437,707	\$ 4,753,106	\$ 317,706	\$ 4,837,474	\$ 5,155,180



City of Richmond

Report to Committee

To: Finance Committee

Date: April 9, 2015

From: Robert Gonzalez, General Manager,
Engineering & Public Works and Chief Executive
Officer, Lulu Island Energy Company

File: 01-0060-20-
LIEC1/2015-Vol 01

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

Re: 2014 Financial Statements for the Lulu Island Energy Company

Staff Recommendation

That the Lulu Island Energy Company audited financial statements for the year ended December 31, 2014, in the report "2014 Financial Statements for the Lulu Island Energy Company," dated April, 9, 2015 from the Chief Executive Officer and Chief Financial Officer, Lulu Island Energy Company be received for information.

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

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

Att. 1

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

Report

DATE: April 9, 2015

TO: Robert Gonzalez
Chief Executive Officer, Lulu Island Energy Company

Jerry Chong
Chief Financial Officer, Lulu Island Energy Company

FROM: Alen Postolka, Acting Senior Manager, Sustainability and District Energy

Re: 2014 Financial Statements for the Lulu Island Energy Company

Origin

The audited 2014 financial statements of the Lulu Island Energy Company (LIEC) have been prepared by management in accordance with the generally accepted accounting principles, as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

Background

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

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

In October 2014, the LIEC and Corix Utilities executed a Concession Agreement whereby the LIEC would own the Oval Village District Energy Utility (OVDEU, previously known as River Green District Energy Utility) and its infrastructure, and Corix would design, construct, finance, operate and maintain the OVDEU, subject to the City, as shareholder of the LIEC, setting rates for customers. In 2014, \$275,310 was incurred for work-in-progress related to the construction of the OVDEU.

In addition, in October 2014, Corix and the City of Richmond entered into a Limited Guarantee Agreement. The City of Richmond agreed to guarantee the performance of the LIEC's obligations under the Concession Agreement as described above up to \$18M.

Analysis

Financial statements provide information about the financial position, performance and changes in the financial position of the company. The financial statements demonstrate accountability by providing information about the company's resources, obligations and financial affairs.

For the year ended December 31, 2014, the LIEC had a surplus of \$23,067 (2013 - \$1) and net financial debt of \$252,242 (2013 - \$1 net financial asset).

The 2014 surplus is the net result of a \$31,326 contribution from the City of Richmond for district energy related permit fees collected from developers offset by \$8,259 of interest expense on the work-in-progress. The OVDEU was not in operations during 2014, and as a result, there were no customer rate revenues or costs for operations and maintenance. The City has not invested any capital funding into the OVDEU.

The 2014 net financial debt position of \$252,242 is mainly the result of the liability for the tangible capital asset representing the work-in-progress. This amount relates to assets in construction as at December 31, 2014 and is payable to Corix inclusive of interest. Once the OVDEU is operational in 2015, the customer rates will be used to pay Corix for the costs to finance, construct and operate the utility over the term of the concession agreement.

Financial Impact

None.

Conclusion

The LIEC Board of Directors has approved, by consent resolution, the financial statements of LIEC for the fiscal year ended December 31, 2014, and auditors' report for submission to the sole shareholder. KPMG have provided an unqualified opinion in their Auditor's Report for the LIEC.



Alen Postolka, P.Eng., CP, CEM
Acting Senior Manager, Sustainability and District Energy
(604-276-4283)

AP:ap

Att. 1: Financial Statements of LIEC

Financial Statements of

LULU ISLAND ENERGY COMPANY LTD.

Year ended December 31, 2014



KPMG LLP
Chartered Accountants
Metrotower II
Suite 2400 – 4720 Kingsway
Burnaby BC V5H 4N2
Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Lulu Island Energy Company Ltd.

We have audited the accompanying financial statements of Lulu Island Energy Company Ltd., which comprise the statement of financial position as at December 31, 2014 and the statements of operations, changes in net financial assets (debts) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lulu Island Energy Company Ltd. as at December 31, 2014, and its results of operations, and its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants
April 29, 2015
Burnaby, Canada

LULU ISLAND ENERGY COMPANY LTD.

