



**Finance Committee**

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

**Monday, May 6, 2013**

**Immediately Following the Open Special Council meeting**

Pg. #      ITEM

**MINUTES**

**FIN-3**      *Motion to adopt the minutes of the meeting of the Finance Committee held on Monday, March 4, 2013.*



**DELEGATION**

**FIN-7**      1. *C.J. James, Partner, and Archie Johnston, Partner, KPMG, to present the 2012 Auditor's report on the City's financial statements.*

**RICHMOND OLYMPIC OVAL CORPORATION**

2. **2012 FINANCIAL STATEMENTS FOR THE RICHMOND OLYMPIC OVAL CORPORATION**  
(File Ref. No.) (REDMS No. 3833427)

**FIN-27**

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See Page **FIN-27** for full report

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*Designated Speaker: Rick Dusanj*

STAFF RECOMMENDATION

*That the report on the 2012 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.*

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FINANCE AND CORPORATE SERVICES DEPARTMENT

3. **2012 CONSOLIDATED FINANCIAL STATEMENTS**

(File Ref. No. 03-0905-01) (REDMS No. 3838377 v.2)

**FIN-47**

See Page **FIN-47** for full report

*Designated Speakers: Andrew Nazareth & Jerry Chong*

STAFF RECOMMENDATION

*That the City's audited consolidated financial statements for the year ended December 31, 2012 be approved.*

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4. **FINANCIAL INFORMATION – 1<sup>ST</sup> QUARTER MARCH 31, 2013**

(File Ref. No.) (REDMS No. 38333554)

**FIN-143**

See Page **FIN-143** for full report

*Designated Speaker: Jerry Chong*

STAFF RECOMMENDATION

*That the staff report titled Financial Information – 1<sup>st</sup> Quarter March 31, 2013 dated April 12, 2013 from the Director, Finance be received for information.*

☐

ADJOURNMENT

☐



## Finance Committee

Date: Monday, March 4, 2013

Place: Anderson Room  
Richmond City Hall

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

Call to Order: The Chair called the meeting to order at 4:21 p.m.

### MINUTES

It was moved and seconded

*That the minutes of the meeting of the Finance Committee held on Monday, February 4, 2013, be adopted as circulated.*

**CARRIED**

## **FINANCE AND CORPORATE SERVICES DEPARTMENT**

**1. FINANCIAL INFORMATION – 4<sup>TH</sup> QUARTER DECEMBER 31, 2012**  
(File Ref. No.) (REDMS No. 3797568 v.7)

Jerry Chong, Director, Finance, was available to answer questions. A brief discussion ensued about: (i) the 2014 budget approval and allocating surplus funds to reserve accounts; (ii) the increase in gaming revenues; (iii) the increase in office space vacancies; and (iv) the average interest rates being received for the City's cash and investment portfolio. It was noted that the City's funds are kept in low risk investments.

It was moved and seconded

*That the staff report titled Financial Information – 4<sup>th</sup> Quarter December 31, 2012 from the Director, Finance be received for information.*

**CARRIED**

## **RICHMOND OLYMPIC OVAL CORPORATION**

**2. 4<sup>TH</sup> QUARTER 2012 – FINANCIAL INFORMATION FOR THE RICHMOND OLYMPIC OVAL CORPORATION**  
(File Ref. No.) (REDMS No. 3805767)

Andrew Nazareth, General Manager, Finance and Corporate Services, and John Mills, General, Manager, Richmond Olympic Oval Corporation, were both available to answer questions. Mr. Nazareth highlighted a typo on the Richmond Oval Corporation Statement of Operations, and noted that the third line from the bottom of the spreadsheet should read as: 'Net income before transfer to reserves' rather than 'Net income after transfer to reserves'.

In answer to a question about the Oval Corporation's expenses related to Sport Hosting, Mr. Mills provided an explanation about how the amount of Sport Hosting revenue was recognized to offset the Sport Hosting expenditures during the fourth quarter, and that the expenses included salaries and other expenditures related to sport hosting activities including attracting events to the City.

Mr. Mills also spoke about how changing all of the light bulbs at the Richmond Olympic Oval combined with reducing the number of lights being used in the evenings to one-third has resulted in overall energy savings.

**Finance Committee**  
**Monday, March 4, 2013**

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It was moved and seconded

*That the report on Financial Information for the Richmond Olympic Oval Corporation for the fourth quarter ended December 31, 2012 from the Controller of the Richmond Olympic Oval Corporation be received for information.*

**CARRIED**

**3. 2013 OPERATING BUDGET - RICHMOND OLYMPIC OVAL CORPORATION**

(File Ref. No.) (REDMS No. 3805773)

Mr. Mills and Mr. Nazareth were both available to answer questions. A discussion ensued about the expected increase in labour costs, and Mr. Mills advised that the expected increase was a result of salary and wage adjustments subsequent to a review process that had been conducted, and that several previously approved positions were anticipated to be filled in the near future. George Duncan, Chief Administrative Officer provided further information regarding the unfilled positions, noting that the Oval Corporation's Board of Directors allowed the Oval to operate understaffed until there was proven financial performance, and therefore some positions are now being filled.

Discussion also took place about finding the most appropriate tenants to lease retail space at the Oval facility, and about promoting further growth of the facility by allocating certain events and activities to mornings and afternoons rather than during peak hours of operation.

It was moved and seconded

*That the report on the 2013 Operating Budget for the Richmond Olympic Oval Corporation from the Controller of the Richmond Olympic Oval Corporation be received for information.*

**CARRIED**

**ADJOURNMENT**

It was moved and seconded

*That the meeting adjourn (4:42 p.m.).*

**CARRIED**

**Finance Committee**  
**Monday, March 4, 2013**

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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, March 4, 2013.

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Mayor Malcolm D. Brodie  
Chair

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Shanan Sarbjit Dhaliwal  
Executive Assistant  
City Clerk's Office



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## **AUDIT FINDINGS LETTER**

### **PRIVATE & CONFIDENTIAL**

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

April 18, 2013

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, 2012. 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.



City of Richmond

April 18, 2013

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

*KPMG LLP*

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

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

Enclosures:

Appendix 1 - Independence letter

Appendix 2 – Draft Management representation letter





**AUDIT STATUS AND OPINION**

We have completed our audit of the City's December 31, 2012 consolidated financial statements with the exception of the following procedures:

- 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***

**Strategic Community Investment Fund Grant**

During 2012, the City received \$3.1M in grants from the Province of British Columbia to support the cost of local police enforcement. The Province of British Columbia plans to contribute another \$3.0M in grants between 2013 and 2014 to the City. The City has recorded the money received as revenue in the current year and has not accrued any amounts to be received in the future.

We inspected the terms in the agreement and analyzed the Public Sector Accounting Standards to determine the appropriate treatment of these grants. Amounts received in 2012 should be recognized as revenue in 2012 as these funds were received and spent. Conditions in the agreement indicate that authorization of the payment of 2013 and 2014 has not yet occurred and as a result, the City has not accrued the 2013 and 2014 grants. We concur with how the City has accounted for the Strategic Community Investment Fund Grant.

**Collective Agreements**

The City employs approximately 1,000 CUPE Local 718 employees and 350 CUPE Local 394 employees. The most recent collective agreements for both employee groups had expired on December 31, 2011. For the year ended December 31, 2012, the City has recorded an accrual for retroactive wage increases expected to be bargained by both CUPE groups effective for the period of January 1 – December 31, 2012 equal to a 1.25% of wage increase from 2011. The total accrual recorded by management for 2012 is \$814K.

We have reviewed the assumptions used by management in preparing the retroactive accrual and assessed those assumptions for reasonableness. We have recalculated the accrual recorded by management and did not note any significant differences.



***SIGNIFICANT QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES***

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

<b>Significant accounting policies</b>	<ul style="list-style-type: none"><li>• Critical accounting policies and practices adopted by the City are appropriate and properly disclosed in the consolidated financial statements.</li><li>• There were no significant changes in accounting policies during 2012.</li><li>• There are no significant accounting policies in controversial or emerging areas.</li><li>• The transactions were correctly recorded in relation to the period in which they are related to.</li><li>• There were no significant unusual transactions undertaken during the year.</li></ul>
<b>Significant accounting estimates</b>	<ul style="list-style-type: none"><li>• Management's identification of accounting estimates and process for making such accounting estimates are appropriate.</li><li>• There were no indicators of possible management bias noted during our audit.</li><li>• Disclosure of estimation uncertainty in the consolidated financial statements is appropriate.</li></ul>
<b>Significant disclosures</b>	<ul style="list-style-type: none"><li>• There are no particularly sensitive financial statement disclosures.</li><li>• 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.</li></ul>



## ***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**

Professional standards require that we request of management and those charged with governance that all uncorrected misstatements be corrected. However, management has decided not to correct these misstatements and represented to us that the uncorrected misstatements—individually and in the aggregate—are, in their judgement, not material to the financial statements.

