



Finance Committee

Anderson Room, City Hall
6911 No. 3 Road

Monday, May 5, 2014
4:00 p.m.

Pg. # ITEM

MINUTES

- FIN-4** *Motion to adopt the **minutes** of the meeting of the Finance Committee held on Monday, April 7, 2014.*



DELEGATION

- FIN-6** 1. C.J. James, Partner, and Archie Johnston, Partner, KPMG, to present the 2013 Auditor's report on the **City's financial statements**.

FINANCE AND CORPORATE SERVICES DEPARTMENT

2. **2013 CONSOLIDATED FINANCIAL STATEMENTS**
(File Ref. No.) (REDMS No. 4206667)

FIN-28

See Page FIN-28 for full report

Designated Speaker: Andrew Nazareth

STAFF RECOMMENDATION

That the City's audited consolidated financial statements for the year ended December 31, 2013 be approved.



Pg. #

ITEM

3. **FINANCIAL INFORMATION – 1ST QUARTER MARCH 31, 2014**
(File Ref. No.) (REDMS No. 4206667 v. 2)

FIN-83

[See Page FIN-83 for full report](#)

Designated Speaker: Cindy Gilfillan

STAFF RECOMMENDATION

That the staff report titled Financial Information – 1st Quarter March 31, 2014 from the Director, Finance, be received for information.



RICHMOND PUBLIC LIBRARY BOARD

4. **2013 FINANCIAL STATEMENTS FOR RICHMOND PUBLIC LIBRARY BOARD**
(File Ref. No.) (REDMS No.)

FIN-109

[See Page FIN-109 for full report](#)

Designated Speaker: Greg Buss

STAFF RECOMMENDATION

That the report on the 2013 Financial Statements and Independent Auditor's report for the Richmond Public Library Board be received for information.



LULU ISLAND ENERGY COMPANY LTD.

5. **2013 FINANCIAL STATEMENTS FOR THE LULU ISLAND ENERGY COMPANY**
(File Ref. No.) (REDMS No. 4212662 v. 2)

FIN-128

[See Page FIN-128 for full report](#)

Designated Speaker: Jerry Chong

STAFF RECOMMENDATION

That the Lulu Island Energy Company audited financial statements for the year ended December 31, 2013, as presented in the report titled “2013 Financial Statements for the Lulu Island Energy Company”, dated May 2, 2014 from the Director, Finance, be received for information.

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RICHMOND OLYMPIC OVAL CORPORATION

6. 2013 FINANCIAL STATEMENTS FOR THE RICHMOND OLYMPIC OVAL CORPORATION

(File Ref. No.) (REDMS No. 4216958)

FIN-139

See Page FIN-139 for full report

Designated Speaker: Rick Dusanj

STAFF RECOMMENDATION

That the report on the 2013 Financial Statements and Independent Auditor's report for the Richmond Olympic Oval Corporation from the Controller of the Richmond Olympic Oval Corporation be received for information.

☐

ADJOURNMENT

☐



Finance Committee

Date: Monday, April 7, 2014

Place: Anderson Room
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair
Councillor Chak Au
Councillor Evelina Halsey-Brandt
Councillor Ken Johnston
Councillor Bill McNulty
Councillor Harold Steves

Absent: Councillor Linda Barnes
Councillor Derek Dang
Councillor Linda McPhail

Call to Order: The Chair called the meeting to order at 4:55 p.m.

MINUTES

It was moved and seconded

That the minutes of the meeting of the Finance Committee held on Monday, March 3, 2014, be adopted as circulated.

CARRIED

FINANCE AND CORPORATE SERVICES DEPARTMENT

1. **EXCESS OR EXTENDED SERVICES AND LATECOMER PAYMENT
INTEREST RATE ESTABLISHMENT BYLAW NO. 6936,
AMENDMENT BYLAW NO. 9084**
(File Ref. No. 03-0900-01) (REDMS No. 4016389)

Finance Committee
Monday, April 7, 2014

It was moved and seconded

That Excess or Extended Services and Latecomer Payment Interest Rate Establishment Bylaw No. 6936, Amendment Bylaw No. 9084 be introduced and given first, second, and third readings.

The question on the motion was not called as Venus Ngan, Manager, Treasury and Financial Services, advised that interest rates will be grandfathered for any existing latecomer projects under Section 2. The question on the motion was then called and it was **CARRIED**.

2. **REVENUE ANTICIPATION BORROWING (2014) BYLAW NO. 9116**
(File Ref. No. 03-0900-01) (REDMS No. 4153934)

It was moved and seconded

That Revenue Anticipation Borrowing (2014) Bylaw No. 9116 be introduced and given first, second, and third readings.

The question on the motion was not called as Jerry Chong, Director, Finance, advised that, although the provision had not been used in the past, the credit arrangement is a precautionary service offered free of charge by the bank. The question on the motion was then called and it was **CARRIED**.

ADJOURNMENT

It was moved and seconded

That the meeting adjourn (4:57 p.m.).

CARRIED

Certified a true and correct copy of the
Minutes of the meeting of the Finance
Committee of the Council of the City of
Richmond held on Monday, April 7, 2014.

Mayor Malcolm D. Brodie
Chair

Heather Howey
Committee Clerk



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AUDIT FINDINGS LETTER

PRIVATE & CONFIDENTIAL

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

April 15, 2014

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, 2013. 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
- 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 should not be used for any other purpose. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this document has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly

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

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

Enclosures:

- Appendix 1 - Independence letter
- Appendix 2 - Management representation letter
- Appendix 3 - Management letter



AUDIT STATUS AND OPINION

We have completed our audit of the City's December 31, 2013 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

During the course of our financial statement audit, we identified no significant audit, accounting and reporting matters to bring to your attention.

SIGNIFICANT QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

The following are the significant qualitative aspects of accounting practices that we plan to discuss with you:

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 2013.• 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, 2013.

Corrected Audit Misstatements

Refer to the Attachment II in the draft management's representation letter in Appendix 2 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.

We have previously communicated to management other deficiencies in ICFR identified during the audit that, in our professional judgment, are of sufficient importance to merit management's attention and that have not been communicated by other parties to management. Refer to our management letter in the appendices to this report.

The matters being reported are limited to those deficiencies in ICFR that we identified during the audit.

Management's responses

Management's responses have not been subjected to the audit procedures applied in the audit, and accordingly, we express no opinion on them.

CURRENT DEVELOPMENTS

The following is a summary of the key financial reporting framework developments that may impact the City:

Liability for Contaminated Sites

- New Accounting Standard, PS3260 *Liability for Contaminated Sites* has been approved by PSAB and 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.

Related Party Transactions

The PSA Handbook currently has no specific accounting standards relating to Related Party Transactions. PSAB has issued an exposure draft for a new standard on related party transactions. The proposals would require disclosure of sufficient information about transactions between related parties to help users assess their effect on the financial position and financial performance. The exposure draft identifies:

- which parties are related;
- the extent to which related party transactions would be recognized in the financial statements of both the provider and recipient organizations;
- the appropriate basis of measurement for recognized transactions; and
- disclosure requirements for transactions including those that have not been given accounting recognition.

The exposure draft also proposes the following:

- related party transactions other than contributed goods and services should be recognized by both parties;
- when there is a policy of allocating costs for the provision of goods and services, the revenues and expenses should be reported on a gross basis;
- related party transactions should be recorded at the exchange amount, which could be the carrying amount; the consideration paid or received, or fair value;
- if the exchange amount differs from the carrying amount, the gain or loss should be recognized; and
- contributed goods and services may be recognized or disclosed.

We will monitor and keep management informed of any potential significant impact that this standard will have on the City's financial reporting.

Financial Instruments and Foreign Currency Translation

- New Accounting Standards, Financial Instruments PS3450 and Foreign Currency Translation PS2601 have been approved by the PSAB and are effective for years commencing on or after April 1, 2015. Early adoption is permitted.
- Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds can be carried at cost or fair value depending on the government's choice and this choice must be made on initial recognition of the financial instrument and is irrevocable.
- Hedge accounting is not permitted.
- A new statement, the Statement of Re-measurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations.

Revenue

- PSAB is proposing a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. A Statement of Principles was issued in 2013 and comments are currently under deliberation.
- An exposure draft is under development and expected for release in the 3rd quarter of 2014. Adoption of these principles would result in a need to assess current accounting policies.
- In the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.
- For unilateral revenues, recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

Assets

- PSAB issued a Statement of Principles that proposes additional guidance on the definition of assets, disclosure requirements for assets and definitions of and standards on disclosure requirements for contingent assets and contractual rights.
- An exposure draft is under development and expected for release in the 3rd quarter of 2014. Adoption of these principles would result in a need to assess current accounting policies.

Asset Retirement Obligations

- A Statement of Principles is under development to address the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of long-lived tangible capital assets currently in productive use. The Statement of Principles is expected for release in the 2nd quarter of 2014.
- Recognition and measurement of the liability will be a major issue as will be accounting for the related expense.



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INDEPENDENCE LETTER

PRIVATE & CONFIDENTIAL

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

April 15, 2014

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

We have been engaged to express an opinion on the consolidated financial statements of City of Richmond ("the Entity" or "the City") as at and for the period ended December 31, 2013.

Professional standards specify that we communicate to you in writing all relationships between the Entity (and its related entities) and our firm, that may reasonably be thought to bear on our independence.

In determining which relationships to report, we consider relevant rules and related interpretations prescribed by the relevant professional bodies and any applicable legislation or regulation, covering such matters as:

- a) provision of services in addition to the audit engagement
- b) other relationships such as:
 - holding a financial interest, either directly or indirectly, in a client
 - holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
 - personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
 - economic dependence on a client



PROVISION OF SERVICES

The following summarizes the professional services rendered by us to the Entity (and its related entities) from January 1, 2013 up to the date of this letter:

Description of Professional Services
<p>Audit</p> <ul style="list-style-type: none">• Audit of the City's consolidated financial statements for the year ended December 31, 2013• Audit of the financial statements of Richmond Olympic Oval Corporation for the year ended December 31, 2013• Audit of the financial statements of Richmond Public Library for the year ended December 31, 2013• Audit of the Form C2 - Home Owner Grant: Treasurer/Auditor Certificate for the year ended December 31, 2013• Audit of the City's compliance with subsections 2 and 3 of section 124 of Part 8 of the School Act for the year ended December 31, 2013• Audit of the statement of eligible expenditures of the Asia Pacific Gateway and Corridor Initiative Transportation Infrastructure Fund of the City of Richmond for the year ended December 31, 2013
<p>Advisory</p> <ul style="list-style-type: none">• Review of the business case and associated financial model for the City's investment• Tax advise

Professional standards require that we communicate the related safeguards that have been applied to eliminate identified threats to independence or to reduce them to an acceptable level. Although we have policies and procedures to ensure that we did not provide any prohibited services and to ensure that we have not audited our own work, we have applied the following safeguards regarding the threats to independence listed above:

- We did not assume the role of management by instituting policies and procedures to prohibit us from making management decisions or assuming responsibility for such decisions.
- We obtained management's acknowledgement of responsibility for the results of the work performed by us regarding non-audit services and we have not made any management decisions or assumed responsibility for such decisions.



*City of Richmond
April 15, 2014*

OTHER RELATIONSHIPS

We are not aware of any other relationships between our firm and the Entity (and its related entities) that may reasonably be thought to bear on our independence from January 1, 2013 to the date of this letter.

CONFIRMATION OF INDEPENDENCE

We confirm that we are independent with respect to the Entity (and its related entities) 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, 2013 up to the date of this letter.

OTHER MATTERS

This letter is confidential and intended solely for use by those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purposes.

KPMG shall have no responsibility for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

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

Chartered Accountants

MANAGEMENT REPRESENTATION LETTER

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

[Date of Council acceptance of financial statements]

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of the City of Richmond (“the City”) as at and for the period ended December 31, 2013.

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, 2013.
- 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 Schedule(s)

Summary of corrected audit misstatements

1	Dr. Accounts payable	\$ 1,383,001	
	Cr. Accounts receivable		\$ 1,383,001
	<i>To net Oval payable with Oval receivable</i>		
2	Dr. Expenses	\$ 776,252	
	Cr. Accounts payable and accrued liabilities		\$ 776,252
	<i>To accrue liabilities previously unrecorded</i>		
3	Dr. Deferred revenue	\$ 930,176	
	Cr. Revenue		\$ 930,176
	<i>To record revenue from hotel tax funding</i>		

Summary of uncorrected audit misstatements

There are no uncorrected audit misstatements noted.



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MANAGEMENT LETTER

Mr. Jerry Chong
Director of Finance
City of Richmond
City Hall
6911 No. 3 Road
Richmond BC V6Y 2C1

April 15, 2014

Dear Mr. Chong

In planning and performing our audit of the consolidated financial statements of the City of Richmond ("the City") for the year ended December 31, 2013, we considered internal control relevant to the City's 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 consolidated 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 the City's internal controls. Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

CONTROL DEFICIENCIES

Refer to Appendix A for the definitions of various control deficiencies.

Refer to Appendix B for our observations on various control deficiencies that came to our attention during the current audit.

The matters being reported are limited to those deficiencies in internal control that we identified during the audit.

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL	We did not identify any control deficiencies that we consider to be significant deficiencies in internal control.
OTHER INTERNAL CONTROL DEFICIENCIES	Refer to Appendices B and C for identified control deficiencies that we consider to be other deficiencies in internal control identified during the audit that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management's attention.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.



*City of Richmond
April 15, 2014*

MANAGEMENT'S RESPONSES

The City's written actual or proposed responses to our communications on control deficiencies have not been subjected to the audit procedures applied in the financial statement audit, and accordingly, we express no opinion on the responses.

USE OF LETTER

This letter is for the use of management and those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purpose. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or any other purpose.

Yours very truly,

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

Chartered Accountants

cc: Finance Committee



Appendix A

Terminology	Definition
DEFICIENCY IN INTERNAL CONTROL	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing; or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL	A significant deficiency in internal control is a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

Appendix B

Current Year Management Letter Points

1. Classification of capital expenditures

Observation and Implication

In 2012, certain amounts were expensed within the operating budget that should have been captured as work in progress under tangible capital assets. These capital expenditures have been reclassified to tangible capital assets in the current year.

Recommendation

We recommend that the City perform a detailed monthly review of expenditures to ensure expenses are appropriately classified as capital or expense. We also recommend that the current staffing of analysts be reviewed as the quantity of capital projects may warrant the hiring of an additional Financial Analyst to perform the analysis.

Management Response

Management has restructured the Budgets and Accounting Section within the Finance Department which resulted in the identification of the incorrect classification of capital expenses. Under the previous structure, staff were responsible for monitoring a portion of either the capital or operating budget. Under the revised structure, staff are responsible for an area of operations which includes both the capital and operating budgets. Having one analyst responsible for an area of responsibility helps ensure that expenses are appropriately classified. Management will review future activity and determine the requirement for adequate resources to address any control issues.

2. Development Cost Charges (“DCC”) Program

Observation and Implication

During the course of our audit examination, we noted that there was an issue concerning the interpretation of DCC Bylaw relating to the collection of DCCs on Multi Family sites. The assessment of DCC's was done based on the square footage as defined within the City's Zoning Bylaw instead of the DCC Bylaw. The City's Zoning Bylaw interprets building area as “floor area ratio” (FAR), which provides exemptions for specific non-habitable areas within a building. The City's DCC Bylaw definition of “building area” only includes a general exclusion for parking areas. As the FAR is less than the building area in most cases, the City assessed a lower amount.

Recommendation

We recommend that the City develop a review process to ensure DCCs are assessed in accordance with the City's DCC Bylaw.

Management Response

Management has conducted a comprehensive review of the DCCs collected and determined that the DCC program received the anticipated level of funding required. An administrative procedure on DCC assessment practices has been developed and distributed to staff responsible for the DCC assessment to ensure that DCCs are assessed appropriately in accordance with the City's DCC Bylaw. Finance division has also been working with the Development Application division in documenting the DCC assessment processes to ensure that adequate controls and reviews are in place to ensure the accuracy of the City's DCC assessment practices.



City of Richmond

Report to Committee

To: Finance Committee
From: Andrew Nazareth
General Manager, Finance and Corporate
Services
Re: 2013 Consolidated Financial Statements

Date: April 28, 2014
File: 03-0905-01/2014-Vol
01

Staff Recommendation

That the City's audited consolidated financial statements for the year ended December 31, 2013 be approved.

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

Att. 2

REPORT CONCURRENCE
CONCURRENCE OF GENERAL MANAGER
APPROVED BY CAO

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 2013 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 reflecting what operating and capital funds 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**.

Highlights of the 2013 consolidated statement of financial position:

- \$2.4 billion – Accumulated surplus (net worth)
 - \$1.9 billion – Net book value of tangible capital assets
 - \$353.8 million – Reserve balance
- \$549.0 million – Net financial assets
- \$1.1 million – Net debt

Highlights of the 2013 consolidated statement of operations:

- \$126.2 million – Annual surplus (the increase in net worth which includes the increase in capital equity, reserves, appropriated surplus and surplus)
- \$454.0 million total revenues
 - \$176.3 million taxation and levies
 - \$79.6 million utility fees
 - \$50.9 million contributed assets
 - \$45.9 million sales of services
- \$327.8 million total expenses
 - \$50.3 million amortization expense

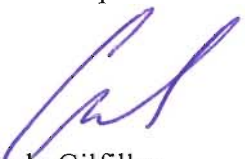
Detailed analysis of the consolidated financial statements is provided in the Financial Statement Discussion and Analysis (FSD&A) **Attachment 2**. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis is intended to be read in conjunction with the 2013 audited consolidated financial statements.

Financial Impact

None.

Conclusion

The financial statements are part of the legislated reporting requirements for 2013 and Staff recommends their approval. 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, 2013, 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)

Att. 1: City of Richmond Consolidated Financial Statements

Att. 2: Financial Statement Discussion and Analysis

Consolidated Financial Statements of

CITY OF RICHMOND

Year ended December 31, 2013

DRAFT April 30, 2014

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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, 2013 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, 2013, 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, 2013, with comparative information for 2012

	2013	2012
Financial Assets		
Cash and cash equivalents	\$ 38,368	\$ 49,632
Investments (note 3)	716,114	590,961
Accrued interest receivable	3,224	3,122
Accounts receivable (note 4)	19,625	22,682
Taxes receivable	9,244	8,895
Development fees receivable	21,405	12,923
Debt reserve fund deposits (note 5)	200	386
	808,180	688,601
Liabilities		
Accounts payable and accrued liabilities (note 6)	83,146	75,325
Deposits and holdbacks (note 7)	51,841	40,669
Deferred revenue (note 8)	35,870	37,307
Development cost charges (note 9)	87,212	62,547
Obligations under capital leases (note 10)	58	106
Debt, net of MFA sinking fund deposits (note 11)	1,056	3,488
	259,183	219,442
Net financial assets	548,997	469,159
Non-Financial Assets		
Tangible capital assets (note 12)	1,877,298	1,830,619
Inventory of materials and supplies	2,363	2,276
Prepaid expenses	1,594	1,954
	1,881,255	1,834,849
Accumulated surplus (note 13)	\$ 2,430,252	\$ 2,304,008

Commitments and contingencies (note 17)

See accompanying notes to consolidated financial statements.

General Manager, Finance and Corporate Services

CITY OF RICHMOND

Consolidated Statement of Operations
(Expressed in thousands of dollars)

Year ended December 31, 2013, with comparative information for 2012

	Budget 2013	2013	2012
	(notes 2(m) and 22)		
Revenue:			
Taxation and levies	\$ 174,825	\$ 176,283	\$ 167,529
Utility fees	74,321	79,613	74,222
Sales of services	40,366	45,941	41,449
Payments-in-lieu of taxes	13,199	14,406	13,189
Provincial and federal grants	7,256	7,092	9,487
Development cost charges	1,280	11,730	10,480
Other capital funding sources	71,768	55,542	19,306
Other revenues:			
Investment income	16,792	13,490	17,144
Gaming revenue	12,364	17,632	15,585
Licenses and permits	7,537	9,178	8,734
Other (note 20)	7,662	23,096	23,186
	427,370	454,003	400,311
Expenses:			
Law and Community safety	83,844	77,587	75,193
Utilities: water, sewerage and sanitation	73,862	73,764	72,682
Engineering, public works and project development	56,427	53,219	53,164
Community services	49,162	49,753	46,796
General government	47,931	41,677	38,570
Planning and development	12,513	11,854	11,961
Richmond Olympic Oval	11,432	10,509	9,826
Library services	9,540	9,396	9,245
	344,711	327,759	317,437
Annual surplus	82,659	126,244	82,874
Accumulated surplus, beginning of year	2,304,008	2,304,008	2,221,134
Accumulated surplus, end of year	\$ 2,386,667	\$ 2,430,252	\$ 2,304,008

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, 2013, with comparative information for 2012

	2013 budget (notes 2(m) and 22)	2013	2012
Surplus for the year	\$ 82,659	\$ 126,244	\$ 82,874
Acquisition of tangible capital assets	(82,659)	(47,447)	(66,377)
Contributions of tangible capital assets	-	(50,887)	(12,784)
Amortization of tangible capital assets	-	50,334	49,566
Gain on disposal of tangible capital assets - land	-	(4,024)	(5,405)
Loss (gain) on disposal of tangible capital assets	-	434	(423)
Proceeds on sale of tangible capital assets	-	4,911	6,434
	-	79,565	53,885
Acquisition of inventories of supplies	-	(2,363)	(2,276)
Acquisition of prepaid expenses	-	(1,594)	(1,954)
Consumption of inventories of supplies	-	2,276	1,934
Use of prepaid expenses	-	1,954	1,847
Change in net financial assets	-	79,838	53,436
Net financial assets, beginning of year	469,159	469,159	415,723
Net financial assets, end of year	\$ 469,159	\$ 548,997	\$ 469,159

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 126,244	\$ 82,874
Items not involving cash:		
Amortization	50,334	49,566
Gain on disposal of tangible capital assets - land	(4,024)	(5,405)
Loss (gain) on disposal of tangible capital assets	434	(423)
Contributions of tangible capital assets	(50,887)	(12,784)
Change in non-cash operating working capital:		
Increase in accrued interest receivable	(102)	(412)
Decrease (increase) in accounts receivable	3,057	(587)
Increase in taxes receivable	(349)	(2,179)
(Increase) decrease in development fees receivable	(8,482)	3,903
Decrease in debt reserve fund	186	-
Decrease (increase) in prepaid expenses	360	(107)
Increase in inventory of materials and supplies	(87)	(342)
Increase (decrease) in accounts payable and accrued liabilities	7,821	(2,373)
Increase in deposits and holdbacks	11,172	3,916
(Decrease) increase in deferred revenue	(1,437)	2,506
Increase in development cost charges	24,665	10,168
Net change in cash from operating activities	158,905	128,321
Capital activities:		
Cash used to acquire tangible capital assets	(47,447)	(66,323)
Proceeds on disposal of tangible capital assets	4,911	6,434
Net change in cash from capital activities	(42,536)	(59,889)
Financing activities:		
Principal payments on debt	(2,432)	(2,320)
Principal payments on obligations under capital leases	(48)	(447)
Net change in cash from financing activities	(2,480)	(2,767)
Investing activities:		
Change in investments	(125,153)	(27,799)
Net change in cash and cash equivalents	(11,264)	37,866
Cash and cash equivalents, beginning of year	49,632	11,766
Cash and cash equivalents, end of year	\$ 38,368	\$ 49,632
Supplementary Information:		
Non-cash transactions:		
Tangible capital assets financed by capital leases	\$ -	\$ 54

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, 2013

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 Public Sector Accounting Board as prescribed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

(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. Interfund transactions, fund balances and activities have been eliminated on consolidation.