Statement of Financial Position

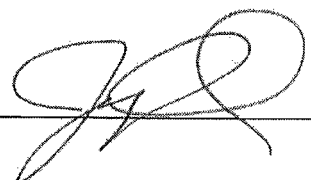
December 31, 2014, with comparative figures for 2013

	2014	2013
Financial Assets		
Due from City of Richmond (note 5)	\$ 31,327	\$ 1
	31,327	1
Liabilities		
River Green District Energy Utility ("RGDEU") concession liability	275,310	-
Accrued interest on concession liability	8,259	-
	283,569	-
Net financial assets (debt)	(252,242)	1
Non-Financial Assets		
Tangible capital assets (note 8)	275,310	-
	275,310	-
Accumulated surplus	\$ 23,068	\$ 1

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

LULU ISLAND ENERGY COMPANY LTD.

Statement of Operations

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

	Budget 2014 (note 4)	2014	2013
Revenue:			
Contribution from City of Richmond (note 5)	\$ -	\$ 31,326	\$ 1
	-	31,326	1
Expenses:			
Interest expense (note 6)	-	8,259	-
	-	8,259	-
Annual surplus	-	23,067	1
Accumulated surplus, beginning of year	-	1	-
Accumulated surplus, end of year	\$ -	\$ 23,068	\$ 1

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Changes in Net Assets (Debt)

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

	Budget 2014 (note 4)	2014	2013
Annual surplus for the year	\$ -	\$ 23,067	\$ 1
Acquisition of tangible capital assets	-	(275,310)	-
Change in net asset (debt)	-	(252,243)	1
Net financial assets (debt), beginning of year	-	1	-
Net financial assets (debt), end of year	\$ -	\$ (252,242)	\$ 1

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Cash Flows

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

	2014	2013
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 23,067	\$ 1
Change in non-cash working capital:		
Due from City of Richmond	(31,326)	(1)
River Green District Energy Utility ("RGDEU") concession liability	275,310	-
Accrued interest on concession liability	8,259	-
Net change in cash from operating activities	275,310	-
Capital activities:		
Acquisition of tangible capital assets	(275,310)	-
Net change in cash from capital activities	(275,310)	-
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements

For the year ended December 31, 2014

1. Incorporation and nature of business:

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

2. Significant Accounting Policies:

(a) Basis of presentation:

The financial statements of the Corporation are the representation of management prepared in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants, Canada.

(b) Use of estimates:

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

(c) Income taxes:

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

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

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

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements

For the years ended December 31, 2014

2. Significant Accounting Policies (continued):

(d) Non-financial assets (continued):

(i) Tangible capital assets (continued):

For the year-ended December 31, 2014, all tangible capital assets are work-in-progress and are not amortized.

(ii) Interest capitalization:

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

(iii) Impairment of tangible capital assets:

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

(e) Revenue recognition:

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

(f) Public-private partnership project:

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

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

3. Share capital:

Authorized: 10,000 common shares without par value.

Issued: 100 common shares for \$1.

4. Budget data:

There is no budget data approved by the Board of Directors for fiscal 2014.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements

For the years ended December 31, 2014

5. Due from the City of Richmond:

The amount due from the City of Richmond relates to share capital (note 3) and contribution from the City of Richmond for work completed by the Corporation to ensure buildings are designed to be compatible with the district energy system.

	2014	2013
Share capital	\$ 1	\$ 1
Contribution from the City of Richmond	31,326	-
	<u>\$ 31,327</u>	<u>\$ 1</u>

6. River Green District Energy Utility Concession Agreement (Public-private partnership project):

On October 30, 2014, the Corporation and Corix entered into a 30 year Concession Agreement (the "Agreement"), which is a public-private partnership project, where Corix will design, construct, finance, operate, and maintain the infrastructure for the district energy utility at the River Green community. The total estimated capital construction cost of the RGDEU is \$31,964,000 and will earn interest which will be repaid over the term of the agreement. The payment schedule is dependent on the timing and amount of the capital construction.