We concur with management's representation. Accordingly, the uncorrected misstatements have no effect on our audit report.

Refer to the Attachment II in the draft management's representation letter in Appendix 2 for a Summary of Uncorrected Audit Misstatements.

### **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 internal control. In the prior year, we had identified a performance improvement observation regarding the omission of certain tangible capital assets. This point has been addressed by management in the current year.



## ***CURRENT DEVELOPMENTS***

### Government Transfers

- New Accounting Standard, Government Transfers PS3410, has been approved by the Public Sector Accounting Standards Board (“PSAB”) and is effective for years commencing on or after April 1, 2012.
- Government transfers (e.g. grants, contributions, in-kind) are recognized as revenue in the period that the transfer is authorized by the transferring government, and eligibility criteria, if any, have been met by the recipient, except when and to the extent that the transfer gives rise to a liability under PS3200. If a liability is created, then the corresponding amount is recorded as a liability (e.g. deferred revenue/contributions) and is recognized as revenue when and in proportion to how the liability is settled, through the transfer or use of assets, or the provision of goods or services.
- Applies to both operating and capital transfers.
- Application of this Section will require significant professional judgment by management.

### Liability for Contaminated Sites

- New Accounting Standard, Liability for Contaminated Sites PS3260, has been approved by the PSAB and is effective for years commencing on or after January 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.

### 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 for governments. 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.

#### 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. New standards are expected to be approved in Spring 2013. 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.
  - Contributed goods and services may be recognized or disclosed.

#### Appropriations

- PSAB has issued an exposure draft for a new standard on the use of appropriations. New standards are expected to be approved in Spring 2013. As this time, we do not expect there to be any impact on the City's financial reporting as a result of this standard.



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**INDEPENDENCE LETTER**

**PRIVATE & CONFIDENTIAL**

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

April 18, 2013

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 City") as at and for the period ended December 31, 2012.

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

In determining which relationships to report, we are required to consider relevant rules and related interpretations prescribed by the Institute of Chartered Accountants of British Columbia 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.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since the date of our last letter dated April 18, 2012.

**PROVISION OF SERVICES**

The following summarizes the professional services rendered by us to the City (and its related entities) up to the date of this letter.





City of Richmond  
April 18, 2013

Description of Service
<b>Audit</b> <ul style="list-style-type: none"><li>• Audit of the City's consolidated financial statements</li><li>• Audit of the financial statements of Richmond Olympic Oval Corporation</li><li>• Audit of the financial statements of Richmond Public Library</li><li>• Audit of the Form C2 - Home Owner Grant: Treasurer/Auditor Certificate</li><li>• Audit of the City's compliance with subsections 2 and 3 of section 124 of Part 8 of the School Act</li></ul>
<b>Advisory</b> <ul style="list-style-type: none"><li>• Business continuity planning assistance and agreed upon procedures with respect to compliance with the Richmond Oval Funding Agreement</li></ul>
<b>All other</b> <ul style="list-style-type: none"><li>• Tax advice</li></ul>

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 to 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.

#### OTHER RELATIONSHIPS

We are not aware of any relationships between our firm and the City (and its related entities) that may reasonably be thought to bear on our independence up to the date of this letter.

#### CONFIRMATION OF INDEPENDENCE

We confirm that we are independent with respect to the City (and its related entities) within the meaning of the Rules of Professional Conduct/Code of Ethics of the Institute of Chartered Accountants of British Columbia as of 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 for any other purpose.

Yours very truly,

Chartered Accountants

**MANAGEMENT REPRESENTATION LETTER**

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

Date

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, 2012.

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 engagement letter dated November 20, 2012 for:
  - a) the preparation of the financial statements.
  - b) providing you with all relevant information and access.
  - 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) The effects of the uncorrected misstatements described in **Attachment II** are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 13) We approve the corrected misstatements identified by you during the 2012 audit.

**ACCOUNTING POLICIES:**

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

**ASSETS & LIABILITIES – GENERAL:**

- 15) The City has satisfactory title to all owned assets.
- 16) 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.
- 17) We have no knowledge of any plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

**RECEIVABLES:**

- 18) 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:**

- 19) 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**

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

**EMPLOYEE FUTURE BENEFITS**

- 21) The employee future benefit costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 22) 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.
- 23) 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.

- 24) 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.
- 25) 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.
- 26) 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.
- 27) In arriving at these assumptions, management has obtained the advice of Mercer, but has retained the final responsibility for them.
- 28) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
- 29) 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.
- 30) 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:**

- 31) We have appropriately reported the amounts of Home Owner Grants collected and remitted as stated on the Home Owners Grants: Auditor Certificate.
- 32) We have complied with subsection 2 and 3 section 124 of Part 8 of the School Act for the year ended December 31, 2012.
- 33) 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

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 2012 Audit Misstatements

## Summary of uncorrected audit misstatements

1	Dr. Revenue	\$	315,000		
	Cr. Opening accumulated surplus			\$	(315,000)
	<i>To adjust opening accumulated surplus for 2011 revenue recorded in 2012 related to Asphalt Capping Provision. Accumulated surplus as at December 31, 2012 is properly recorded.</i>				
2	Dr. Revenue	\$	775,102		
	Cr. Opening accumulated surplus			\$	(775,102)
	<i>To adjust opening accumulated surplus for 2011 revenue recorded in 2012 related to 2011 Strategic Community Investment Fund Grant. Accumulated surplus as at December 31, 2012 is properly recorded.</i>				

## Summary of corrected audit misstatements

1	Dr. Other revenue	\$	2,858,425		
	Cr. Salaries expense			\$	(2,858,425)
	<i>To reclassify fire retropay from other revenue to salaries expense</i>				
2	Dr. Other revenue	\$	723,380		
	Cr. Professional fees expense			\$	(723,380)
	<i>To reclassify legal expense from other revenue to legal expense</i>				
3	Dr. Other revenue	\$	1,017,022		
	Cr. Supplies and material expense			\$	(1,017,022)
	<i>To net the collection from and remittance to GVRD for DCC rates contribution</i>				

### **Attachment III – Management Responsibilities**

Management acknowledges and understands that it is responsible for:

- the preparation of the financial statements for consolidation purposes.
- ensuring that all transactions have been recorded and are reflected in the financial statements for consolidation purposes.
- such internal control as management determines is necessary to enable the preparation of financial statements for consolidation purposes that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
- providing us with access to all information of which management is aware that is relevant to the preparation of the financial statements for consolidation purposes such as records, documentation and other matters.
- providing us with additional information that we may request from management for the purpose of the audit.
- providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain audit evidence.
- providing us with written representations required under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that professional standards require that we disclaim an audit opinion when management does not provide certain written representation required.

An audit does not relieve management or those charged with governance of their responsibilities.



# City of Richmond

## Report to Committee

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**To:** Finance Committee

**Date:** April 25, 2013

**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:** 2012 Financial Statements for the Richmond Olympic Oval Corporation

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### Staff Recommendation

That the report on the 2012 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 24, 2013

**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, CA  
Controller, Richmond Olympic Oval Corporation

**Re:** Richmond Olympic Oval Corporation 2012 audited financial statements

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**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 2012 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, 2012. The Corporation's financial statements are prepared in accordance with Public Sector Accounting Standards.

Statement of Operations and Retained Earnings

The 2012 final audited financial statements have an annual surplus of \$3,067k before transfers to reserves/provisions with revenues of \$12,893k and expenses of \$9,826k.

Revenues

There was \$2,785k of revenue from the Games Operating Trust ("GOT"). The City applies for and receives funding from the GOT. This amount represents the amount received in 2012. The Oval also received \$3,074k from a contribution from the City. With respect to memberships, admissions and programs the Oval earned \$5,480k of revenue in 2012.

Other revenue of \$1,554k was recognized in 2012 which included mainly parking, space leasing and sponsorship revenue, a BC Hydro rebate received as part of the relamping project that was undertaken at the Oval, and sport hosting revenue. Effective July 1, 2011, the sport hosting function from the City was transferred over to the Corporation along with separate funding that is attached to that function through the hotel tax. The funding is recognized as deferred revenue until it is spent at which time the revenue and expense are both recognized.

#### Expenses

Total salaries and benefits for 2012 was \$6,262k. There were 62 full-time and 145 part-time employees on the payroll as at December 31, 2012.