(i) General Revenue Fund:

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

(ii) General Capital and Loan Fund:

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

(iii) Waterworks and Sewerworks Funds:

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

(iv) Reserve Funds:

Certain funds are established by bylaws for specific purposes. They are funded primarily by budgeted contributions from the General Revenue Fund 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, 2013

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, 2013

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 include 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, is 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 consolidated financial statements.

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

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

(v) Interest capitalization:

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

(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, 2013

2. Significant accounting policies (continued):

(i) Non-financial assets (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 consolidated statement of operations.

(ix) Inventory of materials and supplies:

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

(j) 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.

(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. 8990 on February 25, 2013.

CITY OF RICHMOND

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

Year ended December 31, 2013

2. Significant accounting policies (continued):

(n) Use of accounting estimates:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses 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 consolidated financial statements in the period that the change in estimate is made, as well as in the period of settlement if the amount is different.

(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).

3. Investments:

	2013		2012	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 205,162	\$ 205,186	\$ 61,835	\$ 62,206
Government and government guaranteed bonds	442,963	444,447	466,984	468,382
Municipal Finance Authority Pooled Investment	22,033	22,033	21,691	21,692
Other bonds	45,956	47,100	40,451	42,192
	\$ 716,114	\$ 718,766	\$ 590,961	\$ 594,472

CITY OF RICHMOND

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

Year ended December 31, 2013

4. Accounts receivable:

	2013	2012
Water and sewer utilities	\$ 8,949	\$ 8,130
Casino revenues	4,292	3,580
Capital grant	1,350	3,054
Other trade receivables	5,034	7,918
	\$ 19,625	\$ 22,682

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, 2013 are as follows:

	Cash deposits	Contingent demand notes
General Revenue Fund	\$ 200	\$ 868

6. Accounts payable and accrued liabilities:

	2013	2012
Trade and other liabilities	\$ 53,104	\$ 46,911
Post-employment benefits (note 15)	30,042	28,414
	\$ 83,146	\$ 75,325

CITY OF RICHMOND

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

Year ended December 31, 2013

7. Deposits and holdbacks:

	Balance December 31, 2012	Deposit contributions	Refund expenditures	Balance December 31, 2013
Security deposits	\$ 27,490	\$ 17,354	\$ 8,985	\$ 35,859
Developer contribution	6,002	162	-	6,164
Contract holdbacks	1,667	2,100	2,169	1,598
Transit Oriented Development Fund	1,523	-	-	1,523
Other	3,987	4,512	1,802	6,697
	\$ 40,669	\$ 24,128	\$ 12,956	\$ 51,841

8. Deferred revenue:

Deferred revenue represents revenues that are collected but not earned as of December 31, 2013. 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.

	Balance December 31, 2012	External restricted inflows	Revenue earned	Balance December 31, 2013
Taxes and utilities	\$ 18,026	\$ -	\$ 1,183	\$ 16,843
Building permits/business licenses	7,710	4,800	3,275	9,235
Capital grants	4,351	1,527	2,691	3,187
Leased land	2,409	42	42	2,409
Other	4,811	315	930	4,196
	\$ 37,307	\$ 6,684	\$ 8,121	\$ 35,870

9. Development cost charges:

	2013	2012
Balance, beginning of year	\$ 62,547	\$ 52,379
Contributions	35,424	19,772
Interest	971	876
Revenue recognized	(11,730)	(10,480)
Balance, end of year	\$ 87,212	\$ 62,547

CITY OF RICHMOND

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

Year ended December 31, 2013

10. Obligations under capital leases:

The City has entered into capital lease agreements to finance certain equipment at an estimated cost of borrowing of 2% per year.

Future minimum lease payments, relating to obligations under capital leases expiring on various dates, are as follows:

Year ending December 31:	
2014	\$ 31
2015	22
2016	6
Total future minimum lease payments	59
Less amount representing interest	(1)
Present value of capital lease payments	\$ 58

11. Debt:

The rates of interest on the principal amount of the MFA debentures vary between 3.15% and 8.50% per annum. The average rate of interest for the year ended December 31, 2013 approximates 4.82%.

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 2013	Net debt 2012
General Fund	\$ 37,600	\$ 36,544	\$ 1,056	\$ 3,412
Sewerworks Fund	1,000	1,000	-	76
	\$ 38,600	\$ 37,544	\$ 1,056	\$ 3,488

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

	General	Sewerworks	Total
2014	\$ 1,056	\$ -	\$ 1,056

CITY OF RICHMOND

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

Year ended December 31, 2013

12. Tangible capital assets:

Cost	Balance at December 31, 2012	Additions and transfers	Disposals	Balance at December 31, 2013
Land	\$ 633,580	\$ 39,137	\$ (795)	\$ 671,922
Buildings and building improvements	347,867	5,433	(363)	352,937
Infrastructure	1,529,191	36,739	(4,874)	1,561,056
Vehicles, machinery and equipment	88,288	7,846	(770)	95,364
Library's collections, furniture and equipment	9,193	2,415	(2,217)	9,391
Assets under construction	33,490	6,764	-	40,254
	<u>\$ 2,641,609</u>	<u>\$ 98,334</u>	<u>\$ (9,019)</u>	<u>\$ 2,730,924</u>

Accumulated amortization	Balance at December 31, 2012	Disposals	Amortization expense	Balance at December 31, 2013
Buildings and building improvements	\$ 103,049	\$ (163)	\$ 12,506	\$ 115,392
Infrastructure	647,597	(4,596)	30,783	673,784
Vehicles, machinery and equipment	55,243	(754)	5,405	59,894
Library's collections, furniture and equipment	5,101	(2,185)	1,640	4,556
	<u>\$ 810,990</u>	<u>\$ (7,698)</u>	<u>\$ 50,334</u>	<u>\$ 853,626</u>

CITY OF RICHMOND

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

Year ended December 31, 2013

12. Tangible capital assets (continued):

	Net book value December 31, 2013	Net book value December 31, 2012
Land	\$ 671,922	\$ 633,580
Buildings and building improvements	237,545	244,818
Infrastructure	887,272	881,594
Vehicles, machinery and equipment	35,470	33,045
Library's collection, furniture and equipment	4,835	4,092
Assets under construction	40,254	33,490
Balance, end of year	\$ 1,877,298	\$ 1,830,619

(a) Assets under construction:

Assets under construction, having a value of approximately \$40,254,000 (2012 - \$33,490,000), 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 \$50,887,000 (2012 - \$12,784,000), comprised of infrastructure in the amount of approximately \$10,934,000 (2012 - \$9,838,000), land in the amount of approximately \$38,982,000 (2012 - \$2,946,000), and Library books in the amount of approximately \$971,000 (2012 - nil).

(c) Tangible capital assets disclosed at nominal values:

Where an estimate of fair value could not be made, the tangible capital assets were 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) Writedown of tangible capital assets:

There were no writedowns of tangible capital assets during the year (2012 - nil).

CITY OF RICHMOND

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

Year ended December 31, 2013

13. Accumulated surplus:

	General Funds and Reserve	Water Utility Fund	Sanitary Sewer Utility Fund	Richmond Olympic Oval	Library Services	2013 Total	2012 Total
Investment in tangible capital assets	\$ 1,868,683	\$ -	\$ -	\$ 2,664	\$ 4,837	\$ 1,876,184	\$ 1,827,025
Reserves (note 14)	349,073	-	-	4,732	-	353,805	295,001
Appropriated surplus	148,209	3,595	7,047	577	131	159,559	150,895
Obligations to be funded	-	-	-	-	-	-	(4)
Surplus	12,674	15,229	9,186	1,065	187	38,341	28,839
Other equity	2,363	-	-	-	-	2,363	2,252
Balance, end of year	\$ 2,381,002	\$ 18,824	\$ 16,233	\$ 9,038	\$ 5,155	\$ 2,430,252	\$ 2,304,008

14. Reserves:

	2012	Change during year	2013
Reserve funds:			
Affordable housing	\$ 18,082	\$ 2,614	\$ 20,696
Arts, culture and heritage	-	4,379	4,379
Capital building and infrastructure	36,686	9,708	46,394
Capital reserve	78,254	23,580	101,834
Capstan station	-	3,862	3,862
Child care development	1,995	701	2,696
Community legacy and land replacement	16,681	(328)	16,353
Drainage improvement	27,948	7,607	35,555
Equipment replacement	16,579	1,241	17,820
Leisure facilities	3,177	374	3,551
Local improvements	6,428	99	6,527
Neighborhood improvement	6,011	324	6,335
Public art program	1,967	315	2,282
Sanitary sewer	33,672	3,561	37,233
Steveston off-street parking	282	5	287
Steveston road ends	1,347	(663)	684
Waterfront improvement	112	(8)	104
Watermain replacement	41,680	801	42,481
Oval	4,100	632	4,732
	\$ 295,001	\$ 58,804	\$ 353,805

CITY OF RICHMOND

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

Year ended December 31, 2013

15. Post-employment benefits:

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

	2013	2012
Balance, beginning of year	\$ 28,414	\$ 26,890
Current service cost	2,212	2,095
Interest cost	1,038	1,021
Amortization of actuarial loss	389	460
Benefits paid	(2,011)	(2,052)
Balance, end of year	\$ 30,042	\$ 28,414

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2013. The difference between the actuarially determined accrued benefit obligation of approximately \$31,135,000 and the liability of approximately \$30,042,000 as at December 31, 2013 is an unamortized net actuarial loss of \$1,093,000. This actuarial loss is being amortized over a period equal to the employees' average remaining service lifetime of 10 years.

	2013	2012
Actuarial benefit obligation:		
Liability, end of year	\$ 30,042	\$ 28,414
Unamortized actuarial loss	1,093	412
Balance, end of year	\$ 31,135	\$ 28,826

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

	2013	2012
Discount rate	3.50%	3.50%
Expected future inflation rate	2.00%	2.50%
Expected wage and salary range increases	2.50%	3.50%

CITY OF RICHMOND

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

Year ended December 31, 2013

16. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee 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 179,000 active members and approximately 71,000 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 \$10,311,445 (2012 - \$9,970,567) for employer contributions to the Plan in fiscal 2013. Employees paid \$8,677,397 (2012 - \$8,324,541) for employee contributions to the Plan in fiscal 2013.

17. Commitments and contingencies:

(a) Joint and several liabilities:

The City has a contingent liability with respect to debentures of the Greater Vancouver Water District, Greater Vancouver Sewerage and Drainage District and 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, 2013, the City was committed to operating lease payments for premises and equipment in the following approximate amounts:

2014	\$ 4,525
2015	4,472
2016	4,141
2017	4,032
2018 and thereafter	21,622

CITY OF RICHMOND

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

Year ended December 31, 2013

17. Commitments and contingencies (continued):

(c) Litigation:

As at December 31, 2013, 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.

(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.

(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.

CITY OF RICHMOND

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

Year ended December 31, 2013

17. Commitments and contingencies (continued):

(h) Contingent liabilities:

The City has a contract with the federal government whereby the federal government provides Royal Canadian Mounted Police (RCMP) policing services. RCMP members and the federal government are currently in legal proceedings regarding pay raises for 2009 and 2010 that were retracted for RCMP members. As the final outcome of the legal action and the potential financial impact to the City is not determinable, the City has not recorded any provision for this matter in the consolidated financial statements as at December 31, 2013.

(i) Municipal Financing Authority:

City Council adopted Loan Authorization Bylaw No. 9075 on November 25, 2013 for the City to borrow up to \$50,815,000 for a maximum term of 30 years. Subsequent to year-end, the City obtained statutory approval from the Ministry of Community, Sport and Cultural Development of British Columbia and obtained consent from Metro Vancouver to proceed with the long-term borrowing from the Municipal Financing Authority for a term of 10 years. The Municipal Finance Authority issued the long-term debt to the City at a rate of 3.30%.

18. Trust funds:

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

	2013	2012
Richmond Community Associations	\$ 1,107	\$ 1,091

19. 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 consolidated 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:

	2013	2012
Province of British Columbia - Schools	\$ 133,660	\$ 128,610
Greater Vancouver Regional District and others	39,918	39,498
	\$ 173,578	\$ 168,108

CITY OF RICHMOND

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

Year ended December 31, 2013

20. Other revenue:

	2013	2012
Developer reserve contribution	\$ 9,248	\$ 8,534
Tangible capital assets gain on land	4,024	5,405
Taxes and fines	2,433	2,003
Parking program	1,994	1,566
Debt funding	1,291	1,180
Sponsorship	188	200
Donation	1,022	53
Other	2,896	4,245
	<u>\$ 23,096</u>	<u>\$ 23,186</u>

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 arts, culture, and community issues that the City encounters.

CITY OF RICHMOND

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

Year ended December 31, 2013

21. Segmented reporting (continued):

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, economic development, 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.

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.

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. There are no activities in 2013.

CITY OF RICHMOND

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

Year ended December 31, 2013

21. Segmented reporting (continued):

	Law and community safety	Utilities	Engineering, public works and project development	Community services	General government	Planning and development	Richmond Olympic Oval	Richmond Public Library	2013 Consolidated	2012 Consolidated
Revenues:										
Taxation and levies	\$ -	\$ -	\$ -	\$ -	\$ 176,283	\$ -	\$ -	\$ -	\$ 176,283	\$ 167,529
User fees	-	70,385	9,228	-	-	-	-	-	79,613	74,222
Sales of services	4,871	11,734	2,197	8,650	9,470	2,250	6,568	201	45,941	41,449
Payments-in-lieu of taxes	-	-	-	-	14,406	-	-	-	14,406	13,189
Provincial and federal grants	81	-	1,993	-	1,772	8	2,823	415	7,092	9,487
Development cost charges	-	396	2,183	3,839	5,312	-	-	-	11,730	10,480
Other capital funding sources	(40)	5,358	9,005	2,164	38,982	-	-	73	55,542	19,306
Other revenue from own sources:										
Investment income	-	697	-	-	12,793	-	-	-	13,490	17,144
Gaming revenue	599	-	1,400	-	15,633	-	-	-	17,632	15,585
Licenses and permits	227	-	87	-	3,525	5,339	-	-	9,178	8,734
Other	2,154	81	510	281	17,563	87	1,235	1,185	23,096	23,186
	7,892	88,651	26,603	14,934	295,739	7,684	10,626	1,874	454,003	400,311
Expenses:										
Wages and salaries	35,276	10,039	20,717	27,467	19,337	9,318	6,713	6,599	135,466	129,980
Supplies and materials	2,586	45,768	(3,402)	11,281	6,911	1,379	3,443	1,044	69,010	63,694
Amortization of tangible capital assets	2,438	7,157	21,936	5,047	10,883	923	310	1,640	50,334	49,566
Contract services	37,259	5,868	487	2,320	2,677	109	43	173	48,936	47,945
Public works maintenance	8	4,121	11,960	2,426	137	72	-	3	18,727	20,901
Interest and finance	22	949	-	2	1,459	51	-	6	2,438	4,495
Transfer from (to) capital for tangible capital assets	(2)	(332)	1,494	1,210	77	-	-	(84)	2,414	1,289
Loss (gain) on disposal of tangible capital assets	-	194	27	-	196	2	-	15	434	(423)
	77,587	73,764	53,219	49,763	41,677	11,854	10,509	9,396	327,759	317,437
Annual surplus (deficit)	\$ (69,695)	\$ 14,887	\$ (26,616)	\$ (34,819)	\$ 254,062	\$ (4,170)	\$ 117	\$ (7,522)	\$ 126,244	\$ 82,874

CITY OF RICHMOND

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

Year ended December 31, 2013

22. Budget data:

The budget data presented in these consolidated financial statements is based on the 2013 operating and capital budgets approved by Council on February 25, 2013 and the approved budget for Richmond Olympic Oval. Below is the reconciliation of the approved budget to the budget amount reported in these consolidated financial statements.

	Budget Amount
Revenues:	
Approved operating budget	\$ 392,829
Approved capital budget	169,290
Approved Oval budget	12,983
Less:	
Transfer from other funds	7,870
Intercity recoveries	39,195
Intercompany recoveries	3,145
Carried forward capital expenditures	97,522
Total revenue	427,370
Expenses:	
Approved operating budget	392,829
Approved capital budget	169,290
Approved Oval budget	11,432
Less:	
Transfer to other funds	16,047
Intercity payments	39,217
Intercompany payments	3,145
Capital expenditures	71,768
Debt principal payments	1,141
Carried forward capital expenditures	97,522
Total expenses	344,711
Annual surplus per statement of operations	\$ 82,659

2013 | City of Richmond

FINANCIAL STATEMENT DISCUSSION & ANALYSIS





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Introduction

The Community Charter requires that annual audited financial statements be prepared and presented to Council. The City's audited consolidated financial statements for 2013 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 2013 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 municipal 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 2013 allowing flexibility and financial sustainability well into the future.

- Financial Assets increased by \$119.6M to \$808.2M
- Liabilities increased by \$39.7M to 259.2M
- Net financial assets increased by \$79.8M to \$549.0M
- Non-financial assets increased by \$46.4M to \$1.9B
- Accumulated surplus increased by \$126.2M to \$2.4B

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

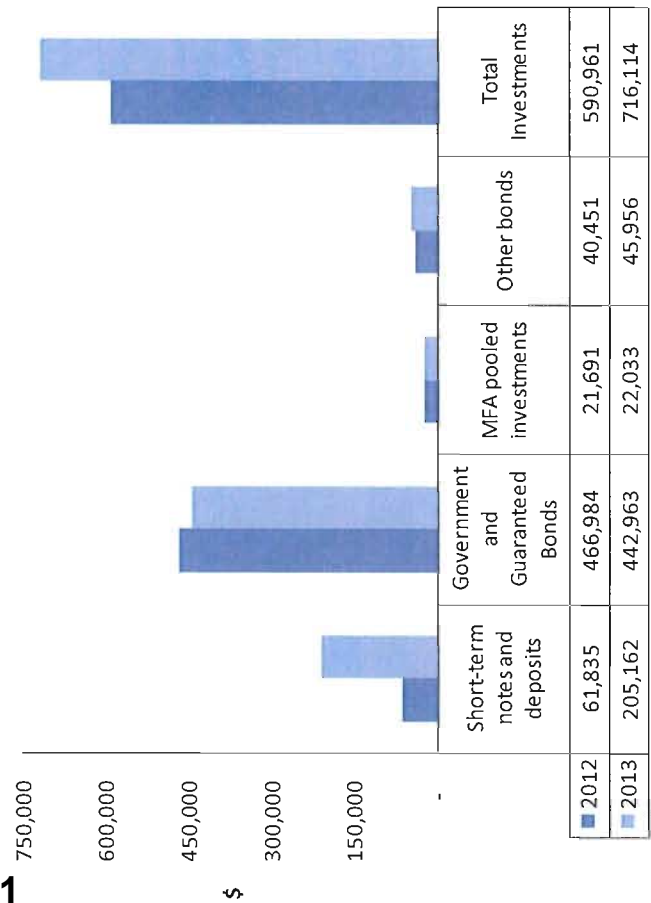
Cash and cash equivalents decreased by \$11.3M to \$38.4M mainly due to the timing of expenditures.

Investments

Investments increased by \$125.2M to \$716.1M primarily due to the timing of capital expenditures. Reserves increased \$58.8M, development cost charges increased by \$24.7M, deposits and holdbacks increased \$11.2M.

The increase in investments is mainly in the short-term notes and deposits.

Investment Portfolio by Type



Accrued interest receivable

Accrued interest receivable increased by \$0.1M.

Accounts receivable

Accounts receivable decreased by 13.5% to \$19.6M (2012 – 22.7M) due primarily to a reduction in other trade receivables of \$2.9M and grants relating to capital projects of \$1.7M.

Accounts Receivable (\$000's)	2013	2012	Change
Water and sewer utilities	8,949	8,130	819
Casino revenues	4,292	3,580	712
Capital grant	1,350	3,054	(1,704)
Other trade receivables	5,034	7,918	(2,884)
Total	\$19,625	\$22,682	\$(3,057)

Taxes receivable

Taxes receivable increased by \$0.3M to \$9.2M.