The Corporation will make payments to Corix based on Corix's Annual Revenue Requirement. The Annual Revenue Requirement is based on the utility cost of service rate-setting principles in British Columbia utilizing forward test years. The Annual Revenue requirement combines a fixed charge amount to recover Corix's fixed costs (the "Capacity Charge") and a volumetric charge expressed as an amount per megawatt hour of energy provided to the Corporation in order to recover Corix's variable costs (the "Commodity Charge"). The Capacity Charge includes maintenance, labour, depreciation, interest, Return of Equity and other selling, general and administration costs. The Commodity Charge includes natural gas and electricity costs. These costs will be repaid over time by revenue generated through future customer rates.

The information presented below shows the anticipated cash outflow for future obligations for the Capacity and Commodity Portions of the agreement of \$6,096,000 from January 2015 to December 2019. Future obligations will be disclosed when the amounts can be readily estimated.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements

For the years ended December 31, 2014

6. River Green District Energy Utility Concession Agreement (Public-private partnership project) (continued):

	Capacity Charge	Commodity Charge	Total Charge
January 2015 to December 2015	\$ 168,300	\$ 62,700	\$ 231,000
January 2016 to December 2016	689,270	462,730	1,152,000
January 2017 to December 2017	815,790	564,210	1,380,000
January 2018 to December 2018	819,520	615,480	1,435,000
January 2019 to December 2019	973,290	924,710	1,898,000

7. Corix Utilities Inc. and City of Richmond Limited Guarantee Agreement:

On October 30, 2014, Corix and the City of Richmond entered into a Limited Guarantee Agreement. The City of Richmond is the Guarantor and guarantees the performance of some of the Corporation's obligations under the Concession Agreement to a maximum of \$18 million (note 6).

8. Tangible capital assets:

Cost	Balance, December 31, 2013	Additions	Disposals	Balance, December 31, 2014
Work-in-progress	\$ -	\$ 275,310	\$ -	\$ 275,310
	\$ -	\$ 275,310	\$ -	\$ 275,310

Accumulated amortization	Balance, December 31, 2013	Disposals	Amortization	Balance, December 31, 2014
Work-in-progress	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -

Net book value	Balance, December 31, 2013	Balance, December 31, 2014
Work-in-progress	\$ -	\$ 275,310
	\$ -	\$ 275,310



City of Richmond

Report to Committee

To: Finance Committee

Date: April 29, 2015

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

File:

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

Re: Richmond Olympic Oval Corporation – 2014 Audited Financial Statements

Staff Recommendation

That the report on the 2014 Audited Financial Statements for the Richmond Olympic Oval from the Controller of the Richmond Olympic Oval Corporation be received for information.

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

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

DATE: April 30, 2015

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

Andrew Nazareth
Chief Financial Officer, Richmond Olympic Oval Corporation

John Mills
Chief Operating Officer, Richmond Olympic Oval Corporation

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

Re: **Richmond Olympic Oval Corporation 2014 audited financial statements**

Origin

This staff report deals with the Richmond Olympic Oval Corporation's (the "Corporation") 2014 audited financial statements which were unanimously approved by the Corporation's Board of Directors ("BOD").

Analysis

Please see the attachment for the audited financial statements of the Corporation for the year ended December 31, 2014. The Corporation's financial statements are prepared in accordance with Public Sector Accounting Standards.

Statement of Operations

The 2014 final audited financial statements have a net income of \$2.68M before transfers to reserves/provisions with revenues of \$13.77M and expenses of \$11.09M.

Revenues

The City applies for and receives funding from the Games Operating Trust ("GOT") Fund. GOT revenue of \$2.27M was received and recognized in 2014. The Corporation also received a contribution of \$3.21M from the City. With respect to memberships, admissions, events and programs, the Oval's revenue was \$6.88M for 2014.

Other revenue of \$1.41M was recognized in 2014 for items such as parking, space leasing, sponsorship and interest income.

Expenses

Total salaries and benefits for 2014 was \$6.94M. There were 59 full-time and 206 part-time, seasonal and auxiliary employees on the payroll as of December 31, 2014.