Other costs included the following: utilities costs of \$915k related to the heat, light and power for the Oval, \$286k of amortization costs, \$557k of supply and equipment costs associated with supplies for operating the facilities including general building maintenance costs, \$347k of costs for property and liability insurance, \$397k of administration costs related to accounting, information technology, and office supplies, \$236k of costs related to marketing which included advertising, promotion, and printing costs for the Corporation's programs, camps, and membership sales, \$677k of costs pertained to running sport and fitness programs as well as the sport hosting function out of the Oval and \$149k of professional fees related to legal, consulting and audit fees.

#### Statement of Financial Position

##### Financial Assets

The Corporation had a cash balance of \$2,054k as of December 31, 2012. The accounts receivable aggregating \$390k resulted primarily from the BC Hydro rebate, sponsorship fees, leases, sales of memberships, admissions and programs, rentals, special events, interest and HST receivable. The amount due from the City of \$133k arose in the normal course of business. The Investment balance of \$4,805k represents the Corporation's investments invested through the City.

##### Financial Liabilities

Accounts payable and accrued liabilities as of December 31, 2012 were \$952k and primarily included payroll accruals and trade payables for heat, light, power, legal and audit fees. The Corporation has capital lease obligations for equipment with remaining terms to April 2013; the balance as at December 31, 2012 was \$8k. Deferred revenue of \$2,317k 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 2012 for membership and programs to be delivered in 2013. A rental deposit of \$6k was held as of the end of the year.

##### Non-Financial Assets

As at December 31, 2012, the Corporation had \$694k of tangible capital assets which included assets under capital lease, athletic equipment, computer software and equipment, facility equipment, etc. Deferred lease costs of \$121k are direct costs incurred in connection with leases and are deferred and amortized over the terms of the lease. Prepaid expenses of \$429k 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, 2012 was \$5,345k. Of this amount, \$4,100k has been transferred to the Capital Reserve as of December 31, 2012 in accordance with the Richmond Oval Agreement between the City and the Corporation, \$686k is invested in tangible capital assets, \$212k in other reserves/provisions and \$347k is the operating surplus balance.

**Summary**

The annual surplus before transfers to reserves/provisions for 2012 was \$3,067k compared to \$2,214k in 2011. The total accumulated surplus as of December 31, 2012 was \$5,345k. Of this amount the Corporation has transferred \$4,100k in total to the Capital Reserve in accordance with the Richmond Oval Agreement.



Rick Dusanj, 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, 2012



**KPMG LLP**  
**Chartered Accountants**  
Metrotower II  
Suite 2400 - 4720 Kingsway  
Burnaby BC V5H 4N2

Telephone (604) 527-3600  
Fax (604) 527-3636  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## 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, 2012, 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 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 in our audit 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, 2012 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.

*KPMG LLP*

Chartered Accountants

April 18, 2013

Burnaby, Canada

# **RICHMOND OLYMPIC OVAL CORPORATION**

## **Statement of Financial Position**

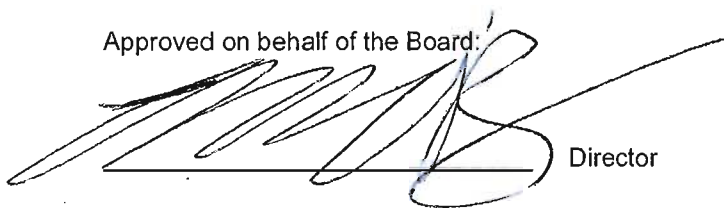
December 31, 2012, with comparative information for 2011

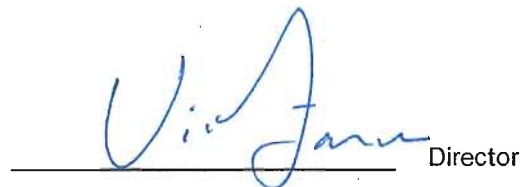
	2012	2011
<b>Financial Assets</b>		
Cash	\$ 2,053,574	\$ 1,430,735
Investments (note 3)	4,805,363	2,250,000
Due from City of Richmond (note 8)	132,632	-
Accounts receivable	390,081	368,744
	<u>7,381,650</u>	<u>4,049,479</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	952,216	772,430
Obligations under capital leases (note 6)	8,491	205,663
Deferred revenue (note 7)	2,317,370	1,879,250
Due to City of Richmond	-	139,798
Rental deposits	5,513	5,513
	<u>3,283,590</u>	<u>3,002,654</u>
Net financial assets	4,098,060	1,046,825
<b>Non-Financial Assets</b>		
Tangible capital assets (note 9)	694,497	661,555
Deferred lease costs (note 10)	121,186	123,809
Inventories of supplies	2,508	1,865
Prepaid expenses and other deposits	428,954	444,327
	<u>1,247,145</u>	<u>1,231,556</u>
Accumulated surplus (note 11)	\$ 5,345,205	\$ 2,278,381

Economic dependence (note 14)

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

# RICHMOND OLYMPIC OVAL CORPORATION

## Statement of Operations

For the year ended December 31, 2012

	2012 Budget (unaudited – note2(g))	2012	2011
Revenue:			
2010 Games Operating Trust Fund (note 5)	\$ 2,500,000	\$ 2,784,637	\$ 2,739,398
Contribution from City of Richmond (note 12)	3,073,883	3,073,883	3,022,500
Memberships, admissions and programs	4,820,246	5,480,286	4,067,266
Other (note 12)	991,856	1,554,377	1,031,052
	11,385,985	12,893,183	10,860,216
Expenses (note 12):			
Salaries and benefits	6,496,140	6,261,653	5,320,829
Utilities	1,107,750	914,519	818,959
Amortization	323,789	286,071	526,964
Supplies and equipment	606,337	557,441	442,954
Insurance	368,225	347,487	326,631
General and administration	612,437	396,618	489,134
Marketing and sponsorship	290,743	235,990	290,330
Program services	587,365	677,223	302,058
Professional fees	148,540	149,357	127,887
	10,541,326	9,826,359	8,645,746
Annual surplus	844,659	3,066,824	2,214,470
Accumulated surplus, beginning of year	2,278,381	2,278,381	63,911
Accumulated surplus, end of year	\$ 3,123,040	\$ 5,345,205	\$ 2,278,381

See accompanying notes to financial statements.

# RICHMOND OLYMPIC OVAL CORPORATION

## Statement of Changes in Net Financial Assets (Debt)

For the year ended December 31, 2012

	2012 Budget (unaudited - note 3(g))	2012	2011
Annual surplus for the year	\$ 844,659	\$ 3,066,824	\$ 2,214,470
Acquisition of tangible capital assets	(503,111)	(319,013)	(364,544)
Amortization of tangible capital assets	323,789	286,071	526,964
	(179,322)	(32,942)	162,420
Amortization of deferred lease costs	-	13,729	17,002
Acquisition of inventory of supplies	-	(3,655)	(1,487)
Acquisition of prepaid expense	-	(500,385)	(679,609)
Consumption of inventories of supplies	-	3,012	2,236
Use of prepaid expenses and other deposits	-	515,758	566,495
Additions of deferred leasing costs	-	(11,106)	(7,492)
Change in net financial assets	665,337	3,051,235	2,274,035
Net financial assets (debt), beginning of year	1,046,825	1,046,825	(1,227,210)
Net financial assets, end of year	\$ 1,712,162	\$ 4,098,060	\$ 1,046,825

See accompanying notes to financial statements.

# RICHMOND OLYMPIC OVAL CORPORATION

## Statement of Cash Flows

For the year ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 3,066,824	\$ 2,214,470
Items not involving cash:		
Amortization of tangible capital assets	286,071	526,964
Amortization of deferred lease costs	13,729	17,002
Changes in non-cash operating working capital:		
Accounts receivable	(21,337)	(51,276)
Deferred lease costs	(11,106)	(7,492)
Inventories of supplies	(643)	749
Prepaid expenses and other deposits	15,373	(113,114)
Accounts payable and accrued liabilities	179,786	51,465
Deferred revenue	438,120	1,343,725
Due from/to the City of Richmond	(272,430)	(74,977)
	3,694,387	3,907,516
Capital activities:		
Purchase of tangible capital assets	(319,013)	(364,544)
Investing activities		
Purchase of investments	(2,555,363)	(2,250,000)
Financing activities:		
Repayment of obligations under capital leases	(197,172)	(231,890)
Increase in rental deposits	-	(21,248)
	(197,172)	(253,138)
Increase in cash	622,839	1,039,834
Cash, beginning of year	1,430,735	390,901
Cash, end of year	\$ 2,053,574	\$ 1,430,735

See accompanying notes to financial statements.