Development fees receivable

Developments fees receivable rose by \$8.5M to \$21.4M due to increased development activity. 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 decreased by \$0.2M.

Liabilities

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased \$7.8M to \$83.1M. The increase is mainly due to trade and other liabilities, notably the accrual for the 4th quarter RCMP contract invoice.

Deposits and holdbacks

Deposits and holdbacks increased by \$11.2M to \$51.8M primarily due to security deposits increasing by \$8.4M. 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)	2013	2012	Change
Security deposits	35,859	27,490	8,369
Developer contribution	6,164	6,002	162
Contract holdbacks	1,598	1,667	(69)
Transit Oriented Development	1,523	1,523	0
Other	6,697	3,987	2,710
Total deposits and holdbacks	\$51,841	\$40,669	\$11,172

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 decreased by \$1.4M mainly due to the reduction in capital grants of \$1.2M. The remaining balance relates to offsetting activity in taxes and utilities, and timing of building permit and business license revenue recognition.

Development cost charges

The development cost charge balance of \$87.2M (2012 - \$62.5M) represents the total balance including fees collected and receivable. These amounts are restricted and may only be used on authorized capital expenditures.

Contributions of \$35.4M were received in 2013 which was an increase of \$15.7M from the previous year due to increased development activity.

Development Cost Charges (\$000's)	2013	2012	Change
Balance, beginning of year	62,547	52,379	10,168
Contributions	35,424	19,772	15,652
Interest	971	876	95
Revenue recognized	(11,730)	(10,480)	(1,250)
Balance, end of year	\$87,212	\$62,547	\$24,665

The \$87.2M balance includes amounts that have been allocated to active capital projects but that remain unspent. At December 31st, there is \$22.6M (2012 - \$15.1M) committed to active capital projects. Additional funding of \$19.7M was approved as part of the 2014 Capital Budget.

Liabilities

Obligations under capital leases

There were no new capital leases entered into during 2013.

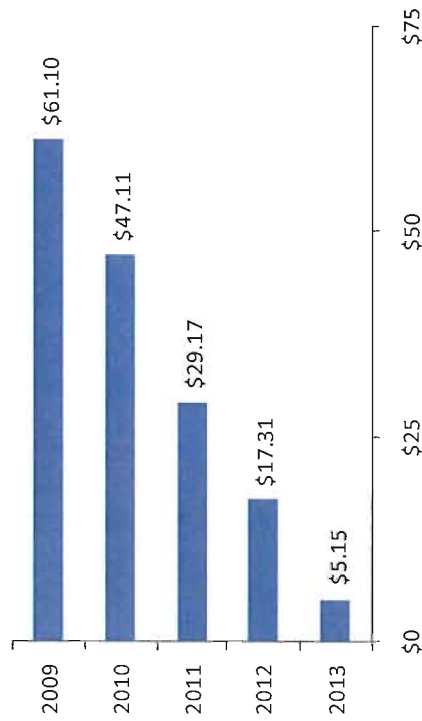
Debt, net of MFA sinking fund deposits

Debt decreased by \$2.4M to \$1.1M (2012 - \$3.5M). During 2013, the No. 2 Road and the Sewer Debt were fully repaid. The original borrowings in 1993 were \$17.6M and \$1.0M respectively.

The current \$1.1M balance relates to debt obtained for Terra Nova property acquisitions and will be fully repaid in 2014.

The debt per capita has decreased over the past 5 years as no additional debt was obtained. The debt per capita as at December 31, 2013 was \$5.15.

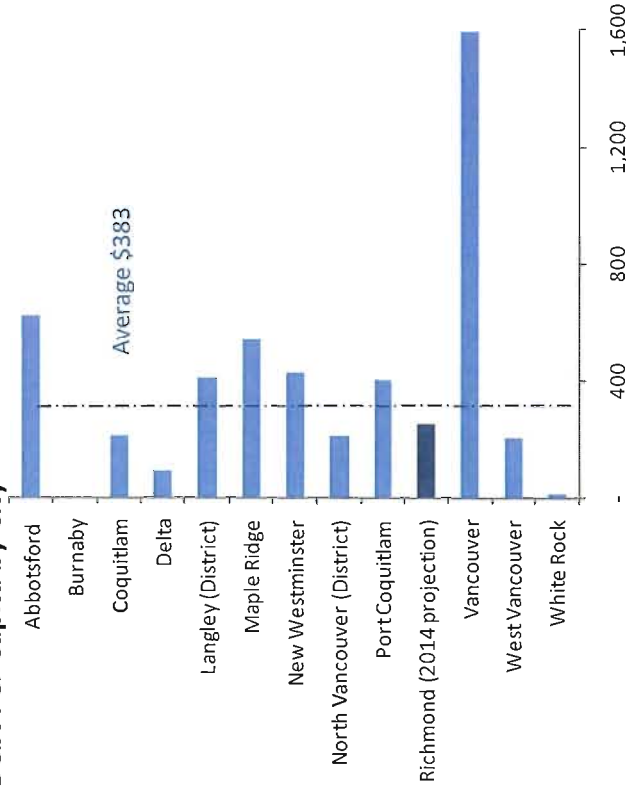
City of Richmond Debt Per Capita 2009-2013



Due to the low interest rate environment, the City obtained approval to borrow an additional \$50.8M of long-term debt in 2014 for the Integrated Older Adults' Centre, Aquatic Centre and Minoru Pavilion. The debt is for a term of 10 years and at a rate of 3.30% for the duration of the term.

The addition of \$50.8M debt will result in an estimated debt per capita figure of approximately \$253 per person. This is still below the 2012 regional average of \$383.

Debt Per Capita by City



- Source data obtained from the Ministry of Community Sport & Cultural Development - 2012 Local Government Statistics
- Richmond figure adjusted to reflect 2013 balance plus an additional \$50.8M debt borrowed in April 2014

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 \$46.7M to \$1.9B. The \$46.7M change is a result of \$98.3M of asset additions, less net disposal of \$1.3M and amortization of \$50.3M.

Tangible Capital Assets (\$000's)	2013	2012	Change
Land	671,922	633,580	38,342
Buildings and improvements	237,545	244,818	(7,273)
Infrastructure	887,272	881,594	5,678
Machinery and equipment	35,470	33,045	2,425
Library's collections, furniture and equipment	4,835	4,092	743
Assets under construction	40,254	33,490	6,764
Total	\$1,877,298	\$1,830,619	\$46,679

Land increased by \$38.3M due to land received through development valued at \$39.0M and offset by dispositions.

Buildings decreased by \$7.3M due mainly to amortization expense of \$12.5M and offset by additions of \$5.4M.

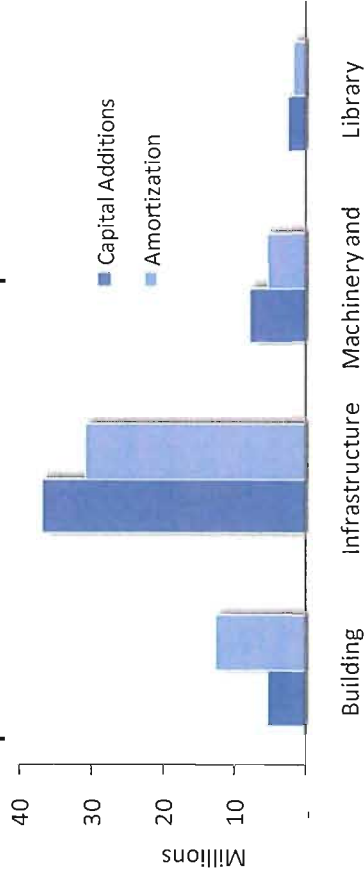
Infrastructure increased by \$5.7M due to additions of \$36.7M including contributed assets of \$10.9 received through development, offset mainly by \$30.8M of amortization expense.

Machinery and equipment increased by \$2.4M due to additions of \$7.8M less amortization of \$5.4M.

Library's collections, furniture and equipment increased by \$0.7M mainly due to additions of \$2.4M including a donation of 26,105 Chinese language books valued at \$0.97M, and offset by \$1.6M amortization expense.

Assets under construction increased due to the timing of project completion.

2013 Capital Additions vs. Amortization Expense



Inventory of materials and supplies

Inventory increased by \$0.1M.

Prepaid expenses

Prepaid expenses decreased by \$0.4M to \$1.6M due to the net utilization of expenses.

Accumulated Surplus

Accumulated Surplus is equivalent to the net worth of an organization. The accumulated surplus increased by \$126.2M to \$2.4B. The annual increase is presented on the Statement of Operations.

Accumulated Surplus (\$000's)	2013	2012	Change
Investment in TCA	1,876,184	1,827,025	49,159
Reserves	353,805	295,001	58,804
Appropriated Surplus	159,559	150,895	8,664
Obligation to be funded	0	(4)	4
Surplus	38,341	28,839	9,502
Other equity	2,363	2,252	111
Total	\$2,430,252	\$2,304,008	\$126,244

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.

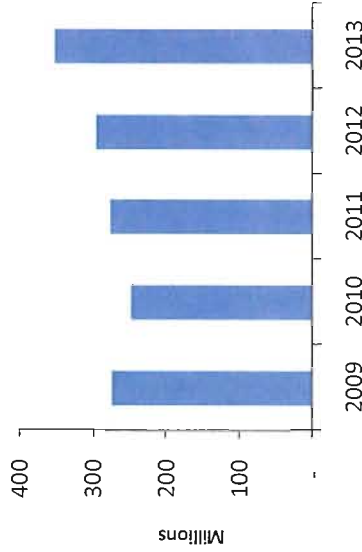
This balance is based on the historical cost of the asset net of accumulated amortization in accordance with accounting standards. This does not reflect market value or replacement value of the assets.

The investment in tangible capital asset balance increased by \$49.2M to \$1.9B. This is the net activity of asset additions of \$98.3M, amortization of \$50.3M, disposals and debt reduction.

Reserves

Reserves are established by Bylaw for specific purposes, mainly capital expenditures. The balance of \$353.8M 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 \$246.1M (2012 - \$207.0M).

Reserve Balance 2009-2013



The increase in the reserve balance is mainly attributable to the reduced amount spent on capital \$19.4M (2012 - \$47.0M) due to the timing and nature of the projects undertaken.

From the available \$246.1M, \$107.0M has been approved for the 2014 Capital Budget. The 2014 contributions will partially offset this allocation and are expected to result in an overall uncommitted reserve balance that is in line with the previous years' balances.

Accumulated Surplus

Appropriated Surplus

Appropriated surplus is internally restricted for specific purposes and its use requires Council authorization. The balance increased by \$8.7M to \$159.6M mainly due to the gaming revenue surplus of \$5.3M and the allocation of RCMP surplus of \$2.3M for future contract costs.

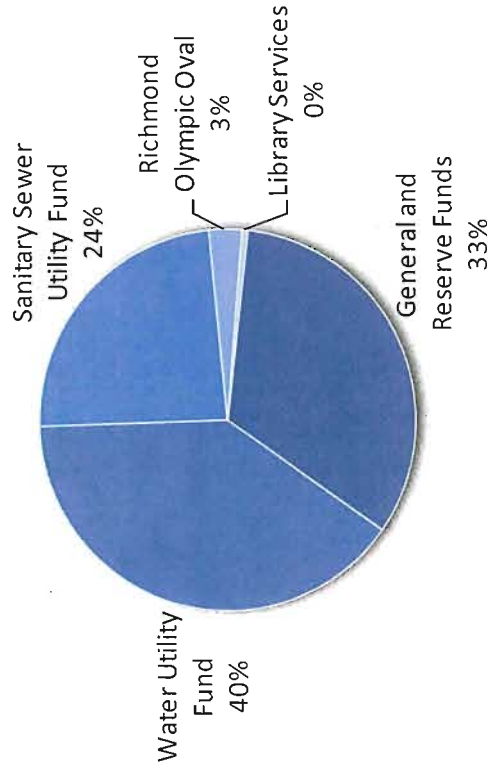
Surplus

The surplus increased by \$9.5M to \$38.3M. This increase includes a \$5.0M internal repayment from gaming revenue relating to the construction of the Richmond Olympic Oval. The final payment of \$5.0M will be made in 2014 for a total of \$50.0M.

The remaining increase relates mainly to the current year operating surplus of \$5.5M, repayments from the roads development cost charges of \$1.9M, the Oval operating surplus of \$0.7M, less the transfer of the previous year's operating surplus to the Rate Stabilization Provision of \$3.7M in accordance with Council direction.

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 graph.

Surplus Distribution



Obligations to Be Funded and Other Equity

Obligations to be funded and other equity increased by \$0.1M to \$2.4M.

Consolidated Statement of Operations

The Consolidated Statement of Operations is considered to be the municipal 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 2013 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

Total revenues were \$454.0M compared to \$400.3M from the previous year.

Revenues (\$000's)	2013 Budget	2013 Actual	Variance
Taxation and levies	174,825	176,283	1,458
Utility fees	74,321	79,613	5,292
Sales of services	40,366	45,941	5,575
Licences and permits	7,537	9,178	1,641
Investment income	16,792	13,490	(3,302)
Payments in lieu of taxes	13,199	14,406	1,207
Provincial and federal grants	7,256	7,092	(164)
Gaming revenue	12,364	17,632	5,268
Development cost charges	1,280	11,730	10,450
Other capital funding sources	71,768	55,542	(16,226)
Other	7,662	23,096	15,434
Total	\$427,370	\$454,003	\$26,633

Taxation and levies had a favourable variance of approximately 1% due to growth of the assessment base.

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

Sales of service and licences and permits had favourable variances mainly due to increased development activity.

Investment income variance from budget is due to the low interest rate environment coupled with limited gains.

Payments in lieu of taxes had a positive variance due to increases in the grant roll.

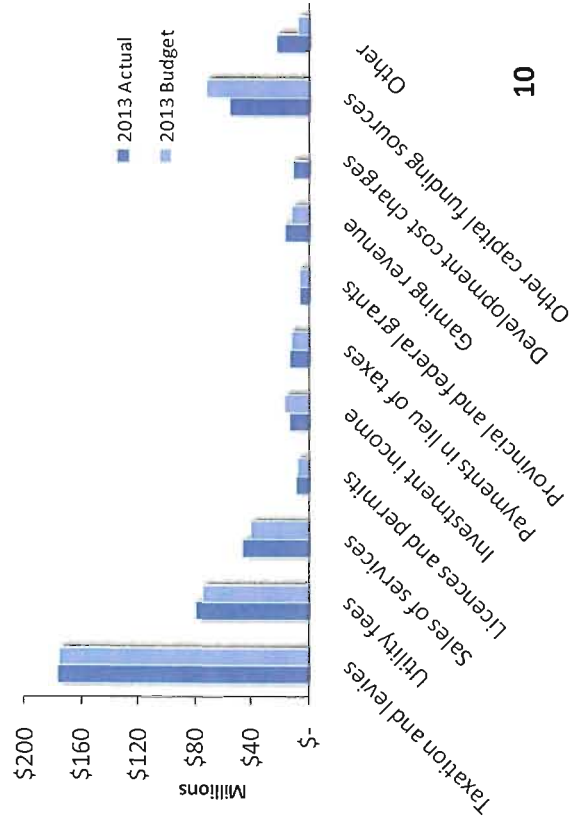
Provincial and federal grants were on budget.

Gaming revenue had a large variance due to increased revenues at River Rock Casino. Any surplus gaming revenue is transferred to the Gaming provision account.

Development cost charges and other capital funding variances are a result of the timing of capital expenditures. These revenues are recognized when capital expenditures are made.

Other revenue had a favourable variance due to development activity and gain on disposal of land.

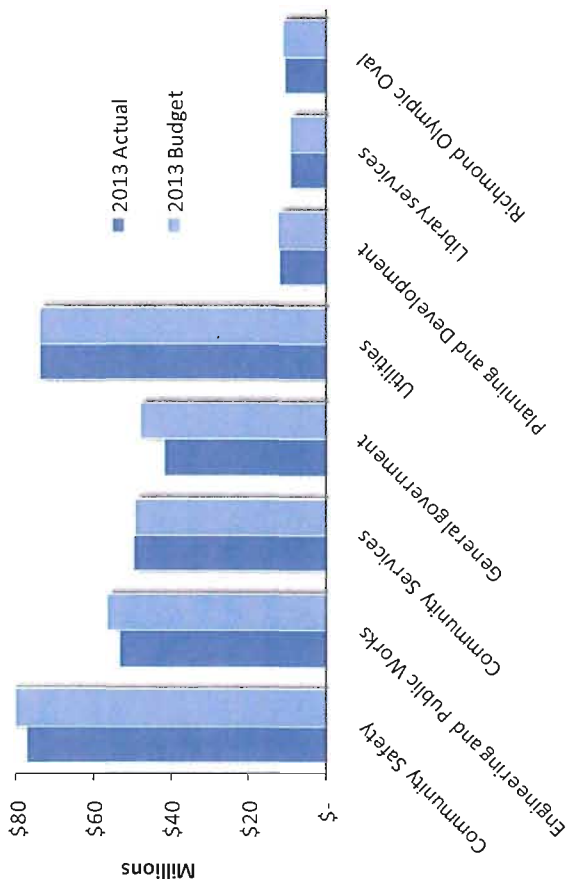
2013 Revenue Distribution by Source



Expenses

Total expenses were \$327.8M compared to \$317.4M from the previous year.

2013 Expenses by Function



The budgeted expenses were \$344.7M. The variance of \$16.9M is prior to any transfers to provision/reserve.

Law and Community Safety had a positive variance mainly due to RCMP contract savings from the Health Modernization Initiative and officer complement, and Fire Rescue staff vacancies. The RCMP variance of \$2.26M was appropriated for potential settlement of future RCMP contract costs.

Engineering and Public Works variance is mainly due to deferred programs to be completed in 2014.

Community Services had an unfavourable variance due to the re-classification of current year expenses from capital. These items were budgeted in capital. The re-classification had no impact to operating surplus.

General government had a favourable variance for the year due to vacancies, and savings on contract and training costs.

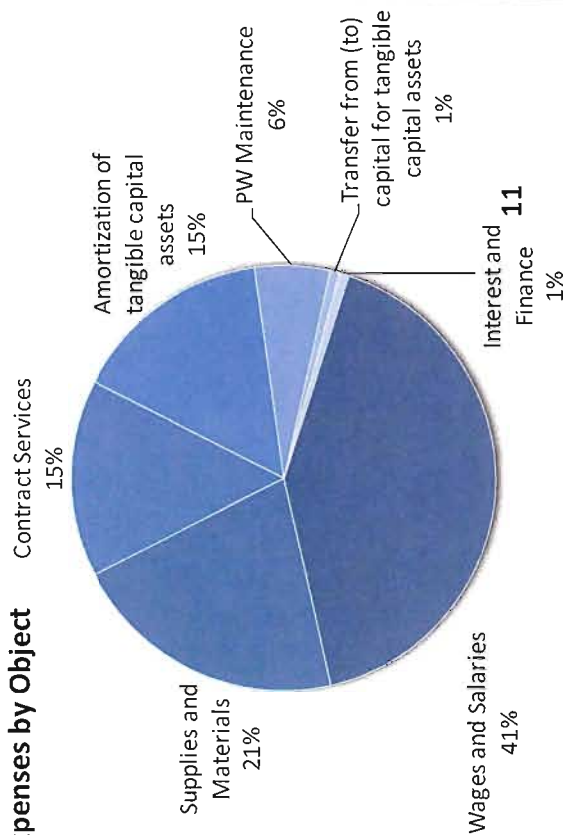
Utility expenses were on budget for the year.

Planning and Development had a moderate variance due to vacancies.

Library had a favourable variance mainly due to savings on employee post employment expenses.

Richmond Olympic Oval had a favourable variance mainly due to unallocated contingencies.

2013 Expenses by Object



Annual Surplus

The 2013 annual surplus of \$126.2M 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.

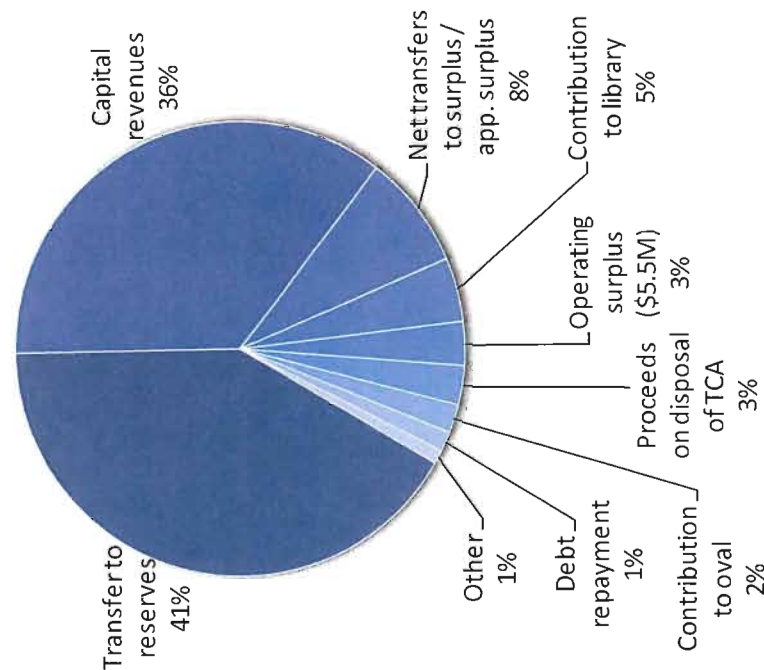
The annual surplus as presented in the financial statements is different from surplus in the context of the operating surplus. The primary difference is that the annual surplus does not reflect contributions to and from reserves, principal payments on debt and capital contributions. Another important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

The 2013 operating surplus of \$5.5M is one component of the 2013 annual surplus of \$126.2M. 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. Note that the annual operating budget surplus of \$5.5M is included in the total distribution and comprises 3% of the adjusted annual surplus figure.