Other costs of \$4.15M included the following: utilities costs of \$0.90M related to the heat, light and power for the Oval, \$0.37M of amortization costs, \$0.79M of supply and equipment costs associated with supplies for operating the facilities including general building maintenance costs, \$0.34M of costs for property and liability insurance, \$0.68M of administration costs related to accounting, information technology and office supplies, \$0.20M of costs related to marketing which included advertising, promotion, and printing costs for the Corporation's programs, camps, and membership sales, \$0.74M of costs pertained to running sport and fitness programs as well as the sport hosting function out of the Oval and \$0.13M of professional fees related to legal, consulting and audit fees.

Statement of Financial Position

Financial Assets

The Corporation had a cash balance of \$1.62M as of December 31, 2014. The accounts receivable balance was \$0.34M and the Investments balance of \$8.68M represents the Corporation's investments invested through the City.

Financial Liabilities

Accounts payable and accrued liabilities as of December 31, 2014 were \$2.59M and primarily included payroll accruals and trade payables for heat, light, power, legal, the Richmond Olympic Experience ("ROX") project, and audit fees. Deferred revenue of \$4.32M included unspent funding pertaining to the Sport Hosting function, sponsorship fees, unspent funding pertaining to the ROX project and the pro rata portion of fees received in 2014 for membership and programs to be delivered in 2015. The amount due to the City of \$0.17M primarily pertains to the chargeback of City resources that were utilized by the Corporation, which will be repaid by the Corporation.

Non-Financial Assets

As at December 31, 2014, the Corporation had \$7.08M of tangible capital assets which included the ROX project, Mezzanine project, Yoga studios, athletic equipment, computer software and equipment, facility equipment, etc. Deferred lease costs of \$0.16M are direct costs incurred in connection with leases and are deferred and amortized over the terms of the lease. Prepaid expenses of \$0.85M primarily consisted of unamortized portions of the premiums on the Corporation's insurance policies, deposits paid on simulators that will be used in the ROX project, as well as prepaid information technology licences, and equipment maintenance.



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

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

Consolidated Financial Statements of

**RICHMOND OLYMPIC OVAL
CORPORATION**

Year ended December 31, 2014



KPMG LLP
Chartered Accountants
Metrotower II
Suite 2400 – 4720 Kingsway
Burnaby BC V5H 4N2
Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Richmond Olympic Oval Corporation

We have audited the accompanying consolidated financial statements of Richmond Olympic Oval Corporation, which comprise the consolidated statement of financial position as at December 31, 2014, the consolidated statements of operations, consolidated changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Richmond Olympic Oval Corporation as at December 31, 2014 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.

KPMG LLP

Chartered Accountants

April 28, 2015

Burnaby, Canada

RICHMOND OLYMPIC OVAL CORPORATION

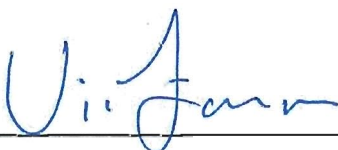
Consolidated Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
Financial Assets		
Cash	\$ 1,616,338	\$ 1,963,267
Investments (note 3)	8,677,855	8,676,448
Accounts receivable	340,779	223,030
	10,634,972	10,862,745
Financial Liabilities		
Accounts payable and accrued liabilities	2,587,430	1,692,492
Deferred revenue (note 6)	4,316,354	2,824,218
Due to City of Richmond (note 7)	166,413	532,415
Rental deposits	9,263	9,263
	7,079,460	5,058,388
Net financial assets	3,555,512	5,804,357
Non-Financial Assets		
Tangible capital assets (note 8)	7,075,748	2,663,644
Deferred lease costs (note 9)	155,250	141,665
Inventories of supplies	81,535	1,755
Prepaid expenses and other deposits	850,325	426,251
	8,162,858	3,233,315
Economic dependence (note 14)		
Accumulated surplus (note 10)	\$ 11,718,370	\$ 9,037,672