# **RICHMOND OLYMPIC OVAL CORPORATION**

## Notes to Financial Statements

For the year ended December 31, 2012

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### **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 the 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) 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)

For the year ended December 31, 2012

## 2. Significant accounting policies (continued):

### (c) Non-financial assets (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
Automobile	5 years
Building improvements	5 years
Computer software and equipment	3 years
Facility equipment	3 years
Signage	3 years
Uniforms, ice skates and helmets	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 Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

#### (iii) 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.

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

## 2. Significant accounting policies (continued):

### (d) 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.

### (e) Income taxes:

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

### (f) 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.

### (g) Budget data:

The unaudited budget data presented in these financial statements is based upon the 2012 budget approved by the Board of Directors on February 29, 2012.

### (h) 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.

## 3. Investments:

Investments represent term deposits as follows:

Purchase date	Maturity date	2012	2011
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	-
March 21, 2011	March 20, 2012	-	2,250,000
Total		\$ 4,805,363	\$ 2,250,000



# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

## 4. Richmond Oval Agreement:

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

## 5. 2010 Games Operating Trust Fund:

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

Effective December 31, 2007:

- (a) the 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, the funds are then paid to the Corporation.

Revenue from GOT is comprised of:

	2012	2011
2011 annual distributable amount approved and received in 2012	\$ 2,784,637	\$ -
2010 annual distributable amount approved and received in 2011	-	2,739,398
	<u>\$ 2,784,637</u>	<u>\$ 2,739,398</u>

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

## 6. Obligations under capital leases:

The capital leases have an estimated cost of borrowing ranging from 0.21% to 0.35% per month. The principal and interest payments as at December 31, 2012 and December 31, 2011 are as follows:

	2012	2011
Total minimum lease payments	\$ 8,517	\$ 208,445
Imputed interest	(26)	(2,782)
Obligations under capital leases	\$ 8,491	\$ 205,663

As at December 31, 2012, the Corporation was committed to payments under capital leases of \$8,517 in 2013.

## 7. Deferred revenue:

	2012	2011
Balance, beginning of year	\$ 1,879,250	\$ 535,525
Add: receipts	7,472,783	6,442,043
Less: revenue recognized	(7,034,663)	(5,098,318)
Balance, end of year	\$ 2,317,370	\$ 1,879,250

Deferred revenue comprises of:

	2012	2011
Memberships and programs	\$ 946,082	\$ 537,041
Sponsorship fees	433,333	408,333
Sport Hosting funding (note 12)	507,779	933,876
Richmond Olympic Experience (note 12)	430,176	-
	\$ 2,317,370	\$ 1,879,250

## 8. Due from the City of Richmond:

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

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

## 9. Tangible capital assets:

Cost	Balance at December 31, 2011	Additions	Balance at December 31, 2012
Assets under capital lease	\$ 905,888	\$ -	\$ 905,888
Athletic equipment	692,935	164,089	857,024
Automobile	23,158	-	23,158
Building improvements	26,727	9,963	36,690
Computer software and equipment	176,383	59,982	236,365
Facility equipment	63,343	14,027	77,370
Signage	43,884	-	43,884
Tenant improvements	16,979	-	16,979
Uniforms, ice skates, and helmets	126,838	1,128	127,966
Work-in-progress (note 12)	-	69,824	69,824
	\$ 2,076,135	\$ 319,013	\$ 2,395,148

Accumulated amortization	Balance at December 31, 2011	Amortization expense	Balance at December 31, 2012
Assets under capital lease	\$ 873,841	\$ 32,047	\$ 905,888
Athletic equipment	272,985	154,625	427,610
Automobile	6,562	4,631	11,193
Building improvements	4,847	6,674	11,521
Computer software and equipment	109,923	43,147	153,070
Facility equipment	6,599	18,444	25,043
Signage	26,808	11,809	38,617
Tenant improvements	16,255	300	16,555
Uniforms, ice skates, and helmets	96,760	14,394	111,154
	\$ 1,414,580	\$ 286,071	\$ 1,700,651

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

## 9. Tangible capital assets (continued):

	Net book value December 31, 2012	Net book value December 31, 2011
Assets under capital lease	\$ -	\$ 32,047
Athletic equipment	429,414	419,950
Automobile	11,965	16,596
Building improvements	25,169	21,880
Computer software and equipment	83,295	66,460
Facility equipment	52,327	56,744
Signage	5,267	17,076
Tenant improvements	424	724
Uniforms, ice skates, and helmets	16,812	30,078
Work-in-progress (note 12)	69,824	-
	<b>\$ 694,497</b>	<b>\$ 661,555</b>

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.

Assets under capital lease include audio and visual equipment, printers, drivers, computer hardware and other information technology equipment. The lease agreements are between the City and the Municipal Finance Authority of the Province of British Columbia. The equipment is used solely by the Corporation and, accordingly, the leased assets are capitalized and the related obligation recorded in the accounts of the Corporation. The lease payments made by the City are charged at cost to the Corporation.

There was no write down of tangible capital assets during the year (2011 - nil).

## 10. Deferred lease costs:

	2012	2011
Balance, beginning of year	\$ 123,809	\$ 133,319
Add: payments	11,106	7,492
Less: amortization	(13,729)	(17,002)
Balance, end of year	<b>\$ 121,186</b>	<b>\$ 123,809</b>

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

## 11. Accumulated surplus:

Accumulated surplus is comprised of:

	2012	2011
Share capital	\$ 1	\$ 1
Capital reserve	4,100,000	1,700,000
Other reserves/provisions	211,790	-
Operating surplus	347,408	122,488
Invested in tangible capital assets	686,006	455,892
	<u>\$ 5,345,205</u>	<u>\$ 2,278,381</u>

## 12. 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 \$61,835 to the City for the provision of city staff time in fiscal year 2012 (2011 - \$60,000).

In 2012, \$93,979 (2011 - \$84,288) of salaries and benefits expenses were charged to the City relating to the costs of the Corporation's staff time for services performed for the City.

Included as a reduction to other revenue in 2011 is \$39,919 pertaining to management fees paid to the City for services performed pertaining to the parking revenue in 2011. At the end of 2011 the Oval began managing these parking operations internally and therefore did not have any management fees paid to the City in 2012 in respect of such services.

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. Commencing in 2011, the City approved an additional \$1.5 million in annual financial support to the Corporation. The Corporation received a contribution from the City of \$3,073,833 (2011 - \$3,022,500).

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 2012, nil (2011 - \$1,091,565) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2012, receipts of hotel tax revenue of \$507,779 (2011 - \$933,876) was included in deferred revenue (note 7) and \$426,097 (2011 - \$157,689) was recognized in other revenue on the statement of operations.

The Corporation also received an additional \$500,000 from the hotel tax funding in 2012 to be used for the construction and operation of tourism destination enhancing attractions. This funding will be used for the Richmond Olympic Experience project. Of this amount, \$69,824 was spent in 2012 and is included in tangible capital assets (note 9) as part of work in progress. As such, \$430,176 remains in deferred revenue.

# **RICHMOND OLYMPIC OVAL CORPORATION**

Notes to Financial Statements (continued)

For the year ended December 31, 2012

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## **13. Pension plan:**

The Corporation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusteesd pension plan. The Plan's Board of Trustees, representing plan members and employers, is responsible for 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 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

The most recent valuation of the Plan as a whole as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risk 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 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 \$263,064 (2011 - \$192,337) as employer contributions to the Pension Plan.

## **14. Economic dependence:**

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

## **15. Comparative figures:**

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



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** April 18, 2013

**From:** Jerry Chong  
Director, Finance




**File:** 03-0905-01/2013-Vol  
01

**Re:** 2012 Consolidated Financial Statements

### Staff Recommendation

That the City's audited consolidated financial statements for the year ended December 31, 2012 be approved.

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

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
REVIEWED BY DIRECTORS	INITIALS: 
REVIEWED BY CAO	INITIALS: 

## 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 2012 have been prepared by management 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.

### Analysis

Financial statements provide information about the financial position, performance and changes in the financial position of the City. The financial statements demonstrate accountability by providing 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 Management Discussion and Analysis (MD&A) highlights the information presented in these financial statements. The MD&A communicates the financial results and analyzes the trends experienced by the City. This analysis is intended to be read in conjunction with the 2012 audited consolidated financial statements.

For fiscal year 2012, the City's consolidated financial position (includes the operations of the City, Richmond Olympic Oval and Richmond Public Library) remained strong with:

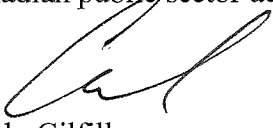
- \$2.3 billion – Accumulated surplus (net worth)
- \$1.8 billion – Net book value of tangible capital assets
- \$295.0 million – Reserve balance
- \$469.2 million – Net financial assets
- \$82.9 million – Annual surplus (the increase in net worth which includes the increase in capital equity, reserves, appropriated surplus and surplus)
- \$3.5 million – Net debt

### Financial Impact

None.