Transfers to reserves is the largest component at 41% of the annual surplus. This includes budgeted transfers that are eliminated from the financial statement budget presentation (the details are in note 22), contributions to reserves collected through development and other transfers.

Capital revenues comprise 36% of the total annual surplus. This amount is comprised of contributed assets and a portion of development cost charges and external grant funding relating to capital projects.



Consolidated Statement of Changes in Net Financial Assets

FIN - 71

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 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 Assets as at December 31, 2013 increased by \$79.8M to \$549.0M (2012 - \$469.2M). This increase is primarily due to the City's annual surplus during 2013, and is reflected in the reserves, appropriated surplus and surplus balances.

Consolidated Statement of Cash Flows

FIN - 72

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 \$11.3M to \$38.4M while investments increased by \$125.2M to \$716.1M. The increase in investments largely reflects the increases in capital and operating reserves.

In 2013, cash provided by operating activities was \$158.9M, compared to \$128.3M in 2012.

Cash used in capital activities was \$42.5M, compared to \$59.9M in 2012, and includes:

- Additions to capital assets of \$47.4M
- Proceeds from sale of tangible capital assets of \$4.9M

Cash used in investing activities was \$125.2M, compared to \$27.8M in 2012.

Cash provided by financing activities was \$2.5M, compared to \$2.8M in 2012.

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 2011-2013:

Sustainability ratios:	2013	2012	2011
Assets to liabilities (times)	10.9	11.6	11.2
Financial assets to liabilities (times)	3.1	3.1	2.8
Net debt to total revenues	0.5%	1.2%	1.8%
Net debt to the total assessment	0.0%	0.0%	0.0%
Expenses to the total assessment	0.5%	0.6%	0.6%
Flexibility ratios:	2013	2012	2011
Public debt charges to revenues	0.0%	1.1%	1.2%
Net book value of capital assets to cost	69.0%	69.7%	70.4%
Own source revenue to the assessment	0.7%	0.7%	0.8%
Vulnerability ratios:	2013	2012	2011
Government transfers to total revenues	1.6%	2.6%	1.9%

-All ratios calculated based on 3 year average

An explanation of each of the ratios is provided below.

Assessment of sustainability

- Assets to liabilities, indicates sustainability by the extent to which the government entity finances its operations by issuing debt. A higher ratio indicates a greater ability to cover liabilities.
- Financial assets to liabilities, indicates sustainability by the degree that future revenues are required to pay for

past transactions and events. A higher ratio indicates a greater ability to cover liabilities.

- Net debt to total revenue, indicates the financial burden over the earning capacity and also indicates how future revenues will be needed for financing of past transactions and events. A lower percentage indicates a lesser reliance on future revenues to finance existing debt.
- Net debt to total assessment, indicates the relationship between the level of debt and the state of the local economy. A lower percentage indicates a lesser reliance on the current assessment base to finance existing debt.
- Expenses to total assessment, indicates the trend of the government spending in connection to the state of the local economy. A lower percentage indicates a lesser reliance on the current assessment base to finance existing expenses.

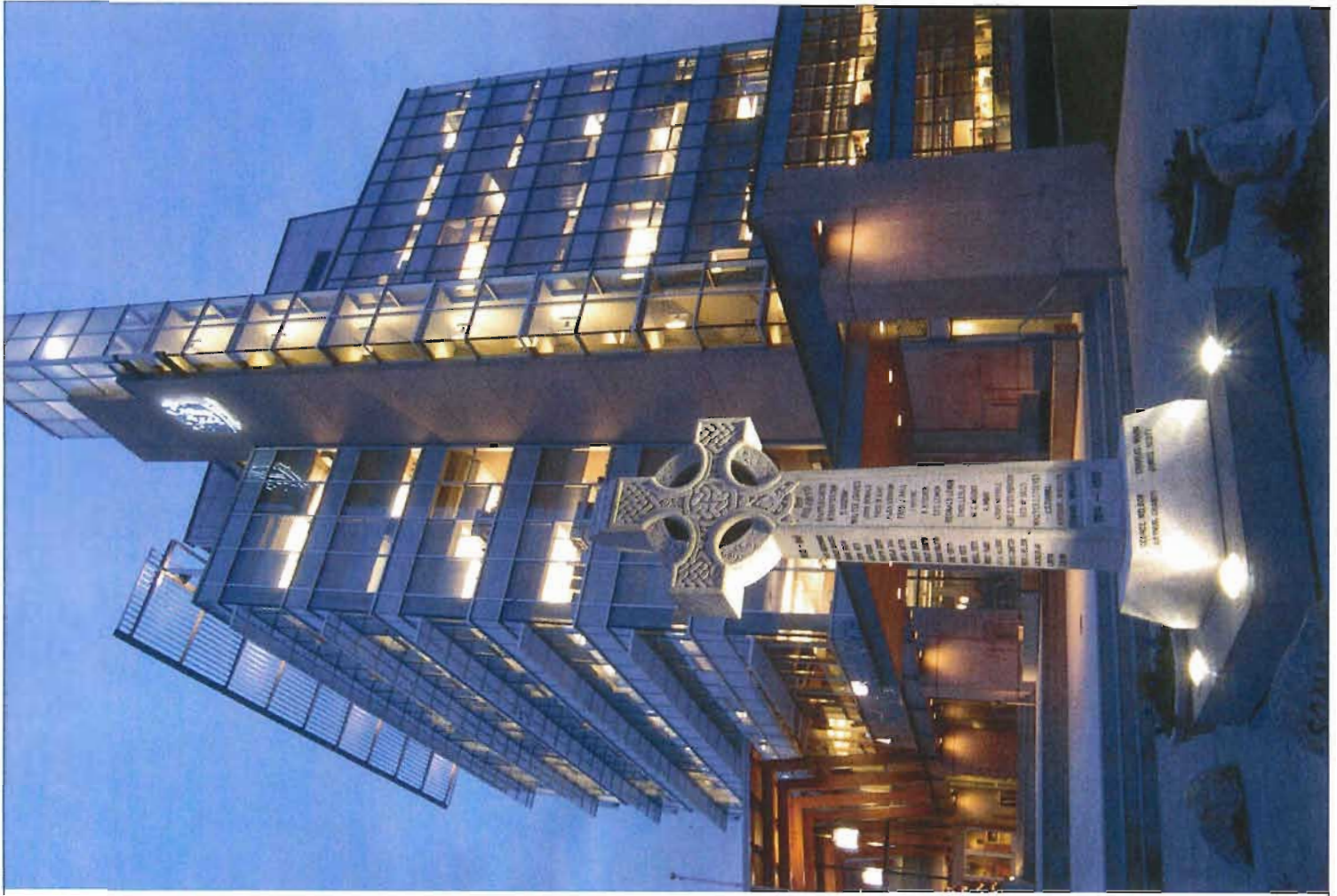
Assessment of flexibility

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

- Net book value of capital assets to cost, indicates the estimated useful life of the capital assets to provide services. A higher ratio indicates a newer asset inventory.
- 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 - 76

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:

- Term Goals
- Environment
 - Business Licences
 - 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.

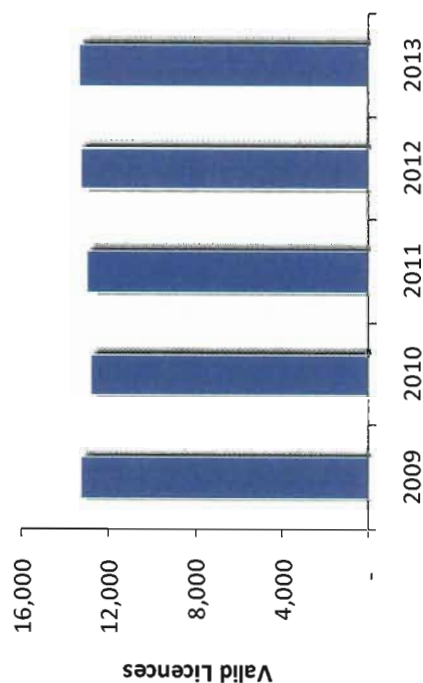
13. A Well Informed Public

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

Business Licences

The number of new business licences issued in Richmond increased from 2012 by 4.3% or 1,571 while the total number of business licences issued in 2013 edged up 0.3%, with 13,371 and 13,336 licences issued in 2013 and 2012 respectively.

Business Licences 2009-2013



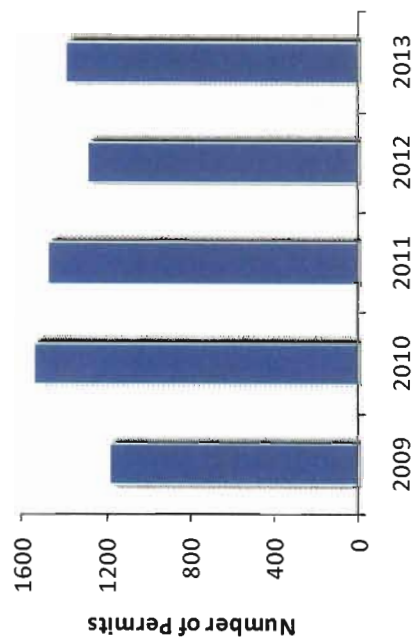
Housing Activity

Richmond house prices increased 7.1%, with a 2013 detached median house price of \$1,242,000. The total number of sales increased year-over-year by 28% to 3,619.

In 2013, the total number of building permits issued was 1,393 which was a 7% increase from 2012. Overall, the building

permit fees collected increased by 28% reflecting the greater proportion of multi residential applications. The actual permit fees collected for 2013 was \$7.1M.

Building Permits 2009-2013



The construction value of permits issued in 2013 was \$679.1M, which is an increase of approximately 49% from 2012.

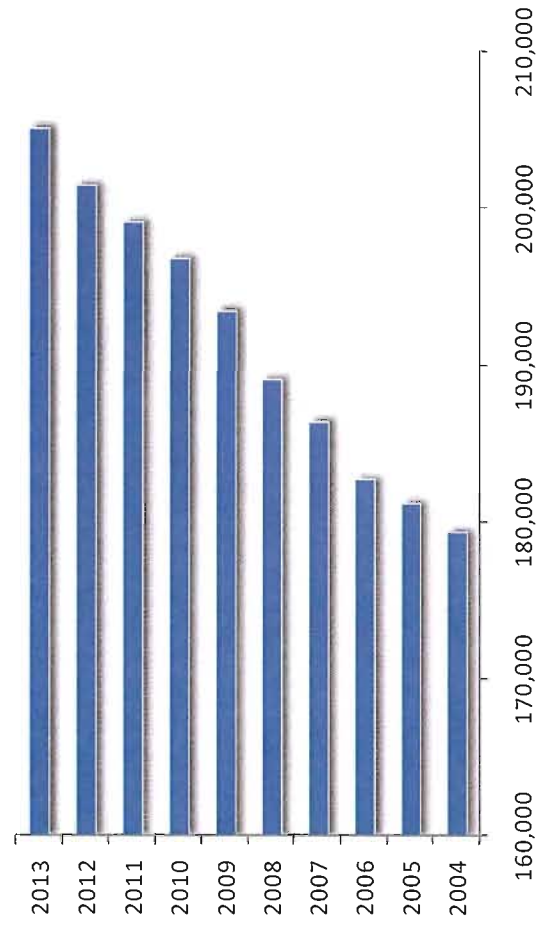
The number of development applications received in 2013 was the same as 2012 at 206 applications. Total fees collected in 2013 decreased by 13% compared to 2012.

Environment

Population

Richmond's current population is estimated at 205,133¹, which is a 1.82% increase from 2012. Richmond has had an average population growth rate of about 1.5% per year over the period of 2006 to 2012 and is the fourth most populous municipality in the Greater Vancouver region.

Richmond Population 2004-2013



¹City of Richmond Projections (with Urban Futures Inc.)



FIN - 80



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 licences and economic development initiatives.
- Administering property taxes and utility bills.
- Working to safeguard the financial well-being of the City, through the provision of effective and reliable financial 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 2013 operating, capital and utility budgets.

	2011	2012	2013
Population Growth (per annum)	1.10%	1.20%	1.82%
Capital construction costs (\$mil) ¹	\$75.16	\$80.58	\$71.77
City Grants	\$541,507	\$707,664	\$747,995
Registration in Recreation Programs	122,784	129,526	126,410
RCMP Calls for Services	72,423	70,861	68,484
Fire Rescue Responses	9,141	9,596	9,710

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 2014 – 2018 Five Year Financial Plan combines the Operating, Utility and Capital Budgets. It provides details on the services provided, anticipated revenues and expenses, and planned capital projects.

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

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



City of Richmond

Report to Committee

To: Finance Committee

Date: April 11, 2014

From: Jerry Chong
Director, Finance

File:

Re: Financial Information – 1st Quarter March 31, 2014

Staff Recommendation

That the staff report titled Financial Information – 1st Quarter March 31, 2014, from the Manager, Financial Reporting be received for information.

Jerry Chong
Director, Finance
(604-276-4064)

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Arts, Culture and Heritage	<input checked="" type="checkbox"/>	
Building Approvals	<input checked="" type="checkbox"/>	
Business Licenses	<input checked="" type="checkbox"/>	
Community Bylaws	<input checked="" type="checkbox"/>	
Community Social Development	<input checked="" type="checkbox"/>	
Development Applications	<input checked="" type="checkbox"/>	
Economic Development	<input checked="" type="checkbox"/>	
Engineering	<input checked="" type="checkbox"/>	
Fire Rescue	<input checked="" type="checkbox"/>	
Information Technology	<input checked="" type="checkbox"/>	
Library	<input checked="" type="checkbox"/>	
Parks Services	<input checked="" type="checkbox"/>	
Project Development	<input checked="" type="checkbox"/>	
Public Works	<input checked="" type="checkbox"/>	
RCMP	<input checked="" type="checkbox"/>	
Recreation Services	<input checked="" type="checkbox"/>	
Transportation	<input checked="" type="checkbox"/>	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 	APPROVED BY CAO

Staff Report

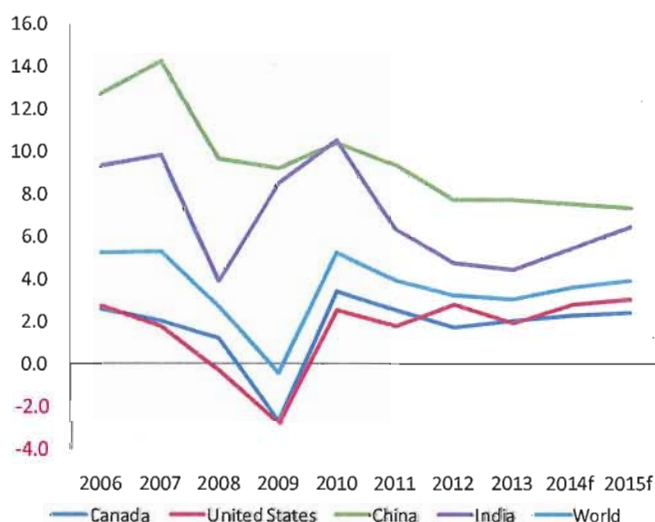
Origin

Financial information for the 1st quarter ended on March 31, 2014, and is being provided to the Finance Committee for review. The report provides details on the economic environment, financial results and other key indicator information.

Analysis

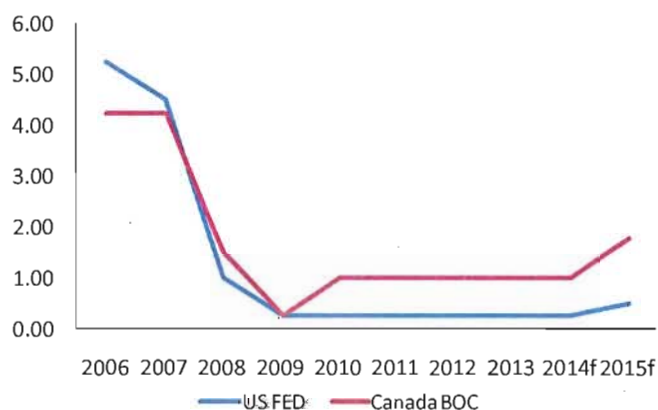
Macroeconomic Indicators & Forecast

1) Global Growth – Real GDP % Change ¹



- Overall global activity has strengthened and is projected to improve further in 2014-15, mostly led by the impetus of the advanced economies. However, lower than expected inflation in the advanced economies still pushes the balance of risk to the downside.
- Both Canada and the United States are expected to lead growth in the advanced economies, at 2.2% and 2.7% respectively in 2014.
- Activity in the emerging markets, such as China and India, has disappointed projections in less favorable global financial markets, leading to increasing risks in the those markets.

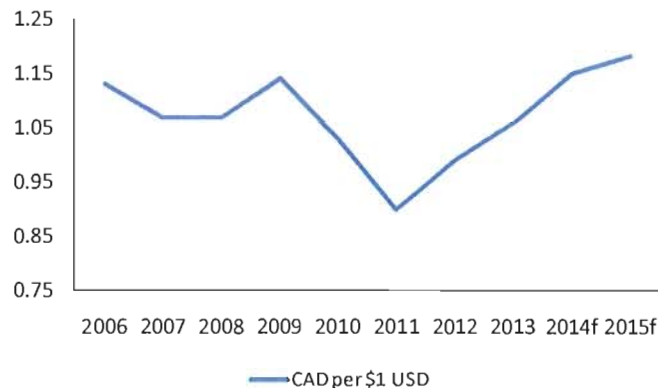
2) Interest Rates – US and Canadian Overnight Central Bank Rate % ²



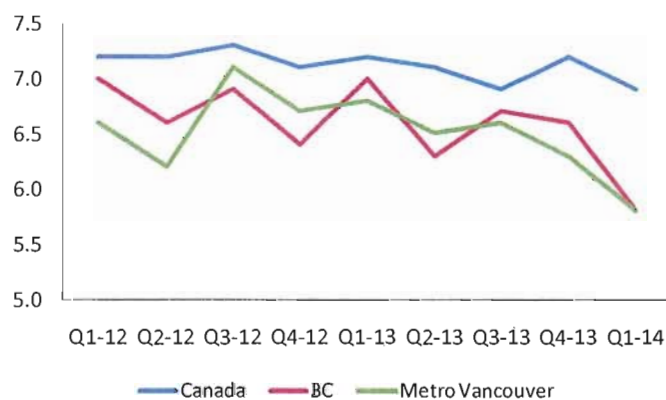
- Financial conditions for corporate borrowers remain healthy, with both the US and Canadian interest rates at 0.25% and 1.00%, respectively, and are expected to remain consistent until the second half of 2015.
- Certainty in financial markets is expected to unleash corporate investment in the range of 6% this year and over 8% in 2015.

¹ International Monetary Fund, *World Economic Outlook* (April, 2014)

² US Federal Reserve, Bank of Canada and Royal Bank Research

3) Exchange Rates – CAD/USD³

- The Canadian Dollar closed out 2013 by continuing to slide against the US Dollar, having a positive impact on Canadian exporters.
- A dropping loonie against the US dollar is expected to fuel a shift in Canadian growth from consumer-driven to export-driven in the next two years.

Regional & Local Economic Activity Indicators4) Unemployment⁴

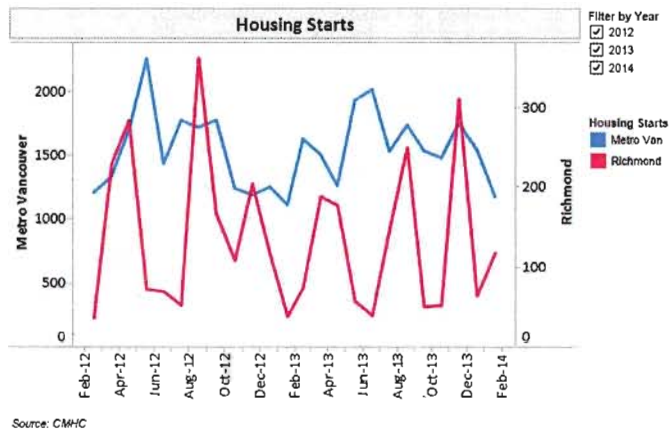
- Unemployment rates fell across the national, provincial and regional spectrum, primarily in the last month of the quarter.
- BC's and Metro Vancouver's unemployment rates dropped significantly in the month of March following more than a year of insignificant job growth.
- 18,000 jobs were added province-wide in March alone, 10,000 of which were full time.

5) Consumer Price Index (CPI – 2002=100)

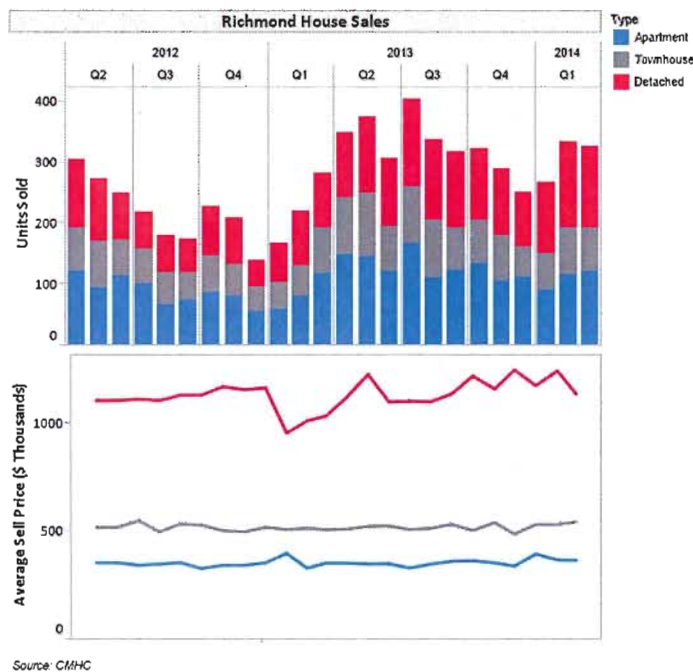


- All of the Canadian, BC and Metro Vancouver consumer price indices (CPI) rose in the first quarter of 2014 compared to the same period last year. Higher energy prices and transportation costs are the primary driver for the increase in inflation across the board.