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

RICHMOND OLYMPIC OVAL CORPORATION

Consolidated Statement of Operations

For the year ended December 31, 2014

	2014 Budget (note 2(j))	2014	2013
Revenue:			
2010 Games Operating Trust Fund (note 5)	\$ 2,200,000	\$ 2,270,900	\$ 2,823,239
Contribution from City of Richmond (note 12)	3,208,000	3,207,600	3,574,700
Memberships, admissions and programs	6,421,758	6,877,930	6,568,014
Other	1,310,830	1,412,922	1,235,038
	13,140,588	13,769,352	14,200,991
Expenses:			
Salaries and benefits	7,177,888	6,939,941	6,712,878
Utilities	1,050,000	900,555	1,002,566
Amortization	486,125	372,635	309,991
Supplies and equipment	631,450	794,399	618,349
Insurance	335,225	337,034	350,543
General and administration	894,253	675,819	642,501
Marketing and sponsorship	267,450	197,708	209,857
Program services	604,363	744,639	619,247
Professional fees	118,080	125,924	42,592
	11,564,834	11,088,654	10,508,524
Annual surplus	1,575,754	2,680,698	3,692,467
Accumulated surplus, beginning of year	9,037,672	9,037,672	5,345,205
Accumulated surplus, end of year	\$ 10,613,426	\$ 11,718,370	\$ 9,037,672

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Consolidated Statements of Changes in Net Financial Assets

For the year ended December 31, 2014

	2014 Budget (note 2(j))	2014	2013
Annual surplus for the year	\$ 1,575,754	\$ 2,680,698	\$ 3,692,467
Acquisition of tangible capital assets	(2,872,465)	(4,784,739)	(2,279,138)
Amortization of tangible capital assets	486,125	372,635	309,991
	(2,386,340)	(4,412,104)	(1,969,147)
Amortization of deferred lease costs	-	17,932	17,711
Acquisition of inventory of supplies	-	(80,560)	(1,390)
Increase in prepaid expenses	-	(1,309,901)	(582,833)
Consumption of Inventory	-	780	2,143
Use of prepaid expenses and other deposits	-	885,827	585,536
Additions of deferred leasing costs	-	(31,517)	(38,190)
Change in net financial assets	(810,586)	(2,248,845)	1,706,297
Net assets, beginning of year	5,804,357	5,804,357	4,098,060
Net financial assets, end of year	\$ 4,993,771	\$ 3,555,512	\$ 5,804,357

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Consolidated Statements of Cash Flows

For the year ended December 31, 2014 and 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 2,680,698	\$ 3,692,467
Items not involving cash:		
Amortization of tangible capital assets	372,635	309,991
Amortization of deferred lease costs	17,932	17,711
Changes in non-cash operating working capital:		
Accounts receivable	(117,749)	167,051
Deferred lease costs	(31,517)	(38,190)
Inventory	(79,780)	753
Prepaid expenses and other deposits	(424,074)	2,703
Accounts payable and accrued liabilities	894,938	740,276
Deferred revenue	1,492,136	506,848
Due to the City of Richmond	(366,002)	665,047
	4,439,217	6,064,657
Capital activities:		
Cash used to acquire tangible capital assets	(4,784,739)	(2,279,138)
Investing activities:		
Purchase of investments	(1,407)	(3,871,085)
Financing activities:		
Repayment of obligations under capital leases	-	(8,491)
Increase in rental deposits	-	3,750
	-	(4,741)
Decrease in cash	(346,929)	(90,307)
Cash, beginning of year	1,963,267	2,053,574
Cash, end of year	\$ 1,616,338	\$ 1,963,267

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

For the year ended December 31, 2014

1. Incorporation and nature of business:

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

2. Significant accounting policies:

(a) Basis of presentation:

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

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

(b) Investment in government partnership

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

(c) Revenue recognition:

Memberships, admissions and programs fees are recorded as revenue in the period that the services are rendered, with any unearned portion recorded as deferred revenue. Annual distributable amounts and trust income amounts are recognized as revenue when the amounts are approved by 2010 Games Operating Trust (note 5) and when the related operating expenses and capital maintenance costs of the Oval are incurred.

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

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

(d) Financial instruments:

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

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

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

2. Significant accounting policies (continued):

(e) 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.

(f) Capital assets:

(i) Tangible capital assets:

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

Assets	Rate
Athletic equipment	5 years
Building improvements	5 years
Automobile	5 years
Facility equipment	3 years
Computer software and equipment	3 years
Uniforms, ice skates and helmets	3 years
Signage	3 years

Tenant improvements are amortized over the term of the lease.