### Conclusion

KPMG conducted the City's 2012 audit and as noted in the Auditor's Report, their opinion is that these consolidated financial statements present fairly the consolidated financial position as of December 31, 2012, 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)





2012 Financial Results

# Management Discussion and Analysis



## Executive Summary

The City of Richmond is required by *sections 98 and 167* of the *Community Charter* to prepare annual financial statements in accordance with Canadian public sector accounting standards. The City's auditors have issued an unqualified audit opinion for the 2012 consolidated financial statements that they fairly present the consolidated financial position of the City of Richmond as at December 31, 2012.

### 2012 Financial Statements

These statements, in conjunction with the Management Discussion and Analysis contained in this report illustrate the current state of the City's finances, the financial viability in the short and long term, the nature and extent of economic activities and the stewardship of Council who embody the public welfare of the citizens by balancing vision with the concerns expressed by the people and organizations affected by the decisions made.

Council establishes the term goals and objectives that direct the Chief Administrative Officer (CAO) to lead, develop and implement the City's programs and services, with support from the senior management team (SMT) to ensure the effective and efficient delivery of the operational work plans within the Council approved budgets. Council provides effective oversight throughout the year by the Finance Committee which is made up of all members of Council and is chaired by the Mayor.

Development and economic projections suggest continued moderate growth that should result in continued business activity and investment in Richmond. The population forecasts also predict continued growth, placing increased demands on City services.

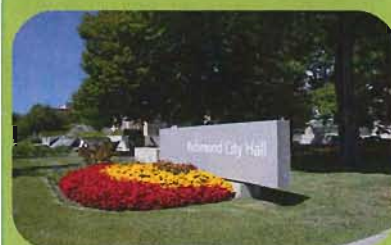
Richmond was able to maintain a moderate tax increase of 2.98% in 2012, approximating the average for the lower mainland. Future rates over the next five years are projected to approximate 3% based on the current Council approved Five Year Financial Plan.

For fiscal year 2012, the City's financial position remained strong with:

- \$2.3 billion – Accumulated surplus (net worth)
- \$1.8 billion – Net book value of tangible capital assets
- \$295.0 million – Reserve balance
- \$469.2 million – Net financial assets
- \$82.9 million – Annual surplus
- \$3.5 million – Net debt

### Our Vision:

*For the City of Richmond to be the most appealing, livable, and well-managed community in Canada.*



## Introduction

The objective of the report is to present to Council the consolidated financial statements of the City of Richmond for the fiscal year 2012 as required by sections 98 and 167 of the Community Charter. The following report provides discussion and analysis that interpret the financial position, financial performance and cash flows. The financial statements are prepared in the accordance with Canadian public sector accounting standards, prescribed by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, and are the responsibility of the Management of the City of Richmond (the City).

## Objectives

The 2012 budget was prepared utilizing the Council approved 2011-2014 Term Goals. These goals direct the development and implementation of the City's work plans and programs.

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,

*Our Commitment to Service Excellence in Richmond Means Being:*

- *Respectful,*
- *Responsive,*
- *Safety*
- *Conscious, and*
- *Professional.*



*Ensure Richmond remains a safe and desirable community to live, work and play in...*





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.

## 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.



*Develop and implement effective and innovative financial policies and strategies...*



## Analysis

### Economic Growth

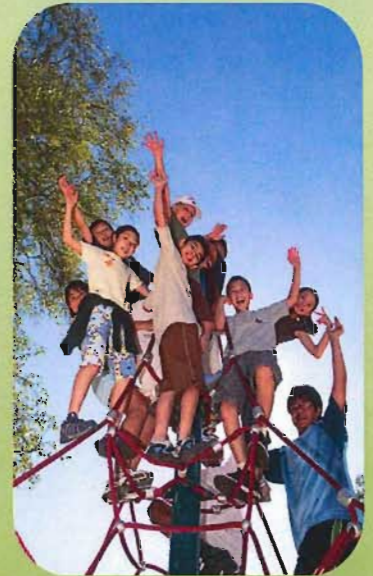
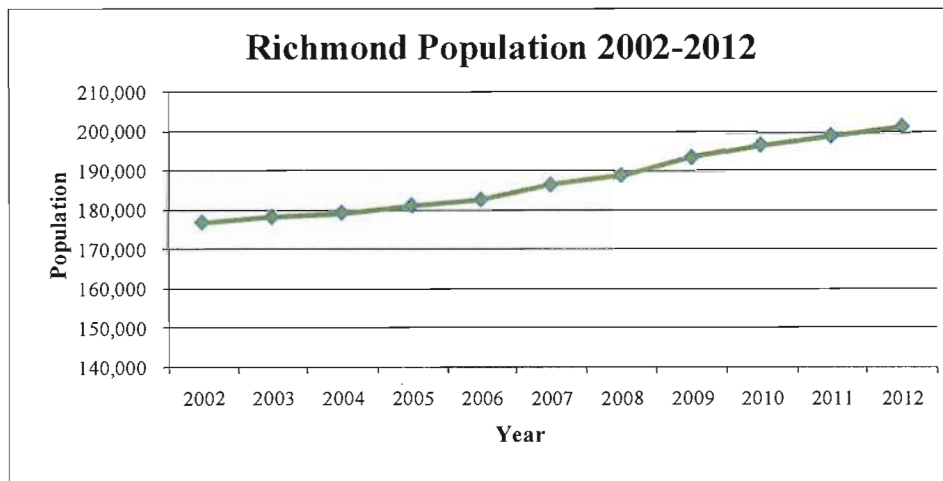
The Canadian economic momentum over the second half of 2012 stalled with the slowing of manufacturing and mining. While the energy industry managed to recover in the final quarter of the year, weakness was evident in other sectors of the economy. Although the slowing of the economy has implications to the City, historically the main factors that revolve around the real estate market such as housing starts, median selling prices, building permits and development applications play a more important role in determining the City's economic viability.

### Population Growth

Despite the global economic challenges over the last two years, Richmond had an average population growth rate of about 1.5% per year from 2006 to 2012. Richmond is the fourth most populous municipality in the Greater Vancouver region representing 8.2% of the regional total. It is projected that Richmond will grow to 280,000 by 2041. *Figure 1* below illustrates Richmond's population growth between 2002 and 2012:

*Figure 1 – Population of Richmond*

Source: BC Stats



*Richmond  
Population in  
2012 was  
201,471*





### Key Drivers of City Services

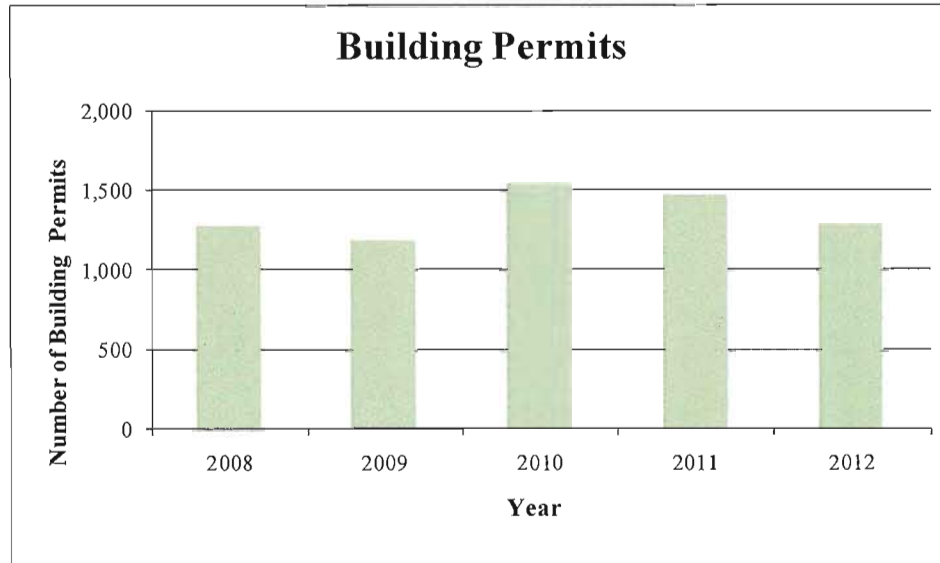
Key drivers of the City's services relate to growth and development of housing and construction as well as business. These can be measured through development applications, building permits and business licences.

### Housing Activities and Business Licences

Richmond house prices remained steady, with a 2012 detached median house price of \$987,000 (0.8% year-over-year decrease). The number of sales decreased year-over-year by 34.1% to 2,809.

In 2012, the total number of building permits issued was 1,291 permits which was a 12.8% decrease from 2011. Overall, the building permit revenue increased by 5.1% reflecting the greater proportion of higher value mixed-use residential and commercial building construction in 2012. The actual permit revenue for 2012 was \$5.5 million.

Figure 2 – Number of Building Permits



The number of development applications received in 2012 was also consistent with the levels in 2011. Total revenues collected in 2012 decreased by 1.2% compared to 2011.