³ Bank of Canada⁴ Statistics Canada

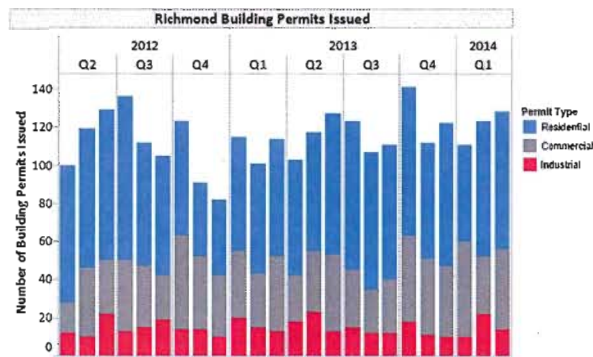
6) Housing Starts⁵

- Richmond's housing starts for the first two months of 2014 followed an upward regional trend. Local housing starts rose by 17.5% compared to a 14.9% growth in regional housing starts over the same period the previous year.

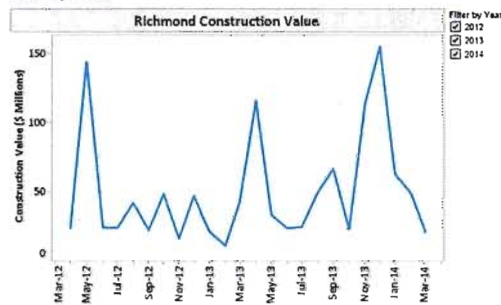
7) House Sales & Prices – Richmond⁶

- House sales in Q1 2014 outperformed the same period in 2013, across all categories. Notably, sales of detached homes were up by 63%, with 393 homes sold in the first three months of the year.
- Despite increased sales activity, prices of detached homes and townhomes continued rising in the first quarter of 2014, with prices of detached homes at nearly 17% higher than the same period last year.

⁵ CMHC⁶ Real Estate Board of Greater Vancouver

8) Building Permits – Richmond⁷

Source: City of Richmond



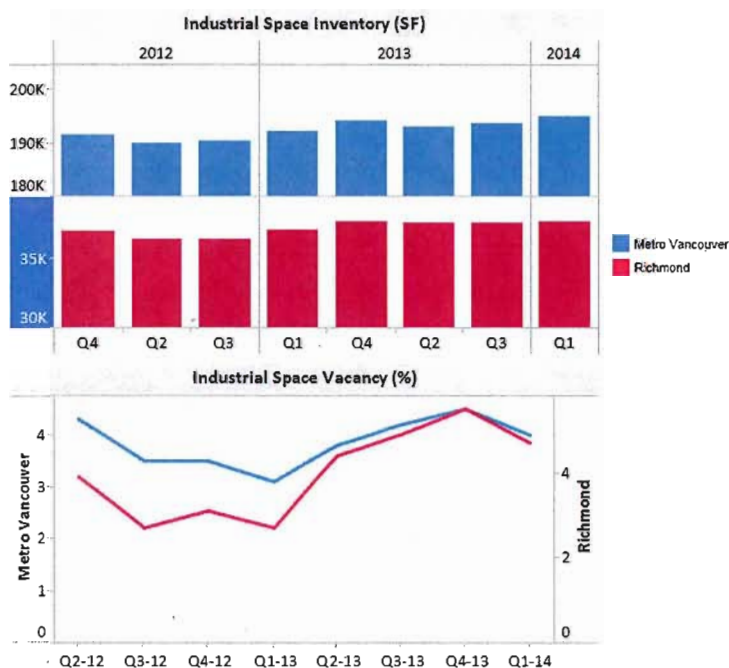
Source: City of Richmond

- Total building permits issued in the first quarter of 2014 were up to 362 from 330 issued in the same quarter last year.
- The number of both residential and commercial permits issued increased by 17.7% and 19.6%, respectively, in Q1 2014 compared to the same period in 2013.

- The value of new construction, increased by almost 78%, compared to the same period last year.
- Q1 of 2014 registered \$133.0 million of new construction, compared to \$74.8 million of new construction started over the same period in 2013.

9) Commercial Space⁸

a) Industrial Space

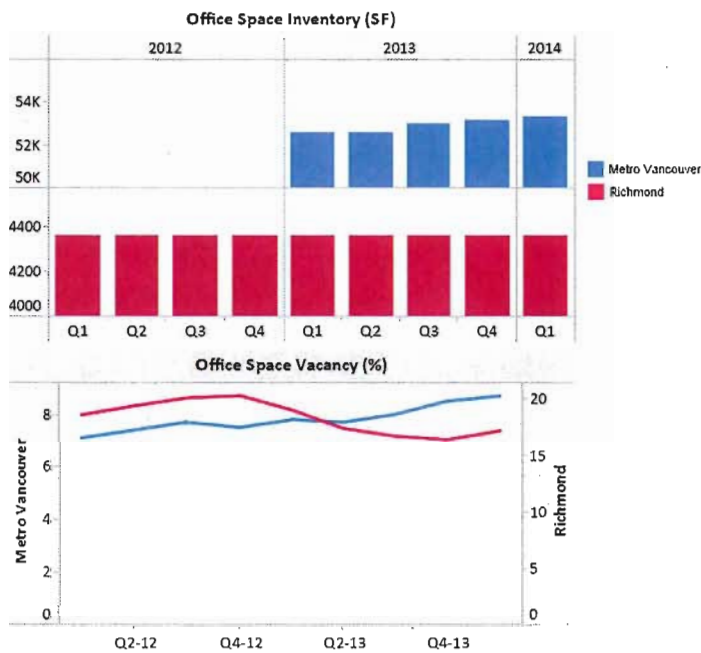


Source: Cushman & Wakefield

- Newly added industrial space in Richmond the last year continued to be absorbed in the first quarter of 2014. While the vacancy rate, at 4.7%, remained almost double the all time low of 2.7% in Q1 2013, it dropped from 5.5% at 2013 year-end.
- Industrial inventory remained unchanged from the previous quarter but has grown by 600,000 square feet (or 1.6%) over the first quarter of 2013.
- Richmond's industrial land trends for vacancy and inventory are in line with those of the region.

⁷ City of Richmond Building Permits⁸ Cushman & Wakefield Office and Industrial Market Beat Reports

b) Office Space

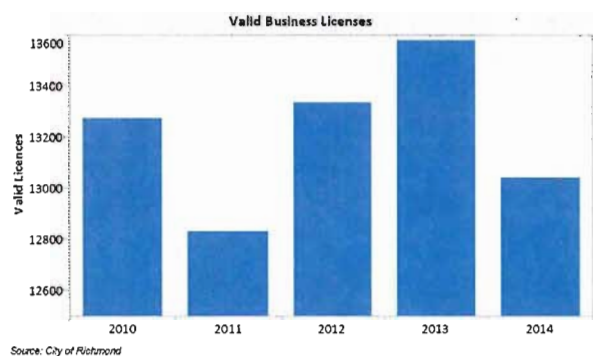


Source: Cushman & Wakefield

- In Q1 2014, the office vacancy rate in Richmond is up after over a year of steady decline. The quarter ended at 17.2% vacancy, 0.8% higher than the previous quarter but still down from the 19.0% vacancy at the end of Q1 2013.
- No new square footage of office space was added to the Richmond inventory, with the inventory remaining at approximately 4.4 million square feet for over two years.

10) Business Growth – Richmond⁹

a) Total Valid Business Licenses

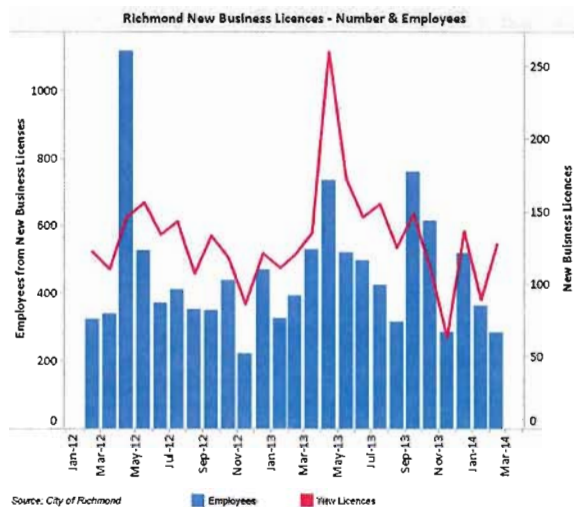


Source: City of Richmond

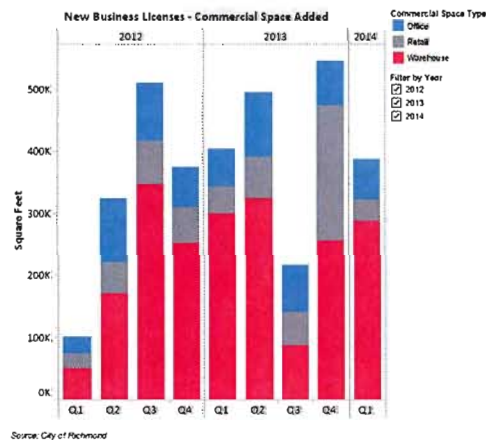
- Currently at 13,041, valid Richmond business licenses were down from 2013 levels (13,371).
- A large portion of the drop is largely attributable to the uptake received on the new Inter-municipal Mobile Business License program, allowing construction trades to operate in multiple jurisdictions under a single license.

⁹ City of Richmond Business Licenses

b) New Business Licenses Issued

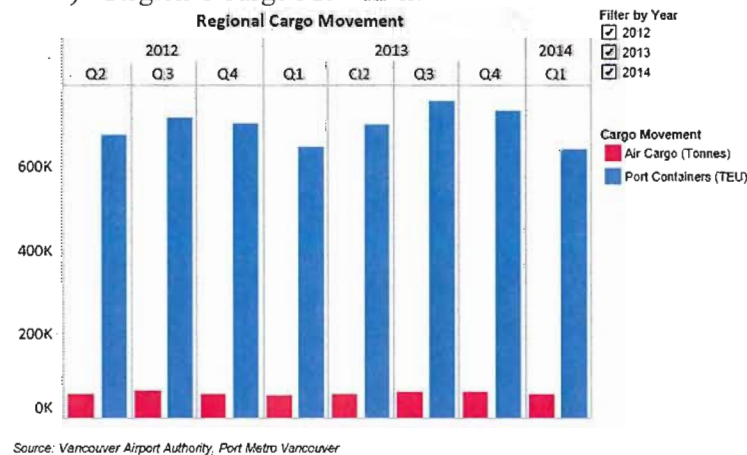


- At 352, the new business licenses issued in Q1-2014 are at the same levels as the new licenses issued in Q1-2013.
- At 1164, employees from new business licenses in Q1-2014 are only slightly down from the 1189 employees added in Q1-2013.



- Commercial space added through new business licenses in Q1-2014 was slightly down to 388,075 square feet, compared to the 404,347 square feet added in the same quarter last year. Retail and warehouse space added through new licenses declined by 21.9% and 3.7%, respectively, in Q1-2014 compared to the same period last year. New licenses issued in Q1-2014 added 65,744 square feet of office space leased, a 6.7% growth over the same period last year.

11) Goods and People Movement

a) Regional Cargo Movement¹⁰

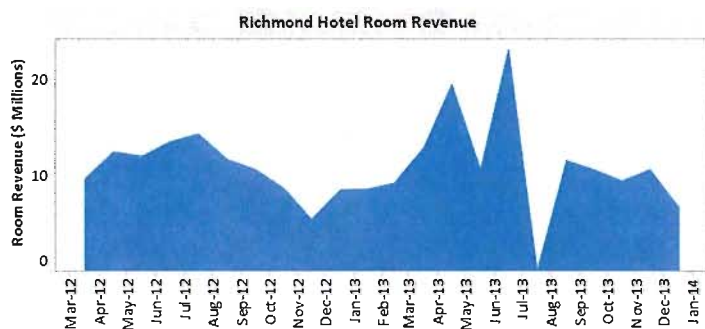
- Regional cargo movement remained strong in the first quarter of 2014, compared to the same period last year. Port container movement remained at the same levels, while air cargo rose by 7.7%.

¹⁰ YVR & PMV Monthly Cargo Statistics

b) Airport Passengers ¹¹

Source: Vancouver Airport Authority

- YVR movements registered a strong start to 2014, with passenger traffic rising by over 7% in the first quarter of 2014 compared to the same period last year.

c) Richmond Hotel Room Revenue ¹²

Source: City of Richmond

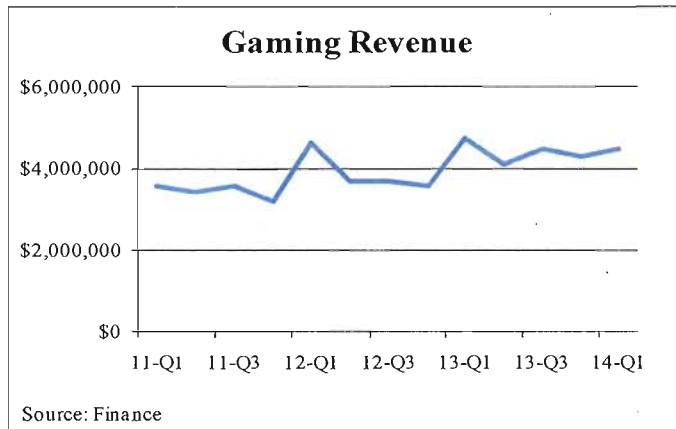
- Richmond's hotels had a strong 2013, with revenues up by 8% compared to 2012. (Note: the hotel room tax is used as the basis for calculating hotel revenues; there was an overpayment of hotel room tax remittance to the city in July 2013 which was compensated for in August and September, indicated by the spike and dip on the graph.)

¹¹ YVR Monthly Statistics

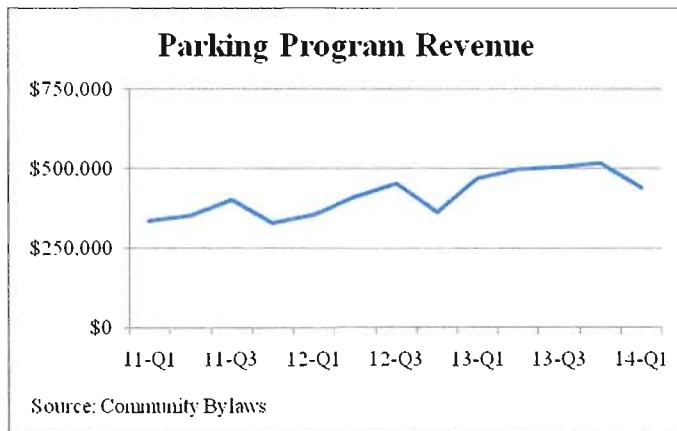
¹² City of Richmond Additional Hotel Room Tax Ledger; revenue reverse calculated based on AHRT receipts representing 2% of total hotel room revenue; AHRT remittances and payments to Richmond have a 2-month lag.

Financial Indicators

There are several financial indicators that signal the viability of the City of Richmond including the operating activity, active capital projects, cash, and investment portfolio. The operating activity shows the results of operations through the analysis of revenues and expenditures. The active capital projects details the current commitment of capital funding and future resource requirements. The cash and investment portfolio portrays the current investment mix and average yield.



- Gaming Revenue for the 1st quarter is \$4.48M compared to \$4.7M received for the same quarter in 2013.



- Ticketing activity for March 2014 was down in comparison to Dec 2013. Enforcement revenue continues to trend above budget Year-to-Date. Deployment changes implemented during January 2013 were largely responsible for a significant increase in violation issuance over the course of last year.

Operating Activity**Statement of (net revenues) expenditures**

Operating Budget (000's) General Fund	Budget 2014*	Actuals March 31, 2014 **	Variance as at March 31, 2014
RCMP	\$9,972	\$9,499	\$473
Fire Rescue	7,618	7,143	475
Community Services	8,895	7,425	1,470
Engineering and Public Works	8,763	8,377	386
Finance and Corporate Services	4,359	3,874	485
Library	3,076	3,035	41
Planning and Development	1,578	704	874
Corporate Administration	1,730	1,476	254
Law and Community Safety	1,374	1,082	292
Fiscal	(18,687)	(19,874)	(1,187)
Total	\$28,678	\$22,741	\$3,563

* The 2014 Budget amount represents the prorated annual budget to March 31, 2014 adjusting for the timing of certain revenues and expenditures.

**The 2014 actuals include, where applicable, accruals for revenues and expenditures in accordance with Generally Accepted Accounting Principles.

The following are the explanations for net expenditure variances at the departmental/divisional level:

- RCMP is targeted to be on budget by the end of the year. The federal contract amount for first quarter is an estimated amount as the actual invoices have not been received.
- Richmond Fire Rescue is expected to be under budget at the end of the year. The surplus is a result of existing vacancies.
- Community Services is slightly under budget for the first quarter of 2014 due to vacancies and reduced activity levels. It is expected that the Parks division and the Recreation division (the larger operational areas) will have greater activity in the second quarter and third quarters of 2014.
- Engineering and Public Works' favourable variance in Q1 can be attributed to a number of preventative maintenance programs not being initiated due to unfavourable weather conditions at the beginning of the year. It is anticipated that most of the expenditures will occur in Q2 and Q3, due to increased volume of work for seasonal maintenance programs, road paving work, and construction and development related projects.
- Finance and Corporate Services has a favourable variance due to unfilled vacant positions within the Finance Division. It is expected that the business licences revenue will have a favourable variance relative to budget.
- Library is projected to be on budget for the year.

- Building Approvals Division has realized moderate increase of the Building Permit revenue for the 1st quarter. The favourable variance is based on stronger multi-residential permits. It is anticipated the construction activity will remain stable.

Planning and Development has realized slightly lower than anticipated development application revenue during the 1st quarter of 2014. The 1st quarter revenue is down slightly due to a lower than anticipated number of Development permit and rezoning applications being submitted in the 1st quarter. It is anticipated the development activity and revenue will increase in the 2nd quarter as servicing agreements associated with recently approved developments progress and new applications are submitted within the Hamilton Area Plan.

- Corporate Administration has a favourable variance due to vacant positions, and lower than expected training expenditures.
- Law & Community Safety is on budget.
- Fiscal has favourable variance for the first quarter and is expected to be on budget by the end of the year.

The net operating activity is the result of many revenue inputs and expenditure outputs. Key financial indicators that impact the net operating activity are provided in Appendix 2 as well as key statistical information.

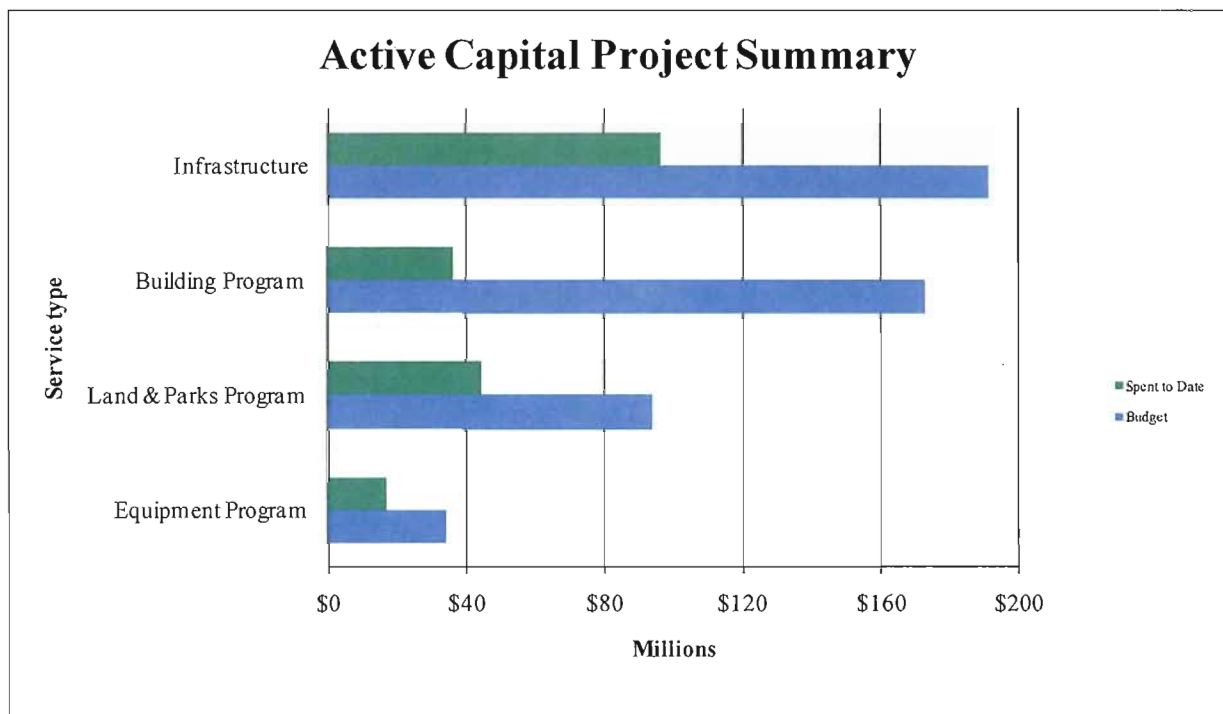
Active Capital Project Summary

The 2014 Capital Budget of \$181.1M (excluding internal payment transfers and debt repayments) are included in the figures below as are the amounts relating to capital projects from previous years' Capital Budgets that remain active. The current balance committed to active capital projects is \$297.6M.

Statement of Active Capital Project Expenditures

As at March 31, 2014 (in \$'000s)

	Budget	Spent to Date	Committed
Infrastructure Program	191,166	96,606	94,560
Building Program	172,401	36,128	136,273
Land & Parks Program	94,046	44,346	49,700
Equipment Program	34,229	17,114	17,115
Grand Total	\$ 491,842	\$ 194,194	\$ 297,648



Highlights of key capital projects are presented in Appendix 3.