(ii) Impairment of tangible capital assets:

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

(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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

2. Significant accounting policies (continued):

(g) 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.

(h) Income Taxes:

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

(i) 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.

(j) Budget data:

The budget data presented in these financial statements is based upon the 2014 budget approved by the Board of Directors on November 27, 2013.

(k) Use of estimates:

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

(l) 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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

3. Investments:

Investments represent term deposits as follows:

Purchase Date	Maturity Date	2014	2013
October 30, 2013	February 27, 2014	\$ -	\$ 1,010,754
October 31, 2013	February 28, 2014	-	3,747,109
November 12, 2013	February 10, 2014	-	1,851,597
December 23, 2013	March 24, 2014	-	2,066,988
November 24, 2014	February 23, 2015	3,251,297	-
November 25, 2014	February 23, 2015	3,821,881	-
December 22, 2014	March 23, 2015	1,604,677	-
Total		\$ 8,677,855	\$ 8,676,448

The interest rate of the term deposits range from 1.80% to 1.90%.

4. Richmond Oval Agreement:

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

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, an irrevocable trust was created known as GOT and the 2010 Games Operating Trust Society (the "Society") became the trustee of the Fund. The purpose of the Fund is to fund operating expenses and capital maintenance costs of certain facilities created for the Games, specifically the Oval and the Whistler Sliding Centre and Nordic Centre, and to assist with the continued development of amateur sport in Canada. Subsequent to the formation of the Trust, the City, as owner of the Oval, became a beneficiary of the Trust and became responsible for complying with obligations set by the Trust and GOT in order to receive funding.

Effective December 31, 2007:

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

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

5. 2010 Games Operating Trust Fund (continued):

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

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

Revenue from GOT is comprised of:

	2014	2013
2013 annual distributable amount approved and received in 2014	\$ 2,270,900	\$ -
2012 annual distributable amount approved and received in 2013	-	2,823,239
	\$ 2,270,900	\$ 2,823,239

6. Deferred revenue:

	2014	2013
Balance, beginning of year	\$ 2,824,218	\$ 2,317,370
Add: additions	9,782,988	8,309,900
Less: revenue recognized	(8,290,852)	(7,803,052)
Balance, end of year	\$ 4,316,354	\$ 2,824,218

Deferred revenue comprises of:

	2014	2013
Memberships and programs	\$ 993,972	\$ 1,008,067
Sponsorship fees	1,087,500	333,333
Sport Hosting funding (note 12(ii))	554,706	552,642
Richmond Olympic Experience (note 12(iii))	1,680,176	930,176
	\$ 4,316,354	\$ 2,824,218

7. Due to the City of Richmond:

The amount due to the City of Richmond arises in the normal course of business and is non-interest bearing with no stated repayment terms.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

8. Tangible capital assets:

Cost	Balance at December 31, 2013	Additions	Balance at December 31, 2014
Athletic equipment	\$ 974,709	\$ 113,194	\$ 1,087,903
Automobile	23,158	-	23,158
Building improvements	119,600	168,506	288,106
Computer software and equipment	1,181,355	173,742	1,355,097
Facility equipment	190,162	124,513	314,675
Signage	43,884	8,695	52,579
Tenant improvements	16,979	48,750	65,729
Uniforms, ice skates, and helmets	146,344	7,312	153,656
Work in progress	1,978,095	4,140,027	6,118,122
	\$ 4,674,286	\$ 4,784,739	\$ 9,459,025

Accumulated Amortization	Balance at Dec 31, 2013	Amortization Expense	Balance at Dec 31, 2014
Athletic equipment	\$ 603,837	\$ 147,873	\$ 751,710
Automobile	15,825	4,632	20,457
Building improvements	27,304	41,589	68,893
Computer software and equipment	1,109,905	81,506	1,191,411
Facility equipment	71,040	73,865	144,905
Signage	41,791	2,457	44,248
Tenant improvements	16,855	6,718	23,573
Uniforms, ice skates, and helmets	124,085	13,995	138,080
	\$ 2,010,642	\$ 372,635	\$ 2,383,277

	Net book value December 31, 2014	Net book value December 31, 2013
Athletic equipment	\$ 336,193	\$ 370,872
Automobile	2,701	7,333
Building improvements	219,213	92,296
Computer software and equipment	163,686	71,450
Facility equipment	169,770	119,122
Signage	8,331	2,093
Tenant improvements	42,156	124
Uniforms, ice skates, and helmets	15,576	22,259
Work in progress	6,118,122	1,978,095
	\$ 7,075,748	\$ 2,663,644

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

8. 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.