*206 Development applications were received in 2012 generating \$646,491 in revenues for the City*



*1,291 Building permits were issued in 2012 with a construction value of \$457.2 million*

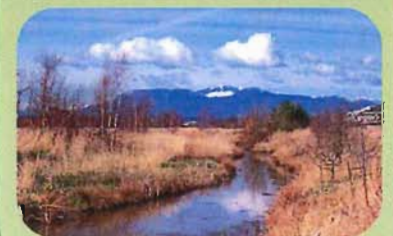
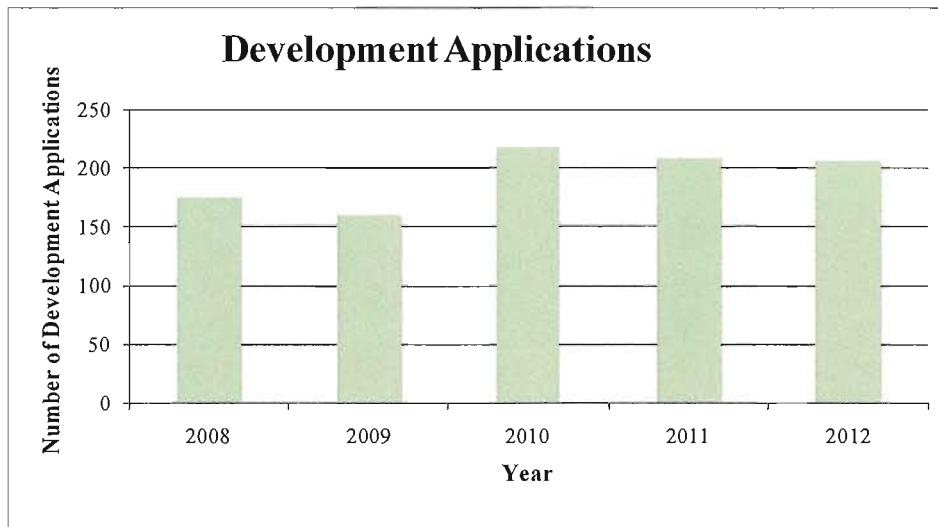


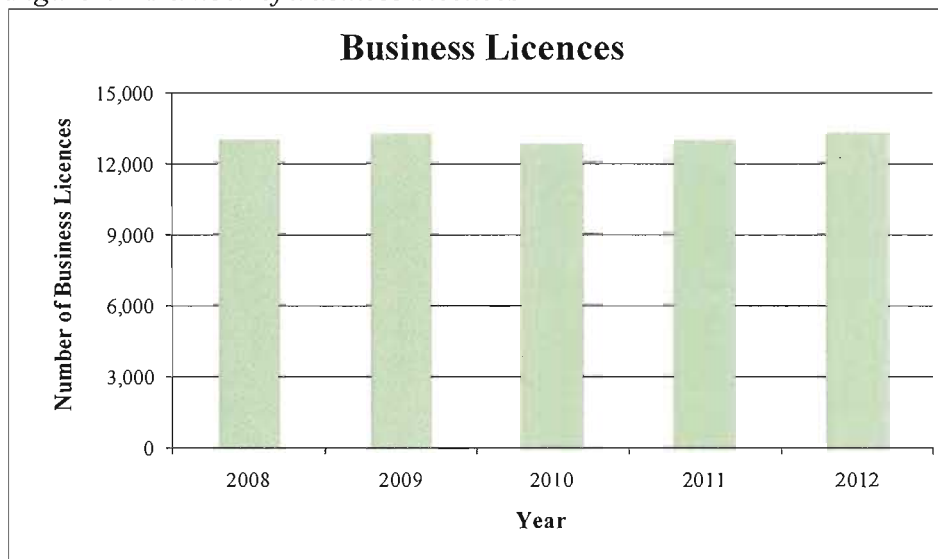
Figure 3 – Number of Development Application



### Business Licences

The number of new business licences issued in Richmond increased from 2011 by 10.9% or 1,898 while the total number of business licences issued in 2012 edged up 2.7%, with 13,336 and 12,988 licences issued in 2012 and 2011 respectively. The 2012 revenue from licences was \$3.4 million.

Figure 4 – Number of Business Licences



*1,898 new  
Business Licences  
issued in 2012*

*\$3.4 million in  
Business Licence  
revenue*



*\$15.6 million in  
Gaming revenue*

*\$19.8 million in  
development cost  
charge  
contributions*



### Service Demand

With the increase in population, the demand for City services continues to grow specifically with respect to community safety, social and recreational services which in turn also impacts administrative services. The City budgeted over \$80.6 million in capital construction to ensure that the infrastructure and facilities are safe and accessible. Below are some examples of the demand for City Services:

*Figure 5 – Demand for services*

	2010	2011	2012
Population Growth (per annum)	1.70%	1.10%	1.20%
Capital construction costs (\$mil) <sup>1</sup>	\$152.95	\$75.16	\$80.58
City Grants	\$518,000	\$541,507	\$707,664
Registration in Recreation Programs <sup>2</sup>	128,622	122,784	129,526
RCMP Calls for Services	84,658	72,423	70,861
Fire Rescue Responses	9,048	9,141	9,596
Public Works Calls for Services	13,664	13,332	12,346

<sup>1</sup>This figure represents the amended capital budget excluding internal transfers and debt repayment.

<sup>2</sup>Year over year decrease due to a change in recording facility rental uses with the conversion to new software.



*129,526 recreation  
program  
registrations*

*12,346 public works  
calls for service*

*\$707,664 in City  
grants*







## Management Discussion and Analysis

### 2012 Financial Statements

The City's financial statements serve the interests of a variety of users interested in the state of the City's finances, the financial viability both in the short and long term, the revenues and financing sources, the allocation and use of economic resources, the nature and extent of economic activities and the quality of financial management.

During 2012, the City's financial position remained solid, as supported by the following results:

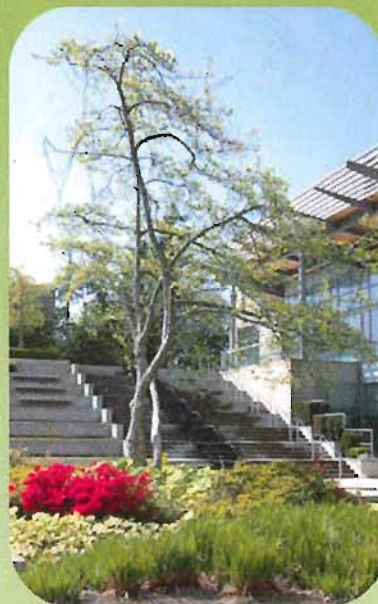
- The annual surplus amounted to \$82.9 million, which was a decrease of 25.2% in comparison with 2011, while the total accumulated surplus (net worth) increased by 3.7% to \$2.3 billion as at December 31.
- Increased net book value of tangible capital assets in the amount of \$29.0 million and added an additional \$27.8 million to the investment portfolio.
- The financial position of the City remained solid with \$469.2 million of net financial assets (the excess of financial assets over liabilities) which indicates strong short term stability.
- Long-term debt is at minimal levels with the net debt amounting to \$3.5 million indicating capacity and flexibility in financing future undertakings. The City will be debt free by 2014. The outstanding net debt per capita is \$17.
- The reserve balance increased to \$295.0 million, an increase of 7.1%. The reserves are used to finance capital construction activities.

Detailed analysis of the consolidated financial statements is located in the Appendices 1 through 4. Ratio analysis is provided in Appendix 5.

### Key Finance Facts:



- *\$469.2 million net financial assets*
- *\$3.5 million net debt*
- *\$295.0 million reserve balance*
- *\$640.6 million 2012 value of cash and investments*



### Consolidation

The consolidated financial statements consist of the City of Richmond, Richmond Public Library Board and Richmond Olympic Oval Corporation.

### City of Richmond

The City of Richmond is comprised of multiple funds: General Revenue, General Capital and Loan, Waterworks Fund, Sewerage Funds and Reserve Funds.

### Richmond Public Library

The libraries provide access to informational, educational, cultural and recreational library materials and services in a variety of formats and technologies. The 2012 operating expenditures were \$9.2 million and the net book value of assets was \$4.2 million. Analysis of the Library figures is provided in Appendix 6.

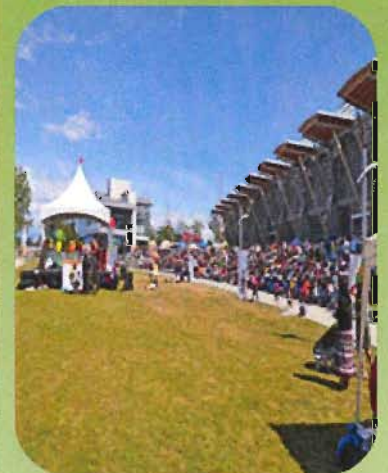
### Richmond Olympic Oval

The Richmond Olympic Oval is a premier facility that provides an inspiring community environment, high performance sport development and wellness. The 2012 operating expenditures were \$9.8 million. Analysis of the Oval figures is provided in Appendix 6.