Cash and Investment Portfolio

The City's cash and investment portfolio at March 31, 2014 was \$728.7M, with an average yield on investment of 1.97%. The current low interest rate environment and the City's cash flow projections have influenced the terms and types of investments that the City holds (Appendix 4).

Market Interest Rates (for analytical purposes only)

	March 31, 2014
3 Month Government of Canada T-Bills	0.89%
2 Year Government of Canada Bonds	1.06%
5 Year Government of Canada Bonds	1.69%
10 Year Government of Canada Bonds	2.45%

Council adopted the amended Investment Policy (3703) in November 2013 that is expected to provide additional investment flexibility. Restructuring of the City's investment mix has taken place during the first quarter of 2014 and has resulted in increased investment yield for the City.

Growth in the U.S. economy is expected to continue, although recent data have been softer largely due to winter weather effects. Canada's real GDP suffered a short-term hit from the unseasonably severe winter as well. However, weather-related losses in activity tend to be followed by rebounds and so improvements in real GDP turnouts in Canada is expected in the second half of the year. Canadian exports have been a little stronger than previously anticipated but continues to underperform while a soft landing is underway in the housing market. Due to these and other factors, the Bank of Canada decided to maintain the benchmark overnight rate at 1.0% during its most recent interest rate announcement on March 5, 2014.

The City continues to comply with its Investment Policy by carrying a diversified investment portfolio with strong credit quality, meeting the objectives of managing its investment activities in a manner that seeks to preserve capital and to realize a reasonable rate of return.

Contract Awards

This report provides Committee members with information on the formal contracts awarded by the City during the 1st quarter. During this period, 56 contracts greater than \$25,000 were awarded totalling over \$6.58M (Appendix 5).

Financial Impact

None.

Conclusion

The City of Richmond has begun 2014 on similar notes to that of 2013 with stable economic indicators. The City is maintaining its strong financial position through continued business retention, building construction and development activity, and revenue collection. It is expected that these trends will continue throughout 2014.



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

- Att. 1: Economic Indicators
- Att. 2: Financial and Key Indicators
- Att. 3: Capital Project Highlights
- Att. 4: Cash and Investment Portfolio
- Att. 5: Contract Awards

Economic Indicators**March 31, 2014****Macroeconomic Indicators & Forecast**

1) Real GDP - % Change	2012	2013	Change	2014f	2015f
Canada	1.9	2.2	0.3	2.2	2.1
United States	2.2	2.0	(0.2)	2.7	2.9
China	7.7	7.7	-	7.5	7.3
India	4.7	4.4	(0.3)	5.4	6.4
World	3.2	3.0	(0.2)	3.6	3.9
2) Interest Rates	2012	2013	Change	2014f	2015f
Bank of Canada	1.00	1.00	-	1.00	1.75
US FED	0.13	0.25	0.9	0.25	0.50
3) Exchange Rate	2012	2013	Change	2014f	2015f
CAD per \$1 USD	0.99	1.06	0.07	1.15	1.18

Regional and Local Market Indicators

4) Unemployment (%)	Q1-2014	Q4-2013	Change	Q1-2013	Change
Canada	6.9	7.2	0.3	7.2	-
BC	5.8	6.6	0.8	7.0	0.4
Metro Vancouver	5.8	6.3	0.5	7.0	0.7
5) CPI (2002=100)	Q1-2014	Q4-2013	Change	Q1-2013	Change
Canada	124.8	122.7	1.7%	122.9	1.5%
BC	118.6	117.0	1.4%	118.5	0.1%
Metro Vancouver	120.3	118.5	1.5%	120.0	0.2%
6) Housing Starts (Units)*	Q1-2014	Q1-2013			
Starts - Metro Vancouver	2,714	2,362			
Starts - Richmond	181	154			
* Housing starts data available for January and February only					
7) Richmond Residential Activity	Q1-2014	Q1-2013	Change		
Sales - Detached	393	241	63%		
Sales - Townhouse	215	167	29%		
Sales - Apartment	324	256	27%		
Sales Total/Average Change	932	664	39%		
Average Price - Detached (\$ at QE)	1,031,000	883,000	16.8%		
Average Price - Townhouse (\$ at QE)	530,000	502,000	5.6%		
Average Price - Apartment (\$ at QE)	343,000	336,000	2.1%		

Economic Indicators**March 31, 2014****Regional and Local Market Indicators (continued)**

8)	Richmond Building Permits	Q1-2014	Q1-2013	Change			
	Building Permits - Residential	186	158	17.7%			
	Building Permits - Commercial	122	102	19.6%			
	Building Permits - Industrial	46	48	(4.2%)			
	Building Permits - Other	8	22	(63.6%)			
	Building Permits Total	362	330	11.1%			
	Construction Value (\$ million)	133.0	74.8	77.9%			
9)	Commercial Space (at QE)	Richmond			Metro Vancouver		
		Q1-2014	Q1-2013	Change	Q1-2014	Q1-2013	Change
	Office Vacancy (%)	17.2	19.0	(1.8)	8.7	7.8	0.90
	Office Inventory (000 sf)	4,359	4,359	0.0%	53,329	52,545	1.5%
	Industrial Vacancy (%)	4.7	2.7	2.0	4.0	3.1	0.90
	Industrial Inventory (000 sf)	37,587	36,997	1.6%	194,877	191,983	1.5%
10)	Richmond Business Growth	Q1-2014	Q1-2013	Change			
	Total Valid Business Licenses	13,041	13,371	(2.5%)			
	New Licenses - Number Issued	352	352	0.0%			
	New Licenses - Employees	1,164	1,189	(2.1%)			
	New Licenses - Office Added (sf)	65,744	61,634	6.7%			
	New Licenses - Retail Added (sf)	33,668	43,093	(21.9%)			
	New Licenses - Industrial Added (sf)	288,663	299,620	(3.7%)			
	Total Space Added (sf)/Avg. Change	388,075	404,347	(6.3%)			
11)	Goods & People Movement**	Q1-2014	Q1-2013				
	YVR Air Cargo (tonnes)	35,929	52,422				
	PMV Container Movement (TEUs)	445,570	642,959				
	YVR Passengers (million)	2.9	4.0				
	Richmond Hotel Revenue (\$ million)	134.6	167.7				

** Data for YVR and PMV available for Jan-Feb only; Hotel Revenues available to January only

Notes:

- a) *QE indicates Quarter-End*
- b) *YE indicates Year-End*
- c) *All change values for percentage figures are point values not percentage values*

List of Sources:

- 1) *International Monetary Fund, World Economic Outlook (April, 2014)*
- 2) *US Federal Reserve, Bank of Canada and Royal Bank Research*
- 3) *Bank of Canada*
- 4)5) *Statistics Canada*
- 6) *CMHC*
- 7) *Real Estate Board of Greater Vancouver*
- 8) *City of Richmond Building Permits*
- 9) *Cushman & Wakefield Office and Industrial Market Beat Reports*
- 10) *City of Richmond Business Licenses*
- 11) *YVR & PMV Monthly Cargo Statistics; YVR monthly statistics; City of Richmond Additional Hotel Room Tax Ledger*

Financial Indicators**March 31, 2014**

	Q1 2014	Q1 2013	Change
1) Development Cost Charges Contributions			
Roads, Water, Sewer DCC's Received	\$286	\$798	(64.2%)
Parks DCC's Received	\$215	\$818	(73.8%)
Total DCC Fees Received	\$501	\$1,616	(69.1%)
DCC Reserves to date - Uncommitted	\$65,139	\$47,425	37.4%
2) Uncommitted Reserves			
Capital Funding Reserves	\$55,781	\$79,327	(29.7%)
Affordable Housing Reserves	\$3,452	\$8,438	(59.1%)
Other Reserves	\$109,113	\$103,266	5.7%
Total Uncommitted Reserves	\$168,346	\$191,031	(11.9%)
3) Taxes to date			
Taxes Collected	\$10,432	\$8,341	25.1%
City Portion of Taxes Collected	\$5,112	\$4,087	25.1%
Unpaid Taxes - Delinquent & Arrears	\$7,207	\$6,564	9.8%
No. of Participants on Pre-authorized withdrawal	6,164	6,031	2.2%
Pre-authorized withdrawals monthly payments	\$6,838	\$6,640	3.0%
Interest rate % paid	1.00%	1.00%	-
<i>Sources: All data is from City of Richmond records</i>			
4) Investments			
Total Investments	\$728,736	\$618,461	17.8%
Average City Rate of Return on Investments %	1.97%	1.78%	0.19
5) Planning and Development			
Building Permit Fees Collected	\$1,599	\$1,000	59.9%
Development Applications Received	39	63	(38.1%)
Development Applications Fees	\$123	\$270	(54.3%)
6) Business Licenses			
Revenue Received for Current Year Licenses	\$1,618	\$1,463	10.6%
Revenue Received for Next Year (Deferred)	\$68	\$60	12.7%
Total License Revenue	\$1,686	\$1,523	10.7%
<i>Year to date valid licenses and revenue include current year licenses issued in the prior year.</i>			
7) Other Revenues			
Parking Program Revenue	\$443	\$470	(5.8%)
Gaming Revenue	4,482	\$4,747	(5.6%)
Traffic Fine Revenue to date	n/a	\$394	-

Gaming revenue figures for 2013 restated to present actual amounts received
Traffic Fine Revenue is a grant and has not been received for 2014

Notes:

- a) All figures presented above are unaudited
- b) All change values for percentage figures are point values not percentage values

Key Indicators**March 31, 2014**

8) Employees	Q1 2014	Q1 2013	Change
Full Time Equivalent (FTE) Employees (City and Library)	1,426	1,427	(0.1%)
<i>FTE includes Regular Full Time, Temporary and Auxiliary status employees. The calculation is based on actual results excluding overtime.</i>			
9) Operating Indicators	Q1 2014	Q1 2013	Change
Fire Rescue Responses	2,328	2,251	3.4%
RCMP - Calls for Service Handled	16,245	16,506	(1.6%)
Public Works calls for Service	12,927	13,380	(3.4%)
10) Affordable Housing	YTD-2014	2013	Change
Subsidized Rental (units)	331	331	0.0%
Affordable Rental (LEMR) (units)	238	238	0.0%
Market Rental (units)	267	267	0.0%
Entry Level Home ownership (units)	19	19	0.0%
Secondary Suite / Coach House (units)	<u>122</u>	<u>118</u>	<u>3.3%</u>
	977	973	0.4%
	Q1 2014	Q1 2013	Change
Unspent Affordable Housing Funds Allocated to Capital Projects to date	\$16,496	\$11,075	48.9%
Floor Space secured, unit mix & other (sq feet)	70,857	n/a	
11) Richmond Population Estimate Year End	2014F	2013	
	209,338	205,133	

Capital Highlights**Infrastructure****Westminster Hwy: Nelson Rd. to McMillan Way – Widening Westminster Highway:**

Approved Budget: \$10.4M (2011) 30% Complete

- Preload works are continuing. The main road construction contract has been awarded and will commence once the preload settlement is complete.

Nelson Road Improvements – Widening Nelson Road between Blundell Road and Westminster Highway:

Approved Budget: \$4.1M (2011) 5% Complete

- The main road construction contract has been awarded. Property approvals have been finalized and the construction started in February.

Asphalt Re-paving Program (MRN and Non-MRN):

Approved Budget: \$3.9M (2013) 90% Complete

- This project consists of the repaving of the City's roads in order to minimize the overall life cycle cost of the road network.

No. 1 Road Drainage Pump Station:

Approved Budget: \$3.45M (2010) Completed

- The pump station is fully operational. The architectural feature panels are being finalized with installation started in April.

Steveston Drainage Area Replacement and Upgrades – Williams Road West Drainage Pump Station Upgrade:

Approved Budget: \$2.0M (2011) Completed

- This project has been substantially completed, including installation of a water bottle filling station.

No. 6 Road Widening:

Approved Budget: \$1.7M (2011) 95% Complete

- Construction ongoing.

Capital Highlights**Buildings**

Cranberry Children's Centre (Hamilton Childcare Centre):

Approved Budget: \$1.8M (Land value \$480K) (2010) 75% Complete

- As part of the development application by TransLink, land and funding were received to design and build a facility for childcare services. Completion remains on schedule for summer 2014 to accommodate the child care provider's needs.

Minoru Major Facility (Integrated Minoru Aquatic Centre/Older Adults Centre):

Approved Budget: \$79.6M (2014) 5% Complete

- On November 12, 2013 Council confirmed funding and site location for the new facility to be the Minoru 2 soccer pitch. Geotechnical investigations have been completed and design services for the project have been awarded to HCMA. Field relocation tenders have been awarded. Development of the public engagement and communication plans are underway.

Firehall No. 1:

Approved Budget: \$21.5M (2014) 5% Complete

- On November 12, 2013 Council confirmed funding and the site location for the Firehall No. 1 replacement. Design services for the project were awarded to HCMA. Design and construction processes to temporarily relocate Fire staff to City Hall West commenced. Development of options to maintain fire training and equipment maintenance programs is underway.

Capital Highlights**Community Services/Parks****Railway Greenway:**

Approved Budget: \$2.2M (2013)

95% Complete

- The major trail construction work is completed. Work is proceeding on intersection improvements and the Branscombe House site with completion expected in April, 2014.

Terra Nova Heritage Building Restorations:

Approved Budget: \$2.0M (2005)

75% Complete

- The restoration of the Cannery Store is complete. Construction of an exterior sundeck, steps and access ramp will be completed by the end of April at which time the building will be ready for an as yet to be determined commercial tenant. Work will commence in April on rebuilding the Edwardian Cottage with a late Summer /early Fall completion expected at which time the cottage will be used for the Terra Nova Nature Preschool.

Terra Nova Play Environment:

Approved Budget: \$1.0M (2012)

80% Complete

- Site preparation for the playground (pathways, drainage, etc.) is complete. The custom play equipment is being installed. Work will commence in the next few weeks on constructing a new gravel parking area to support what is expected to be a popular playground. Construction is expected to be complete by late spring.

Oval West Waterfront Park:

Approved Budget: \$850K (2012)

95% Complete

- Construction is largely complete with a few minor details remaining.

Britannia Heritage Shipyards, Boardwalks Restoration:

Approved Budget: \$100K (2013)

Various stages of completion

- Boardwalk restoration is complete. The restoration of the rail carriages is approximately 90% complete. And the replacement of the rails along the main trail of the heritage shipyards site is underway and at approximately 70% completion.

Garden City Community Park: Bike Park & Birch Park:

Approved Budget: \$500K (2012)

60% Complete

- Bike Park: Excavation, rough grading and storm drainage installation completed. Construction of specialized features is underway and expected to complete at the end of May, 2014. Planting and final landscaping (fencing, installation of site furniture and signage) will follow completion of special features.
- Birch Park: Design completed. Geotechnical work in progress. Construction scheduled for late spring.

Capital Highlights**Community Services/Parks**

The Gardens Agricultural Park:

Approved Budget: \$316K (2012) 15% Complete

- City construction of parks works for Phase 1 will be coordinated with works to be completed under a Servicing Agreement with Townline Homes. Construction of the Servicing Agreement works is scheduled to begin in March 2014 and, once completed, City constructed works are scheduled to begin.

Thompson Youth Park - Phase 3:

Approved Budget: \$300K (2013) 10% Complete

- Construction expected to begin in the spring and completed in July of 2014. Detailed design began in March, 2014.

Minoru Sports Fields Redevelopment:

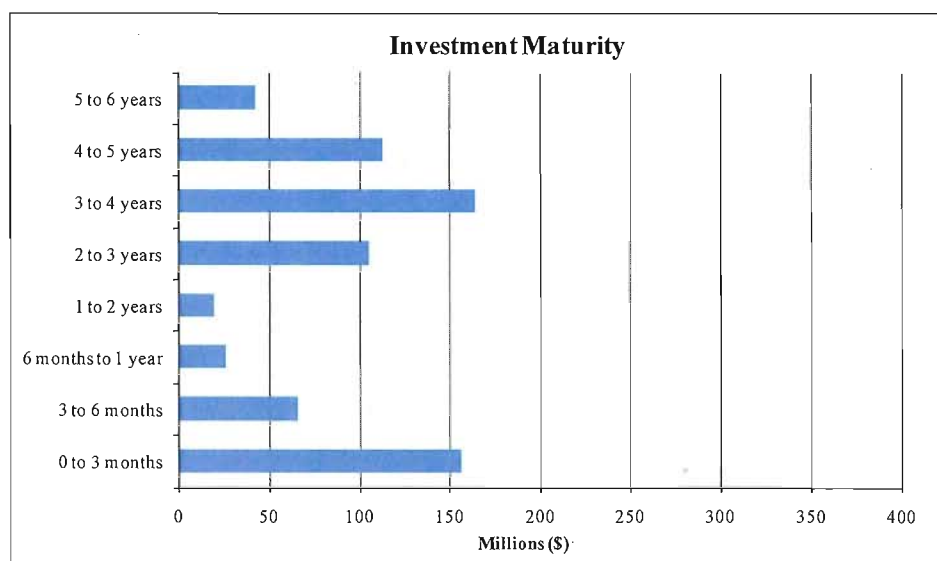
Approved Budget: \$5.7M (2014) 5% Complete

- Tender awarded for the artificial turf surfacing.
- RFP awarded for the Design Build.
- Sports Council approval of the field location plan in process.
- Tree removal, displacement of the cricket circle and track & field throwing amenities to begin in April.
- Demolition of the existing fields expected to begin in May 2014. Detailed design to be completed by June 2014.
- Construction operations to start in mid June.

Cash and Investment Portfolio

March 31, 2014 (in 000's)

Issuer	Amount	% of Portfolio
Federal Government and Federal Crown Corporations		
Canadian Mortgage and Housing Corporation	\$ 80,095	11.66%
Government of Canada	\$ 26,254	3.82%
Total	\$ 106,349	15.48%
Provincial Governments and Provincial Crown Corporations		
Province of Ontario	\$ 90,683	13.21%
Province of British Columbia	\$ 65,848	9.59%
Province of Alberta	\$ 41,648	6.06%
Financement Quebec	\$ 36,835	5.36%
Province of Manitoba	\$ 12,000	1.75%
Total	\$ 247,014	35.97%
Schedule I Banks		
Royal Bank	\$ 27,815	4.05%
Scotia Bank	\$ 27,512	4.01%
National Bank	\$ 22,428	3.27%
Bank of Montreal	\$ 22,118	3.22%
CIBC	\$ 22,065	3.21%
TD Financial	\$ 19,406	2.83%
Canadian Western Bank	\$ 10,000	1.46%
Total	\$ 151,344	22.05%
Credit Unions		
Vancity Savings Credit Union	\$ 69,803	10.16%
Gulf & Fraser Financial Group	\$ 49,374	7.19%
Westminster Savings Credit Union	\$ 25,000	3.64%
Coast Capital Savings	\$ 15,623	2.28%
Total	\$ 159,800	23.27%
Pooled Investments		
Municipal Finance Authority	\$ 22,206	3.23%
Total	\$ 22,206	3.23%
Total Investments	\$ 686,715	100.00%
Total Cash & Cash Equivalents	\$ 42,024	
Total Reported Investments and Cash & Cash Equivalents	\$ 728,739	



Contract Awards > \$25,000
January 1st, 2014 to March 31st, 2014

<i>Item</i>	<i>Contract Name and Description</i>	<i>Award</i>	<i>Amount</i>	<i>Department</i>
1.	4647 Q - On call repair and service of refrigeration systems	Cimco Refrigeration	\$95,000	Engineering and Public Works
2.	4648 Q - On call repair and service of generators	Finning	\$50,000	Engineering and Public Works
3.	4706 Q - Supply and delivery of three (3) 1/2 Ton Extended Cab trucks	O'Conner Dodge Chrysler Jeep	\$76,959	Engineering and Public Works
4.	4870 Q - Supply and delivery of one (1) Forestry Aerial Lift truck	Metro Motors	\$172,125	Engineering and Public Works
5.	4966 P - Single-Family water meter program	Neptune Technology Group (Canada) Ltd.	\$675,000	Engineering and Public Works
6.	4995 Q - Supply and delivery of one (1) Regular Cab chassis with utility body	Metro Motors	\$129,121	Engineering and Public Works
7.	4999 Q - Supply and delivery of one (1) Cab Chassis with truck mounted highway striper	Roadway Traffic Products	\$321,380	Engineering and Public Works
8.	5037 P - 2014 Laneway Upgrades	Matson Peck Engineering	\$34,045	Engineering and Public Works
9.	5050 P - Performance Measurement Framework & Best Practices Research - Consultant	MNP	\$47,720	Finance and Corporate Services
10.	5052 P - Actuarial review of post-employment benefit obligation	Mercer (Canada) Ltd.	\$36,000	Finance and Corporate Services
11.	5065 T - Richmond Ice Centre- chiller replacements	Cimco Refrigeration	\$847,868	Engineering and Public Works
12.	5077 F - Legacy Conversion Project - Phase 3 - Mezzanine Infill - Legacy Lounge upgrade	Stuart Olson Dominion Construction Ltd.	\$ 57,424	Engineering and Public Works
13.	5078 T - Supply and installation of synthetic sports field playing surface system at Minoru Park	Astro Turf West Distributors Ltd.	\$865,992	Community Services
14.	5082 F - Watermain Works at London Road (No 2 Rd to Princess St)	Oris Development (Kawaki) Corp.	\$170,000	Engineering and Public Works
15.	5083 Q - Asbestos removal and demolition of 7180 Ash St	Guest Excavating Ltd.	\$47,000	Finance and Corporate Services
16.	5084 F - Fire Hall No.1 and No.3 - Space planning	Process Four Design Ltd.	\$46,221	Engineering and Public Works
17.	5085 F - Professional project management services for Faster Web Fleet Management System implementation	Dexter Consultants (514351 BC Ltd.)	\$32,000	Engineering and Public Works
18.	5089 F - System/Session Manager installation	Telus Communications	\$57,718	Finance and Corporate Services
19.	5090 Q - Supply and delivery of Aqua Brite Plus for Watermania Minoru Aquatic Centre	Purtech Service Group	\$30,000	Community Services
20.	5091 Q - Supply and install Sophos Anti-spam Software Maintenance	Netcetera Consulting Inc.	\$25,094	Finance and Corporate Services