(a) Work in progress

Work in progress, having a value of \$6,118,122 (2013 - \$1,978,095) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Writedown of tangible capital assets

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

9. Deferred lease costs:

	2014	2013
Balance, beginning of year	\$ 141,665	\$ 121,186
Add: additions	31,518	38,190
Less: amortization	(17,933)	(17,711)
Balance, end of year	\$ 155,250	\$ 141,665

10. Accumulated surplus:

Accumulated surplus is comprised of:

	2014	2013
Share Capital	\$ 1	\$ 1
Capital reserve	2,647,658	4,731,850
Other reserves/provisions	681,709	577,108
Operating surplus	1,313,254	1,065,070
Invested in tangible capital assets	7,075,748	2,663,643
	\$ 11,718,370	\$ 9,037,672

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

11. 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 investments and account receivables. The Corporation assesses these financial assets on a continuous basis for any amounts that are not collectible or realizable.

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

b) Market risk

Market risk are 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 risks are 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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

12. Related party transactions:

- (i) The Corporation leases the Oval from the City for \$1 annually.

Included in general and administration expenses are fees of \$132,788 to the City for the provision of city staff time in fiscal year 2014 (2013 - \$63,630).

In 2014, \$70,000 (2013 - \$70,000) of salaries and benefits expenses were charged to the City relating to the costs of the Corporation's staff time for services performed.

In accordance with the Agreement, the City will provide, for the first fifteen 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 \$1.5 million per year indexed at the City of Vancouver's Consumer Price Index. After fifteen years, any financial assistance from the City will be determined by the City in its sole discretion. During 2014, the Corporation received a contribution from the City of \$3,207,600 (2013 - \$3,574,700). In 2013, \$430,000 of this contribution was for the Mezzanine Infill project, no further amounts were contributed for this project in 2014.

- (ii) 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 2014, \$400,000 (2013 - \$400,000) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2014, \$554,706 (2013 - \$552,642) was included in deferred revenue (note 6) and \$397,936 (2013 - \$355,137) was recognized in memberships, admissions, and programs on the statement of operations.

The Corporation also received \$500,000 from the hotel tax funding in 2014 (2013 - \$500,000) to be used to purchase capital assets related to the Richmond Olympic Experience project. In order to retain this funding, the Oval must maintain and operate the capital assets purchased with these funds over the life of the capital assets. On an annual basis, the Oval must provide a report to the City as to the use of the funds and the maintenance and operation of these capital assets. In addition, the Corporation received \$250,000 of grant funding from a third party that is also to go towards the purchase of capital assets related to the Richmond Olympic Experience project. Currently, \$1,680,176 (2013 - \$930,176) of the funds restricted for the purchase of capital assets for the Richmond Olympic Experience remains in deferred revenue and the revenue will be recognized over the life of the underlying assets once the project is complete.

- (iii) During the year, the Corporation made a deposit of \$485,000 to VROX for the purchase of sports simulators for the Richmond Olympic Experience project. This transaction is in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the Corporation and VROX.

The assets and liabilities of VROX as at December 31, 2014 were \$489,206 and \$609,965 respectively.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2014

13. Pension plan:

The Corporation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Plan's Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including the investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 182,000 active members and approximately 75,000 retired members. Active members include approximately 78 contributors from the Corporation.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at December 31, 2012 indicated an unfunded liability of \$1,370 million for basic pension benefits. The next actuarial valuation will be performed as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets and cost to the individual employers participating in the Plan.

The funding deficit noted above represents a deficit for the Plan as a whole. Management considers the Corporation's future contributions to the Plan not to be significant. During the current fiscal year, the Corporation paid \$338,471 (2013 - \$312,990) as employer contributions to the Pension Plan.

14. Economic dependence:

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