<i>Item</i>	<i>Contract Name and Description</i>	<i>Award</i>	<i>Amount</i>	<i>Department</i>
21.	5092 Q – Supply and delivery of Extreme Networks Maintenance	TLD Computers	\$37,724	Finance and Corporate Services
22.	5093 Q – Supply and delivery of VMWare Software Maintenance (2014)	Compugen Inc.	\$27,602	Finance and Corporate Services
23.	5094 F - Tempest Annual support contract	Tempest Development Group Inc.	\$114,522	Finance and Corporate Services
24.	5096 Q - Replacement of the ice plant chillers and energy study at Richmond Ice Centre	Bradley Refrigeration	\$42,400	Engineering and Public Works
25.	5100 F - Network services for internet access community centre connections (Munilink)	Telus Services	\$119,540	Finance and Corporate Services
26.	5101 F - 2014 Oracle (PeopleSoft) contract renewal	Oracle Canada ULC	\$290,391	Finance and Corporate Services
27.	5102 EOI - Functional Consultant for PeopleSoft Financial Supply Chain Management Release 9.2 Upgrade	Beyond Tech Solutions	\$223,600	Finance and Corporate Services
28.	5103 F - Ironwood Library monthly cleaning	ServiceMaster Clean	\$27,500	Library
29.	5104 F - Brighthouse Library monthly cleaning	ServiceMaster Clean	\$38,500	Library
30.	5105 F - Annual Oracle database software support renewal	Oracle Canada ULC	\$25,386	Finance and Corporate Services
31.	5107 F - Fitness Program staff at Watermania, Minoru Aquatic Centre, Minoru Pavilion Garratt Wellness Centre (2014 - 2016)	Richmond Fitness & Wellness Association	\$574,800	Community Services
32.	5108 F – Supply and delivery of a Survey Instrument	Cansel Survey Equipment Ltd.	\$40,239	Engineering and Public Works
33.	5109 F - Architectural & Engineering Consulting Services - Terra Nova Edwardian Cottage	McGinn Engineering & Preservation Ltd	\$33,320	Community Services
34.	5111 JOC - JOC PD2014.02 - Steveston Outdoor Pool Washroom Upgrade	Ashton Service Group Ltd.	\$29,683	Engineering and Public Works
35.	5112 Q - Watermania - Mechanical Upgrade - Mechanical Consultant	Rocky Point Engineering Ltd.	\$46,200	Engineering and Public Works
36.	5113 F – Legacy Conversion Project - Phase 3 Mezzanine Infill - Level 2 West Stair Secure Access	Stuart Olson Dominion Construction Ltd.	\$35,833	Engineering and Public Works
37.	5114 F - Quest products annual software support renewal (5 year agreement)	Softchoice LP	\$50,608	Finance and Corporate Services
38.	5115 F - Implementation of pilot project for fixed-based water meter reading for pump stations Broadmoor, Montrose, Phoenix, Ransford Tipping	Neptune Technology Group (Canada) Ltd.	\$91,940	Engineering and Public Works
39.	5116 F - Watermania general contracting work for remedial work on corroded column & bolts	Smith Bros & Wilson (BC) Ltd.	\$40,000	Engineering and Public Works
40.	5117 F – Hire Desk Corporate Professional & Data Exchange Hosting Contract Renewal year 1 of 2	Talemetry	\$34,800	Corporate Administration

<i>Item</i>	<i>Contract Name and Description</i>	<i>Award</i>	<i>Amount</i>	<i>Department</i>
41.	5119 F - Dell server hardware maintenance	Dell Canada Inc	\$27,004	Finance and Corporate Services
42.	5120 Q - Supply and install 4 new dock levellers brush weather seals - 7360 River Road	Mason Lift Ltd	\$31,580	Finance and Corporate Services
43.	5121 Q - Richmond Ice Centre- Mechanical Upgrade 2014	Ram Mechanical	\$196,895	Engineering and Public Works
44.	5129 JOC - JOCPD2014.03 City Hall Annex Supply and delivery of light fixtures for the 3rd and 5th floors	Ashton Service Group Ltd	\$42,025	Engineering and Public Works
45.	5130 Q - Chlorofluorocarbon (CFC) Recovery Program (Recycled Appliances)	GVRD (Metro Vancouver)	\$36,484	Engineering and Public Works
46.	5134 F - Continuation of annual software license support services for Target Solutions; includes user licensing, training technology releases, technical support, software critical patch updates	Global Risk Innovations	\$39,600	Law and Community Safety
47.	5145 Q - Sanitary Pump Crane	WCC Crane Solutions Inc.	\$45,998	Engineering and Public Works
48.	5147 F - Facilitator - Life Transitions	Toombs Inc.	\$25,000	Corporate Administration
49.	5148 F - Refurbish and resurface the slides at South Arm Pool	Whitewater	\$124,331	Engineering and Public Works
50.	5159 F - Supply and installation of IT data/tel wiring for the 3rd 5th floors as part of the City Hall Annex and Phase 2 Renovation Project	Plan Group	\$40,900	Engineering and Public Works
51.	5160 Q - South Arm Community Centre General Contractor/building Improvement	IDR Commercial Construction	\$59,830	Engineering and Public Works
52.	5161 F - Supply and install play equipment at Terra Nova Play Environment Park	Rectec Industries	\$39,661	Community Services
53.	5166 Q - Symantic Asset Management Suite Renewal	Itex Enterprise Solutions	\$25,694	Finance and Corporate Services
55.	5170 F - Annual powder post beetle remediation at Britannia Heritage Shipyards	Entech Environmental Ltd.	\$44,000	Engineering and Public Works
56.	5171 JOC - JOCPD2014.10 Richmond Tennis Club - Court lighting - LED upgrade	Ashton Service Group Ltd.	\$64,064	Engineering and Public Works



Richmond
Public Library

REPORT TO COMMITTEE

To: Finance Committee

Date: April 24, 2014

From: Greg Buss
Chief Librarian

Re: 2013 Financial Statements for Richmond Public Library Board

Recommendation

That the report on the 2013 Financial Statements and Independent Auditor's report for the Richmond Public Library Board be received for information.

Greg Buss
Chief Librarian & Secretary to the Board
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 2013 audited financial statements of the Richmond Public Library Board.

Analysis

Please see the attached audited financial statements of the Library for the year ended December 31, 2013. The Library's financial statements are prepared in accordance with Canadian public sector accounting standards.

Statement of Financial Position

Financial Assets

The amounts due from the City (\$1,464k) and accounts receivable (\$163k) arose in the normal course of business.

Financial Liabilities

Accounts payable and accrued liabilities as of December 31, 2013 were \$1,140k and primarily included accrued payroll liability and post-employment benefits. Deferred revenue of \$169k is related to restricted donation revenues that are recognized in the year in which related expenses are incurred.

Non-Financial Assets

As of December 31, 2013 the Library had \$4,837k of tangible capital assets which includes the library's collections, computer hardware and software and equipment and furniture.

Accumulated Surplus

The accumulated surplus at December 31, 2013 was \$5,155k. Of this amount \$4,837k is invested in tangible capital assets and \$317k is an operating surplus.

Statement of Operations

Revenues

The Library received \$8,025k in contributions from the City and earned \$365k through book fines, InterLINK reciprocal borrowing revenue and photocopier and printer revenue. The Library received \$415k in operating grants from provincial and federal sources as well as a matching \$73k grant from the federal government's Community Infrastructure Improvement Fund (CIIF) to improve the Library's wireless system.

Donation revenue totaled \$1,020k, mostly from a collection of 26,105 Chinese language books valued at \$971k. Tangible capital assets (such as books) received as donations

are recorded at their fair value at the date of receipt and also recorded as revenue. Further information relating to this donation is provided at the end of the report.

Expenses

Total salaries and benefits for 2013 were \$6,487k. There were 64 full time and 64 part time and auxiliary employees on payroll as at December 31, 2013.

Other major expenses included: \$1,639k for amortization, \$189k for supplies and equipment services associated with supplies for operating the library, \$429k of administration costs (a significant increase due to \$110k being allocated for consulting fees on long range planning project), \$224k relating to building leases and maintenance, \$172k utilities cost relating to light, heat and power for 4 branches, \$131k for subscriptions to newspapers, magazines and electronic resources, \$43k for automation, \$64k for resource sharing services related to InterLINK.

Accumulated Surplus

The annual surplus was \$503k before transfers to reserves/provisions.

Significant Donation Affecting Statements

In October 2013, the Library received a significant in-kind donation of 26,105 Chinese language books from the same donor who made a large donation of similar items in 2011. The Library engaged an independent appraiser to appraise the fair market value of the books. Management recorded a tangible capital asset and donation revenue of \$971,412 as a result of this donation.

KPMG performed the following procedures over the appraisal and management's analysis:

- Obtained an understanding of the work of the independent appraiser and reviewed the scope of the agreement between management and the appraiser.
- Inquired with the appraiser about their professional experience and qualifications to conduct such an appraisal.
- Obtained a copy of the appraisal report and supporting documentation, and evaluated the relevance, completeness, and accuracy of source data used by the appraiser.
- Reviewed the assumptions and valuations used for reasonability.

KPMG did not note issues with the appraisal and concurred with management's analysis.

Library Board Approval

The Library Board will receive and approve these statements at its regular board meeting on Wednesday, April 30th.

Proforma

Financial Statements of

RICHMOND PUBLIC LIBRARY BOARD

Year ended December 31, 2013

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, 2013, 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, 2013 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.

Chartered Accountants

April 30, 2014

Burnaby, Canada

RICHMOND PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2013, with comparative figures for 2012

	2013	2012
Financial Assets		
Due from City of Richmond (note 3)	\$ 1,464,360	\$ 1,840,056
Accounts receivable	163,314	217,391
	1,627,674	2,057,447
Liabilities		
Accounts payable and accrued liabilities (note 4)	1,140,134	1,411,163
Deferred revenue	169,834	178,362
	1,309,968	1,589,525
Net financial assets	317,706	467,922
Non-Financial Assets		
Tangible capital assets (note 5)	4,837,474	4,158,175
Prepaid expenses	-	25,615
	4,837,474	4,183,790
Commitments (note 12)		
Accumulated surplus (note 7)	\$ 5,155,180	\$ 4,651,712

See accompanying notes to financial statements.

Approved on behalf of the Library Board:

_____ Trustee

_____ Trustee

RICHMOND PUBLIC LIBRARY BOARD

Statement of Operations

Year ended December 31, 2013, with comparative figures for 2012

	Budget 2013	2013	2012
	(notes 2(a) and 13)		
Revenue:			
Municipal contribution	\$ 8,025,400	\$ 8,025,400	\$ 8,044,800
Fines and miscellaneous (note 8)	505,000	365,150	426,421
Grants (note 9)	422,500	415,326	449,776
Other capital funding sources	-	73,409	-
Donations (note 10)	-	1,020,250	35,865
Gain on disposal of tangible capital assets	-	-	18,335
	8,952,900	9,899,535	8,975,197
Expenses:			
Salaries and employee benefits	6,618,800	6,487,382	6,411,959
Amortization	1,581,300	1,639,501	1,758,558
Supplies and equipment services	243,600	189,328	206,445
General and administration	329,400	429,113	198,397
Building, leases and maintenance	208,300	224,172	224,778
Utilities	188,600	172,669	170,859
Periodicals	190,000	131,331	139,872
Automation	100,100	43,531	60,991
Resource sharing services	80,200	64,388	77,276
Contribution to City of Richmond	-	-	13,564
Loss on disposal of tangible capital assets	-	14,652	-
	9,540,300	9,396,067	9,262,699
Annual surplus (deficit)	(587,400)	503,468	(287,502)
Accumulated surplus, beginning of year	4,651,712	4,651,712	4,939,214
Accumulated surplus, end of year	\$ 4,064,312	\$ 5,155,180	\$ 4,651,712

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

Year ended December 31, 2013, with comparative figures for 2012

	Budget	2013	2012
	(notes 2(a) and 13)		
Annual surplus (deficit)	\$ (587,400)	\$ 503,468	\$ (287,502)
Acquisition of tangible capital assets	(1,103,900)	(1,378,993)	(1,426,558)
Contribution of tangible capital assets	-	(971,412)	-
Amortization of tangible capital assets	1,581,300	1,639,501	1,758,558
Loss (gain) on disposal of tangible capital assets	-	14,652	(18,335)
Proceeds on disposal of tangible capital assets	-	16,953	18,335
Increase in prepaid expenses	-	25,615	(683)
Change in net financial assets	(\$110,000)	(150,216)	43,815
Net financial assets, beginning of year	\$467,922	467,922	424,107
Net financial assets, end of year	\$ 357,922	\$ 317,706	\$ 467,922

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Cash Flows

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ 503,468	\$ (287,502)
Items not involving cash:		
Amortization	1,639,501	1,758,558
Loss (gain) on disposal of tangible capital assets	14,652	(18,335)
Contributed tangible capital assets	(971,412)	-
Change in non-cash working capital:		
Due from City of Richmond	375,696	(209,676)
Accounts receivable	54,077	165
Prepaid expenses	25,615	(683)
Accounts payable and accrued liabilities	(271,029)	150,791
Deferred revenue	(8,528)	14,905
Net change in cash from operating activities	1,362,040	1,408,223
Capital activities:		
Proceeds on disposal of tangible capital assets	16,953	18,335
Cash used to acquire tangible capital assets	(1,378,993)	(1,426,558)
Net change in cash from capital activities	(1,362,040)	(1,408,223)
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, 2013

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 Canadian Institute of Chartered Accountants, and include the following specific policies:

(a) Budget data:

The budget data presented in these financial statements is based upon the 2013 budget submission approved by the Board on October 24, 2012. 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, 2013

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, 2013

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:

	2013	2012
Accounts payable	\$ 172,563	\$ 354,537
Accrued liabilities	23,737	37,163
Accrued payroll liabilities	363,034	407,763
Post-employment benefits (note 6)	580,800	611,700
	<u>\$ 1,140,134</u>	<u>\$ 1,411,163</u>

5. Tangible capital assets:

Cost	Balance, December 31, 2012	Additions	Disposals	Balance, December 31, 2013
Library collections	\$ 7,259,484	\$ 2,087,524	\$ (2,216,666)	\$ 7,130,342
Furniture and fixture	905,851	17,928	-	923,779
Equipment	1,092,942	244,953	-	1,337,895
	<u>\$ 9,258,277</u>	<u>\$ 2,350,405</u>	<u>\$ (2,216,666)</u>	<u>\$ 9,392,016</u>

Accumulated amortization	Balance, December 31, 2012	Amortization	Disposals	Balance, December 31, 2013
Library collections	\$ 3,701,794	\$ 1,436,479	\$ (2,185,061)	\$ 2,953,212
Furniture and fixture	569,331	68,963	-	638,294
Equipment	828,977	134,059	-	963,036
	<u>\$ 5,100,102</u>	<u>\$ 1,639,501</u>	<u>\$ (2,185,061)</u>	<u>\$ 4,554,542</u>

Net book value	Balance, December 31, 2012	Balance, December 31, 2013
Library collections	\$ 3,557,690	\$ 4,177,130
Furniture and fixture	336,520	285,485
Equipment	263,965	374,859
	<u>\$ 4,158,175</u>	<u>\$ 4,837,474</u>

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013

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:

	2013	2012
Balance, beginning of year	\$ 611,700	\$ 632,800
Current service cost	36,400	35,400
Interest cost	15,400	15,800
Amortization of actuarial gain	(37,300)	(34,900)
Benefits paid	(45,400)	(37,400)
Balance, end of year	\$ 580,800	\$ 611,700

An actuarial valuation for these benefits was performed to determine the Library's accrued benefit obligation as at December 31, 2013. The difference between the actuarially determined accrued benefit obligation of \$550,300 and the accrued benefit liability of \$580,800 as at December 31, 2013 is an unamortized net actuarial gain of \$30,500. 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.

	2013	2012
Actuarial benefit obligation:		
Accrued liability, end of year	\$ 580,800	\$ 611,700
Unamortized net actuarial gain	(30,500)	(174,400)
Balance, end of year	\$ 550,300	\$ 437,300

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

	2013	2012
Discount rate	3.50%	3.50%
Expected future inflation rate	2.00%	2.50%
Expected wage and salary increases	3.50%	3.50%

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013

7. Accumulated surplus:

	2013	2012
Operating:		
Surplus	\$ 317,706	\$ 497,890
Obligations to be funded	-	(4,353)
	317,706	493,537
Invested in tangible capital assets	4,837,474	4,158,175
	\$ 5,155,180	\$ 4,651,712

Surplus includes amounts approved by the Board to be spent in future periods, including \$28,519 for strategic planning.

8. Fines and miscellaneous:

	2013	2012
Book fines	\$ 165,369	\$ 193,804
InterLINK revenue	142,886	176,628
Photocopy and printer revenue	29,206	28,198
Miscellaneous	27,689	27,791
	\$ 365,150	\$ 426,421

9. Grants:

	2013	2012
Provincial Revenue Sharing Grant	\$ 351,783	\$ 351,783
One Card Grant	52,604	58,934
British Columbia Equity Grant	4,500	4,500
Writers in Library Grant	3,023	4,500
Community Access Program (CAP) Grant	-	3,855
Resource Sharing Grants	3,416	4,329
New Horizon for Seniors Program	-	21,875
	\$ 415,326	\$ 449,776

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

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013

9. Grants (continued):

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.

CAP - As part of Industry Canada's Community Access Program, the Vancouver Community Network receives funding from the federal government to distribute to community to support public access to the internet.

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

New Horizons for Seniors Program - The program operates within Human Resources and Skills Development Canada. The program has a three-pronged mandate:

- Promote leadership experience through volunteerism;
- Engage seniors with their peers through sharing of knowledge, skills and values;
- Provide funds for projects/programs for seniors to be used in intergenerational programming.

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.

	2013	2012
Friends of the Library	\$ -	\$ 9,936
Celebrate with Books	14,970	-
Collection Donations	986,953	5,453
Filipiniana Collection	-	1,361
Law Matters	2,607	2,541
Other	15,720	16,574
	\$ 1,020,250	\$ 35,865

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013

11. Pension plan:

The Library 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 pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 179,000 active members and approximately 71,000 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). Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the Plan.

The Library paid \$472,197 (2012 - \$459,671) for employer contributions to the Plan in fiscal 2013. Employees paid \$394,306 (2012 - \$376,722) for employee contributions to the Plan in fiscal 2013.

12. Commitments:

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

2014	\$ 238,653
2015	187,509
2016	187,509
2017	175,127
Thereafter	1,007,333

RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2013

13. Budget data:

The budget data presented in these financial statements is based upon the 2013 budget approved by the Board on October 24, 2012. 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:	
Operating budget	\$ 9,062,900
Less:	
Transfer from accumulated surplus	110,000
	8,952,900
Expenses:	
Operating	9,540,300
Capital	1,103,900
	10,644,200
Annual deficit per approved budget	(1,691,300)
Add capital expenditures:	
Library collection	1,103,900
Annual deficit per statement of operations	\$ (587,400)

RICHMOND PUBLIC LIBRARY BOARD

Schedule 1 - Statement of Operations by Fund
Year ended December 31, 2013, with comparative figures for 2012

	2013			2012		
	Operating	Capital	Total	Operating	Capital	Total
Revenue:						
Municipal contribution	\$ 6,736,769	\$ 1,288,631	\$ 8,025,400	\$ 6,636,577	\$ 1,408,223	\$ 8,044,800
Fines and miscellaneous	365,150	-	365,150	426,421	-	426,421
Grants	415,326	-	415,326	449,776	-	449,776
Other capital funding sources	-	73,409	73,409	-	-	-
Donations	48,838	971,412	1,020,250	35,865	-	35,865
Gain on disposal of tangible capital assets	-	-	-	-	18,335	18,335
	7,566,083	2,333,452	9,899,535	7,548,639	1,426,558	8,975,197
Expenses:						
Salaries and employee benefits	6,487,382	-	6,487,382	6,411,959	-	6,411,959
Amortization	-	1,639,501	1,639,501	-	1,758,558	1,758,558
Supplies and equipment services	189,328	-	189,328	206,445	-	206,445
General and administration	429,113	-	429,113	198,397	-	198,397
Building, leases and maintenance	224,172	-	224,172	224,778	-	224,778
Utilities	172,669	-	172,669	170,859	-	170,859
Periodicals	131,331	-	131,331	139,872	-	139,872
Automation	43,531	-	43,531	60,991	-	60,991
Resource sharing services	64,388	-	64,388	77,276	-	77,276
Contribution to City of Richmond	-	-	-	13,564	-	13,564
Loss on disposal of tangible capital assets	-	14,652	14,652	-	-	-
	7,741,914	1,654,153	9,396,067	7,504,141	1,758,558	9,262,699
Annual surplus (deficit)	(175,831)	679,299	503,468	44,498	(332,000)	(287,502)
Accumulated surplus, beginning of year	493,537	4,158,175	4,651,712	449,039	4,490,175	4,939,214
Accumulated surplus, end of year	\$ 317,706	\$ 4,837,474	\$ 5,155,180	\$ 493,537	\$ 4,158,175	\$ 4,651,712



City of Richmond

Report to Committee

To: Finance Committee **Date:** May 2, 2014
From: Robert Gonzalez, General Manager,
Engineering & Public Works and Chief Executive
Officer, Lulu Island Energy Company **File:** 03-1000-23-005/Vol 01
Jerry Chong
Director, Finance and Chief Financial Officer,
Lulu Island Energy Company
Re: 2013 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, 2013, in the report "2013 Financial Statements for the Lulu Island Energy Company", dated April, 17, 2014 from the Director, Finance, 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

REPORT CONCURRENCE

APPROVED BY CAO

Report

DATE: May 2, 2013

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

Jerry Chong
Chief Financial Officer, Lulu Island Energy Company

FROM: Peter Russell

Re: 2013 Financial Statements for the Lulu Island Energy Company

Origin

The audited Lulu Island Energy Company financial statements for 2013 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

Through the City's district energy investments, the City saw the opportunity to establish Lulu Island Energy Company Ltd (LIEC), a corporation wholly-owned by the City, to provide services for the City. Under direction from Council and following receipt of the necessary approval from the Inspector of Municipalities, the incorporation of LIEC was completed in August 2013.

The City of Richmond also owns and operates the Alexandra District Energy Utility (ADEU). Therefore financial information concerning ADEU is included in the City's consolidated audited financial statements. A short summary of ADEU's financial performance is also included in Attachment 1. Staff intend to bring a report forward for Council consideration to transfer ADEU assets to LIEC in 2014/2015.

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, 2013, LIEC did not have any revenues or expenses.

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, 2013, and auditors' report for submission to the sole shareholder. KPMG have provided an unqualified opinion in their Auditor's Report for LIEC.



Peter Russell
Senior Manager, Sustainability and District Energy
(604-276-4130)

PR:pr

Attachment 1**Alexandra District Energy Utility – 2013 Financial Summary**

ADEU is currently not an asset of LIEC. This summary is provided as it relates to district energy activities in Richmond. The below figures were extracted from the City of Richmond's Financial Statements.

Incoming revenue from ADEU customers has been gradually increasing in pace with the occupancy of serviced buildings. Total revenue for 2013 was \$478,738.

2013 revenue, when compared with the projected revenue in the ADEU financial model, is within acceptable ranges. Projected expenses were lower than expected due to the following reasons:

- **Equipment is Still Under Warranty:** Maintenance expenses are minimal due to new system components and one year warranty period.
- **Lower than Expected Utility Expenses:** Utility expenses (natural gas and electricity) are low due to phased development occupancy which resulted in a gradual increase in demand. The 2013 winter was also very mild and short.
- **Reduced Financing Costs for Expansion:** Financing expenses projected in the financial model for expansion planned for this year are zero since the capacity of the Phase 1 and 2 is adequate to service existing two developments plus a third development (Omega by Concord Pacific) that is scheduled for connection in 2014.

For the above reasons, there was an additional \$132,466 in reduced spending, compared to budget, that was transferred to surplus. As per the financial model approved by Council, surpluses for up to ten years are set aside to build a reserve fund. Staff will bring forward recommendations to Council in 2014 for the system expansion and financing as required to service new developments currently under consideration.

For its 1st year of operations and in the context of a small customer base, the above financial, operational and environmental results show as expected and outstanding performance of the ADEU system.

Financial Statements of

LULU ISLAND ENERGY COMPANY LTD.

Period from incorporation on August 19, 2013 to December 31, 2013



KPMG LLP
Chartered Accountants
Metrotower II
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Burnaby BC V5H 4N2
Canada

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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, 2013, the statements of operations, changes in net financial assets and cash flows for the period from incorporation on August 19, 2013 to December 31, 2013, and, 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 as at December 31, 2013 and its results of operations, and its changes in net financial assets and its cash flows for the period from incorporation on August 19, 2013 to December 31, 2013 in accordance with Canadian public sector accounting standards.

Chartered Accountants

April 30, 2014

Burnaby, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Financial Position

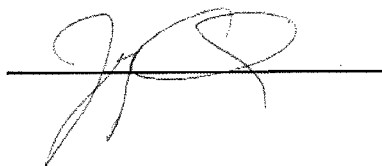
December 31, 2013

Financial Assets

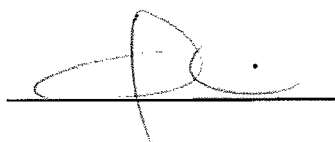
Due from City of Richmond (note 3)	\$	1
Net financial assets		1
Accumulated surplus	\$	1

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

LULU ISLAND ENERGY COMPANY LTD.

Statement of Operations

Period from August 19, 2013 to December 31, 2013

	Budget 2013 (note 5)	2013
Revenue:		
Contribution from City of Richmond	\$ -	\$ 1
Annual surplus, being the accumulated surplus, end of period	\$ -	\$ 1

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Changes in Financial Assets

Period from August 19, 2013 to December 31, 2013

	2013 budget (note 5)	2013
Surplus for the period	\$ -	\$ 1
Change in net financial assets, being net financial assets, end of period	\$ -	\$ 1

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Cash Flows

Period from August 19, 2013 to December 31, 2013

Cash provided by (used in):

Operations:

Annual surplus	\$	1
Change in non-cash operating working capital:		
Due from City of Richmond		(1)

Net change in cash, end of period	\$	-
-----------------------------------	----	---

See accompanying notes to financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Notes to Financial Statements

Period from August 19, 2013 to December 31, 2013

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 public sector accounting standards as prescribed by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

(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. Actual results could differ from these estimates.

(c) Income taxes:

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

3. Due from City of Richmond:

The amount due from City of Richmond relates to share capital (note 4).

4. Share capital:

Authorized: 10,000 common shares without par value.

Issued: 100 common shares for \$1.

5. Budget data:

There is no budget data approved by the Board of Directors for fiscal 2013.



City of Richmond

Report to Committee

To: Finance Committee

Date: April 24, 2014

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: 2013 Financial Statements for the Richmond Olympic Oval Corporation

Staff Recommendation

That the report on the 2013 Financial Statements and Independent Auditor's report for the Richmond Olympic Oval Corporation from the Controller of the Richmond Olympic Oval Corporation be received for information.

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

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



DATE: April 16, 2014

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 2013 audited financial statements**

Origin

Section 7.3 of the Operating Agreement between the City of Richmond (the "City") and the Richmond Olympic Oval Corporation (the "Corporation") requires reporting with respect to business plans, budgets, audited financial statements, and quarterly comparisons of actual results to budget along with projections to fiscal year end. This staff report deals with the 2013 audited financial statements of the Corporation.

Analysis

Please see the attachment for the audited financial statements of the Corporation for the year ended December 31, 2013. The Corporation's financial statements are prepared in accordance with Public Sector Accounting Standards.

Statement of Operations and Accumulated Surplus

The 2013 final audited financial statements have an annual surplus of \$3.69M before transfers to reserves/provisions with revenues of \$14.20M and expenses of \$10.51M.

Revenues

The City applies for and receives funding from the Games Operating Trust ("GOT") Fund. GOT revenue of \$2.82M was received and recognized in 2013. The Corporation also received \$3.57M from a contribution from the City, of which \$0.43M represented the portion of Post Games Legacy Funding that was approved for the Corporation's Mezzanine project. With respect to memberships, admissions and programs the Oval earned \$6.57M of revenue in 2013.

Other revenue of \$1.24M was recognized in 2013 which included mainly parking, space leasing, sponsorship and interest revenue.

Expenses

Total salaries and benefits for 2013 was \$6.71M. There were 60 full-time and 168 part-time employees on the payroll as at December 31, 2013.

Other costs of \$3.80M included the following: utilities costs of \$1.00M related to the heat, light and power for the Oval, \$0.31M of amortization costs, \$0.62M of supply and equipment costs associated with supplies for operating the facilities including general building maintenance costs, \$0.35M of costs for property and liability insurance, \$0.64M of administration costs related to accounting, information technology and office supplies, \$0.21M of costs related to marketing which included advertising, promotion, and printing costs for the Corporation's programs, camps, and membership sales, \$0.62M of costs pertained to running sport and fitness programs as well as the sport hosting function out of the Oval and \$0.04M of professional fees related to legal, consulting and audit fees.

Statement of Financial Position

Financial Assets

The Corporation had a cash balance of \$1.96M as of December 31, 2013. The accounts receivable balance was \$0.22M 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, 2013 were \$1.69M and primarily included payroll accruals and trade payables for heat, light, power, legal, the Richmond Olympic Experience project, and audit fees. Deferred revenue of \$2.82M included unspent funding pertaining to the Sport Hosting function, sponsorship fees, unspent funding pertaining to the Richmond Olympic Experience project and the pro rata portion of fees received in 2013 for membership and programs to be delivered in 2014. The amount due to the City of \$0.53M primarily pertains to costs paid for by the City for the Mezzanine Infill project, which will be repaid by the Corporation.

Non-Financial Assets

As at December 31, 2013, the Corporation had \$2.66M of tangible capital assets which included the Mezzanine project, the Richmond Olympic Experience project, athletic equipment, computer software and equipment, facility equipment, etc. Deferred lease costs of \$0.14M are direct costs incurred in connection with leases and are deferred and amortized over the terms of the lease. Prepaid expenses of \$0.43M primarily consisted of unamortized portions of the premiums on the Corporation's insurance policies together with prepaid information technology licences, and equipment maintenance.

Accumulated Surplus

The accumulated surplus as at December 31, 2013 was \$9.04M. Of this amount, \$4.73M is in Capital Reserves, \$2.66M is invested in tangible capital assets, \$1.07M is in operating surplus, and \$0.58M is in other reserves/provisions.

A handwritten signature in black ink, appearing to read 'RD' with a stylized flourish.

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

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

Financial Statements of

**RICHMOND OLYMPIC OVAL
CORPORATION**

Year ended December 31, 2013



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Richmond Olympic Oval Corporation

We have audited the accompanying financial statements of Richmond Olympic Oval Corporation, which comprise the statement of financial position as at December 31, 2013, the statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 in our audits 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 Olympic Oval Corporation as at December 31, 2013 and its results of operations, its changes in net financial assets (debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants
April 23, 2014
Burnaby, Canada

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Financial Position

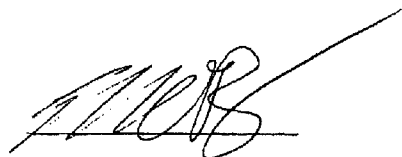
December 31, 2013, with comparative information for 2012

	2013	2012
Financial Assets		
Cash	\$ 1,963,267	\$ 2,053,574
Investments (note 3)	8,676,448	4,805,363
Due from City of Richmond	-	132,632
Accounts receivable	223,030	390,081
	10,862,745	7,381,650
Liabilities		
Accounts payable and accrued liabilities	1,692,492	952,216
Obligations under capital leases (note 6)	-	8,491
Deferred revenue (note 7)	2,824,218	2,317,370
Due to City of Richmond (note 8)	532,415	-
Rental deposits	9,263	5,513
	5,058,388	3,283,590
Net financial assets	5,804,357	4,098,060
Non-Financial Assets		
Tangible capital assets (note 9)	2,663,644	694,497
Deferred lease costs (note 10)	141,665	121,186
Inventories of supplies	1,755	2,508
Prepaid expenses and other deposits	426,251	428,954
	3,233,315	1,247,145
Accumulated surplus (note 11)	\$ 9,037,672	\$ 5,345,205

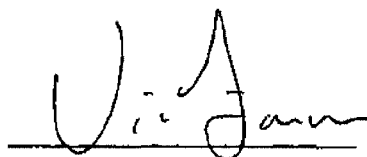
Economic dependence (note 15)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Operations

Year ended December 31, 2013, with comparative information for 2012

	2013 Budget	2013	2012
Revenue:			
2010 Games Operating Trust Fund (note 5)	\$ 2,700,000	\$ 2,823,239	\$ 2,784,637
Contribution from City of Richmond (note 13)	3,144,700	3,574,700	3,073,883
Memberships, admissions and programs	6,126,945	6,568,014	5,907,870
Other	1,011,531	1,235,038	1,156,163
	12,983,176	14,200,991	12,922,553
Expenses:			
Salaries and benefits	7,008,311	6,712,878	6,261,653
Utilities	1,000,000	1,002,566	914,519
Amortization	359,904	309,991	286,071
Supplies and equipment	588,450	618,349	557,441
Insurance	368,225	350,543	347,487
General and administration	989,593	642,501	425,988
Marketing and sponsorship	292,000	209,857	235,990
Program services	662,473	619,247	677,223
Professional fees	163,090	42,592	149,357
	11,432,046	10,508,524	9,855,729
Annual surplus	1,551,130	3,692,467	3,066,824
Accumulated surplus, beginning of year	5,345,205	5,345,205	2,278,381
Accumulated surplus, end of year	\$ 6,896,335	\$ 9,037,672	\$ 5,345,205

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statements of Changes in Net Financial Assets (Debt)

Year ended December 31, 2013, with comparative information for 2012

	2013 Budget	2013	2012
Annual surplus for the year	\$ 1,551,130	\$ 3,692,467	\$ 3,066,824
Acquisition of tangible capital assets	(6,075,000)	(2,279,138)	(319,013)
Amortization of tangible capital assets	359,904	309,991	286,071
	(5,715,096)	(1,969,147)	(32,942)
Amortization of deferred lease costs	-	17,711	13,729
Acquisition of inventory of supplies	-	(1,390)	(3,655)
Acquisition of prepaid expense	-	(582,833)	(500,385)
Consumption of inventories of supplies	-	2,143	3,012
Use of prepaid expenses and other deposits	-	585,536	515,758
Additions of deferred leasing costs	-	(38,190)	(11,106)
Change in net financial assets	(4,163,966)	1,706,297	3,051,235
Net assets, beginning of year	4,098,060	4,098,060	1,046,825
Net financial assets (debt), end of year	\$ (65,906)	\$ 5,804,357	\$ 4,098,060

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 3,692,467	\$ 3,066,824
Items not involving cash:		
Amortization of tangible capital assets	309,991	286,071
Amortization of deferred lease costs	17,711	13,729
Changes in non-cash operating working capital:		
Accounts receivable	167,051	(21,337)
Deferred lease costs	(38,190)	(11,106)
Inventories of supplies	753	(643)
Prepaid expenses and other deposits	2,703	15,373
Accounts payable and accrued liabilities	740,276	179,786
Deferred revenue	506,848	438,120
Due to the City of Richmond	665,047	(272,430)
	6,064,657	3,694,387
Capital activities:		
Cash used to acquire tangible capital assets	(2,279,138)	(319,013)
Investing activities:		
Purchase of investments	(3,871,085)	(2,555,363)
Financing activities:		
Repayment of obligations under capital leases	(8,491)	(197,172)
Increase in rental deposits	3,750	-
	(4,741)	(197,172)
Increase (decrease) in cash	(90,307)	622,839
Cash, beginning of year	2,053,574	1,430,735
Cash, end of year	\$ 1,963,267	\$ 2,053,574

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements

Year ended December 31, 2013

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"). On August 10, 2010, the Corporation changed its name from 0827805 B.C. Ltd. to Richmond Olympic Oval Corporation. 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 Canadian Institute of Chartered Accountants.

(b) Revenue recognition:

Memberships, admissions and programs fees are recorded as revenue in the period that the services are rendered, with any unearned portion recorded as deferred revenue. Annual distributable amounts and trust income amounts are recognized as revenue when the amounts are approved by 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.

(c) Financial instruments:

Financial instruments are initially classified upon initial recognition as a fair value or amortized cost instrument. The Corporation holds financial instruments consisting of accounts receivables 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.

(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 OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

2. Significant accounting policies (continued):

(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) Assets held under capital lease:

Assets held under capital lease are stated at historical cost, being the lesser of the present value of the future minimum lease payments and fair value at the date of acquisition, and are amortized on a straight-line basis over their estimated useful lives.

(iv) 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.

(e) Pension plan:

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

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

2. Significant accounting policies (continued):

(f) Income taxes:

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

(g) Functional and object reporting:

The operations of the Oval are comprised of a single function, operations related to sport, fitness and recreation. As a result, the expenses of the Oval are presented by object in the statement of operations.

(h) Budget data:

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

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. 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.

(j) Government transfers:

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

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

3. Investments:

Investments represent term deposits as follows:

Purchase Date	Maturity Date	2013	2012
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	-
March 28, 2012	March 28, 2013	-	2,000,000
July 20, 2012	January 16, 2013	-	1,805,363
July 20, 2012	January 16, 2013	-	1,000,000
Total		\$ 8,676,448	\$ 4,805,363

The interest rate of the term deposits range from 1.80% to 1.95%.

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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

5. 2010 Games Operating Trust Fund (continued):

Effective December 31, 2007:

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

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

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

Revenue from GOT is comprised of:

	2013	2012
2012 annual distributable amount approved and received in 2013	\$ 2,823,239	\$ -
2011 annual distributable amount approved and received in 2012	-	2,784,637
	<u>\$ 2,823,239</u>	<u>\$ 2,784,637</u>

6. Obligations under capital leases:

As at December 31, 2013, the Corporation had no remaining commitments for capital leases payments as the remaining obligation was paid in 2013. The underlying capital assets are included in computer software and equipment.

7. Deferred revenue:

	2013	2012
Balance, beginning of year	\$ 2,317,370	\$ 1,879,250
Add: amounts received during the year	8,309,900	7,502,153
Less: revenue recognized	(7,803,052)	(7,064,033)
Balance, end of year	<u>\$ 2,824,218</u>	<u>\$ 2,317,370</u>

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

7. Deferred revenue (continued):

Deferred revenue comprises of:

	2013	2012
Memberships and programs	\$ 1,008,067	\$ 946,082
Sponsorship fees	333,333	433,333
Sport Hosting funding (note 13)	552,642	507,779
Richmond Olympic Experience (note 13)	930,176	430,176
	<u>\$ 2,824,218</u>	<u>\$ 2,317,370</u>

8. Due to City of Richmond:

The amount due to City of Richmond is non-interest bearing with no stated repayment terms. This balance primarily consists of \$526,413 in costs paid for by the City for the Mezzanine Infill project, which are repayable by the Oval.

9. Tangible capital assets:

Cost	Balance at December 31, 2012	Additions	Balance at December 31, 2013
Athletic equipment	\$ 857,024	\$ 117,685	\$ 974,709
Automobile	23,158	-	23,158
Building improvements	36,690	82,910	119,600
Computer software and equipment	1,142,253	39,102	1,181,355
Facility equipment	77,370	112,792	190,162
Signage	43,884	-	43,884
Tenant improvements	16,979	-	16,979
Uniforms, ice skates, and helmets	127,966	18,378	146,344
Work in progress	69,824	1,908,271	1,978,095
	<u>\$ 2,395,148</u>	<u>\$ 2,279,138</u>	<u>\$ 4,674,286</u>

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

9. Tangible capital assets (continued):

Accumulated amortization	Balance at December 31, 2012	Amortization expense	Balance at December 31, 2013
Athletic equipment	\$ 427,610	\$ 176,227	\$ 603,837
Automobile	11,193	4,632	15,825
Building improvements	11,521	15,783	27,304
Computer software and equipment	1,058,958	50,947	1,109,905
Facility equipment	25,043	45,997	71,040
Signage	38,617	3,174	41,791
Tenant improvements	16,555	300	16,855
Uniforms, ice skates, and helmets	111,154	12,931	124,085
	\$ 1,700,651	\$ 309,991	\$ 2,010,642

	Net book value December 31, 2013	Net book value December 31, 2012
Athletic equipment	\$ 370,872	\$ 429,414
Automobile	7,333	11,965
Building improvements	92,296	25,169
Computer software and equipment	71,450	83,295
Facility equipment	119,122	52,327
Signage	2,093	5,267
Tenant improvements	124	424
Uniforms, ice skates, and helmets	22,259	16,812
Work in progress	1,978,095	69,824
	\$ 2,663,644	\$ 694,497

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

There was no write down of tangible capital assets during the year (2012 - nil).

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

10. Deferred lease costs:

	2013	2012
Balance, beginning of year	\$ 121,186	\$ 123,809
Add: additional costs incurred	38,190	11,106
Less: amortization	(17,711)	(13,729)
Balance, end of year	\$ 141,665	\$ 121,186

11. Accumulated surplus:

Accumulated surplus is comprised of:

	2013	2012
Share capital	\$ 1	\$ 1
Capital reserve	4,731,850	4,100,000
Other reserves/provisions	577,108	211,790
Operating surplus	1,065,070	347,408
Invested in tangible capital assets	2,663,643	686,006
	\$ 9,037,672	\$ 5,345,205

12. Financial risk management:

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

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if 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 accounts receivables. The Corporation assesses these financial assets, on a continuous basis for any amounts that are not collectible or realizable.

(b) Market risk

Market risks 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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

12. Financial risk management (continued):

(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.

13. Related party transactions:

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

Included in general and administration expenses is a management fee of \$63,630 to the City for the provision of city staff time in fiscal year 2013 (2012 - \$61,835).

In 2013, \$70,000 (2012 - \$93,979) 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 2013, the Corporation received a contribution from the City of \$3,574,700 (2012 - \$3,073,883). \$430,000 of this contribution (2012 - nil) was for the Mezzanine Infill project.

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 2013, \$400,000 (2012 - nil) was transferred from the City to the Corporation as funding for the operations of the function. As at December 31, 2013, \$552,642 (2012 - \$507,779) remains in deferred revenue (note 7) and \$355,137 (2012 - \$426,097) was recognized in memberships, admissions, and programs on the statement of operations.

The Corporation also received \$500,000 from the City of Richmond via hotel tax funding in 2013 (2012 - \$500,000) to be used to purchase capital assets related to the Richmond Olympic Experience project. As at December 31, 2013, \$930,176 (2012 - \$430,176) remains in deferred revenue. In order to retain this funding, the Oval must maintain and operate the capital assets purchased with these funds over the life of the related 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.

RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2013

14. 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 179,000 active members and approximately 71,000 retired members.

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 liability funding deficit 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 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 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 \$312,990 (2012 - \$263,064) as employer contributions to the Plan.

15. Economic dependence:

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

16. Comparative information:

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