### Library Stats:

- 119,208 registered library card users
- 4,068,098 circulation
- 1,778,356 people who visited the library



### Oval Stats:

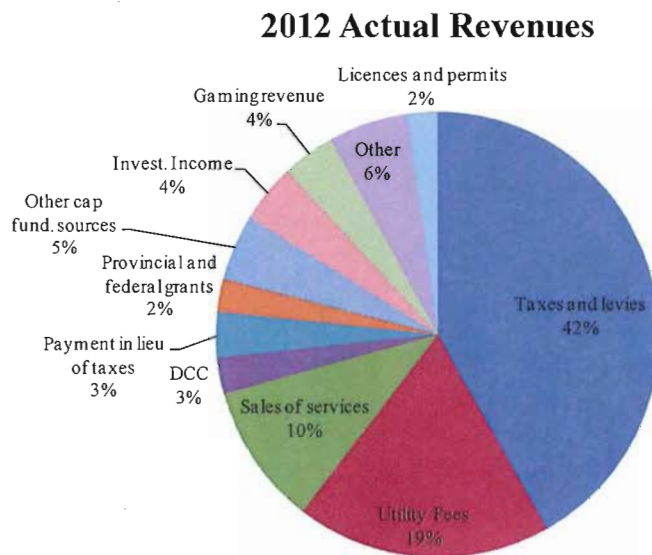
- 5,000 members
- Over 120 sports and activities
- 512,000 sq. ft.



## 2012 Revenue Sources

Figure 6 shows the actual 2012 revenue distribution. 42% of the revenue is for property tax and levies. 19% of the revenue is the utility fees which include the charges for water supply, sewer collection, and drainage and garbage collection.

Figure 6 - 2012 Revenue Distribution

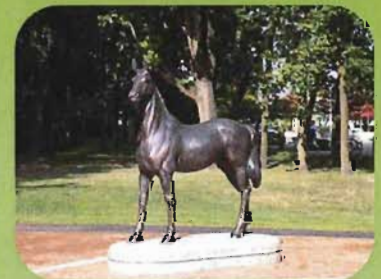


The above figure represents the consolidated total of all revenues including revenues from: operations, capital sources, utilities and the Oval. The distribution of revenues can fluctuate mainly due to the inclusion of capital related revenues that occur on a more variable nature.

Analysis shows that the taxes comprise 58% of the general operating revenues (excluding utilities, capital and the oval). This distribution is consistent over previous years.

*\$167.5 million  
taxes and levies  
collected in 2012*

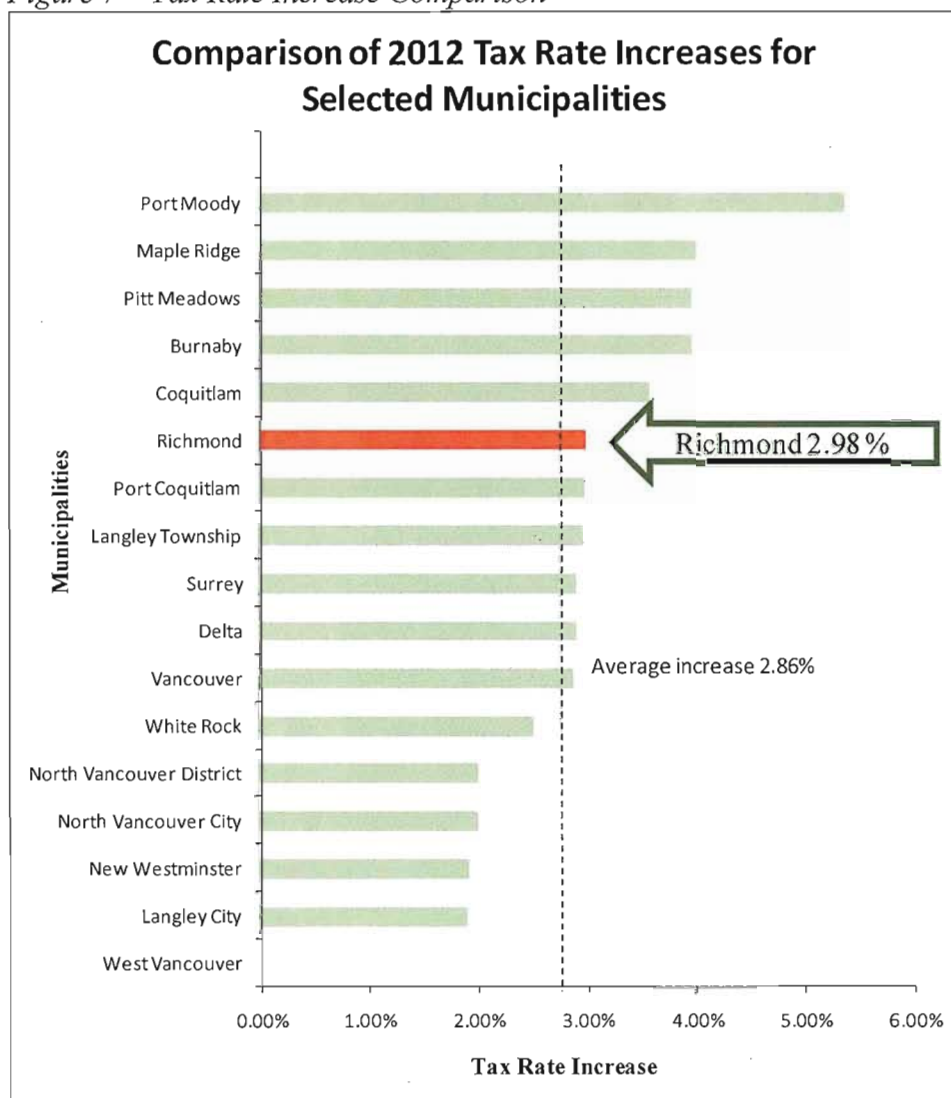
*Taxes comprise  
42% of overall  
revenues*



The City aims to achieve a value proposition by maintaining a relatively low tax rate while providing a high level of services and programs. *Figure 7* below shows that the City's tax rate increase is in line with the Metro Vancouver average.

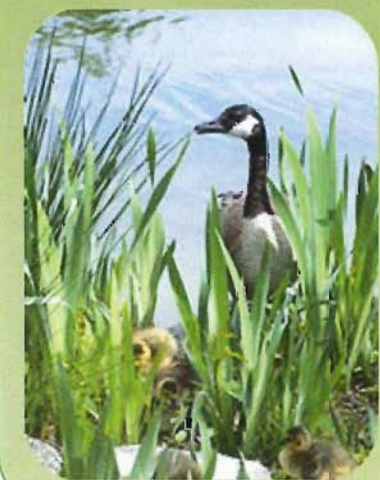
Richmond's 2012 tax rate increase of 2.98% includes an additional 1% for future infrastructure replacement. The tax rate for the same level of service plus the impact of new capital items and additional City Grant Program is 1.98%. The Metro Vancouver average is 2.86%.

*Figure 7 – Tax Rate Increase Comparison*



*Richmond's 2012  
tax rate increase  
2.98%*

*Average 2012 tax  
rate increase of  
selected  
municipalities  
2.86%*



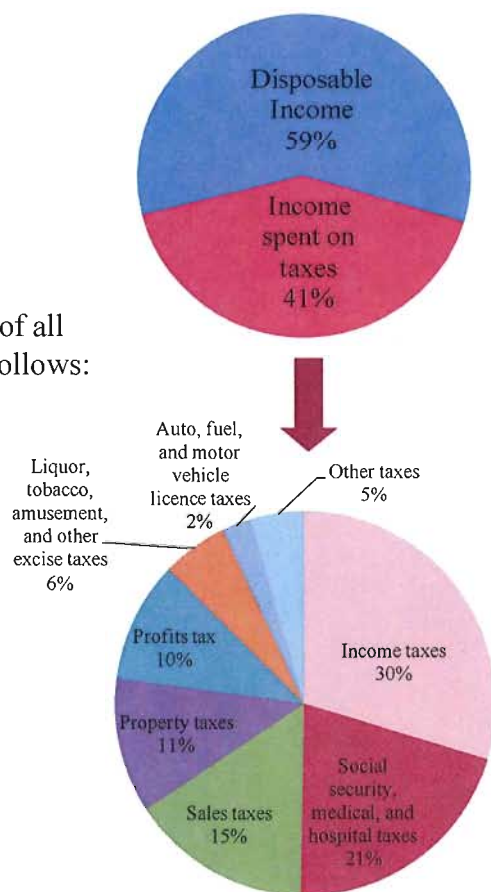


The tax burden that is faced by the average Canadian household is significant. Based on the information obtained from Fraser Institute in their “2012 Canadian Consumer Tax Index” published in April 2012, the average household incurs 41.5% of their average income on taxes. However, it should be noted that only 4.73% of income relates to property tax, of which approximately half is for taxes collected on behalf of the School Board and TransLink. *Figure 8* illustrates the average household’s tax distribution and the taxes as a proportion of average income:

*Figure 8 – 2011 Average Household’s Tax Distribution*

## 2011 Average Household Tax and Distribution

The distribution of all taxes paid is as follows:

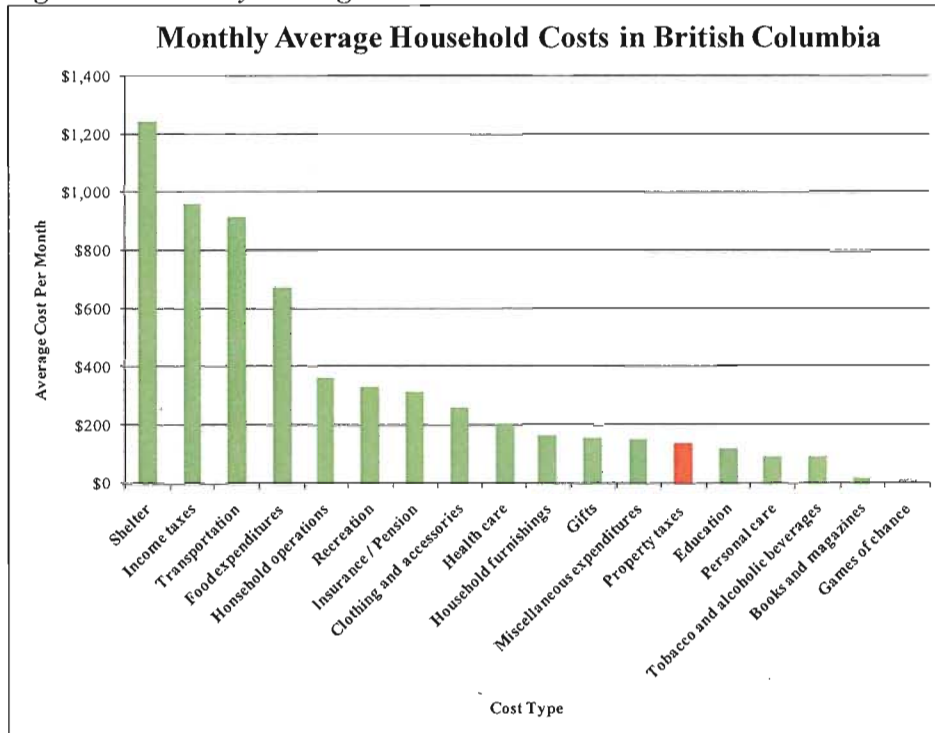


*Only 4.73% of income relates to property tax, of which approximately half is collected on behalf of the School Board and TransLink*



For under \$3.84 per day in property taxes (Municipal portion), the average Richmond household supports a range of services such as policing, fire rescue, road and parks maintenance and recreation programming.

Figure 9 – Monthly Average Household Costs in British Columbia



Source: Statistics Canada, Survey of Household Spending in 2011 (latest version)

*The average  
Richmond  
property taxes are  
under \$3.84 per  
day*





## Key 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, 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 licensing 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 2012 operating, capital and utility budgets.

## *Municipal services provided:*

- *Fire rescue*
- *Policing*
- *Planning*
- *Infrastructure maintenance*
- *Parks programs and maintenance*
- *Arenas and aquatics*
- *Community centres*
- *Transportation*
- *Libraries*



- 129,526 registrations in recreation programs
- 12,346 public works calls for service

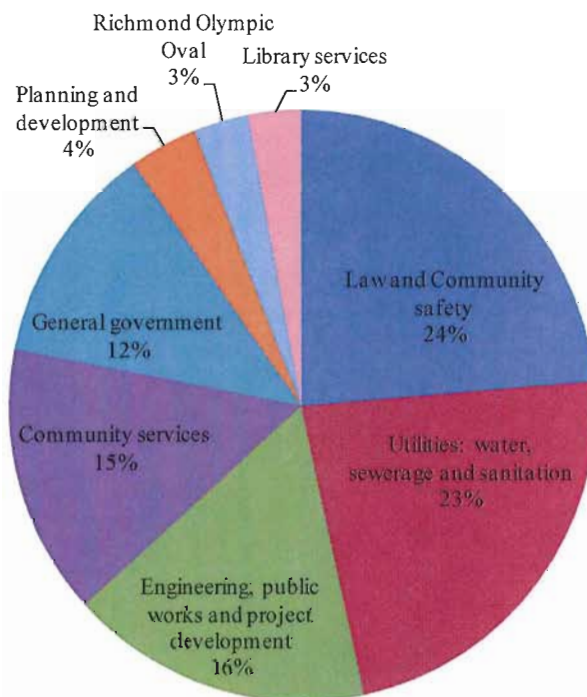
## 2012 Expenditure

The strategic and operational work plans and programs are aligned with Council's goals and objectives for the City. These work plans and programs form the basis of Council approved budgets.

The following chart shows the distribution of the 2012 actual expenditures. In terms of cost distribution, Law and Community Safety which includes Police and Fire Rescue continue to be the largest cost centre. The City Utilities (Water supply, Sewerage and Sanitation and recycling) is 23% of the City's total expenditure which is funded from the utility charges.

Figure 10 – Consolidated Expenditure Breakdown by City Function

### 2012 Actual Expenditures



The above figure represents the consolidated total of all expenditures including expenditures from: operations, amortization, utilities and the Oval. Figure 11 presents the distribution of net costs for the City entity on an individual basis.

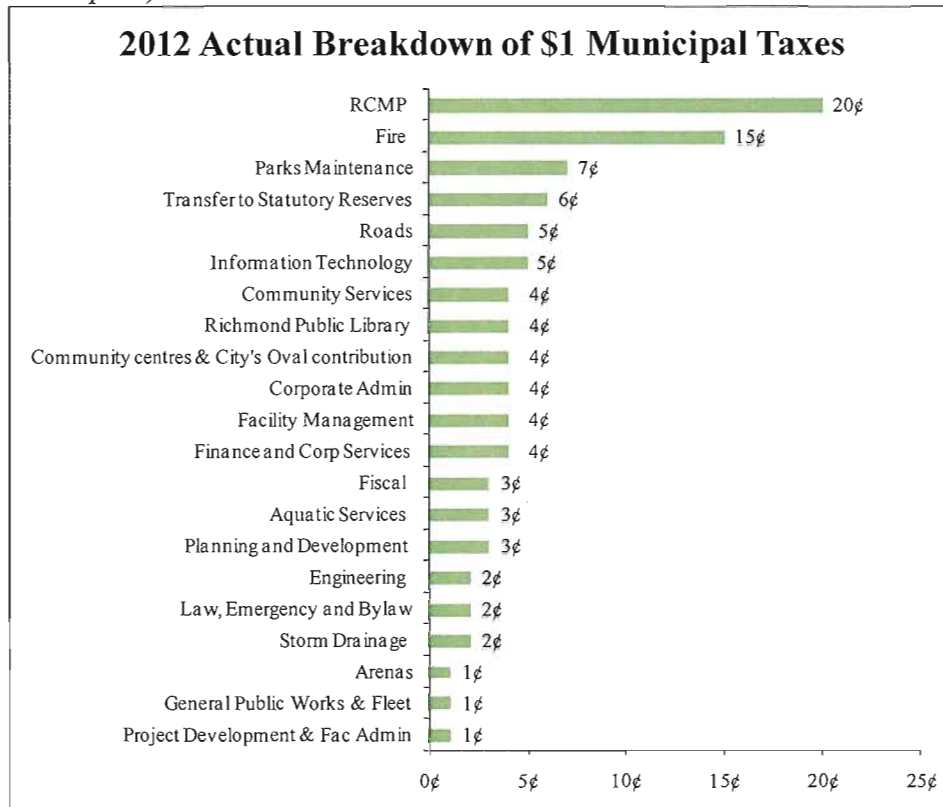


- 9,596 fire rescue responses
- 70,861 RCMP calls for service





Figure 11 – Breakdown of \$1 of Municipal Tax (excluding utilities, oval and capital)



The chart above is based on actual operating requirements assuming even application of taxation revenue.

### Future Direction

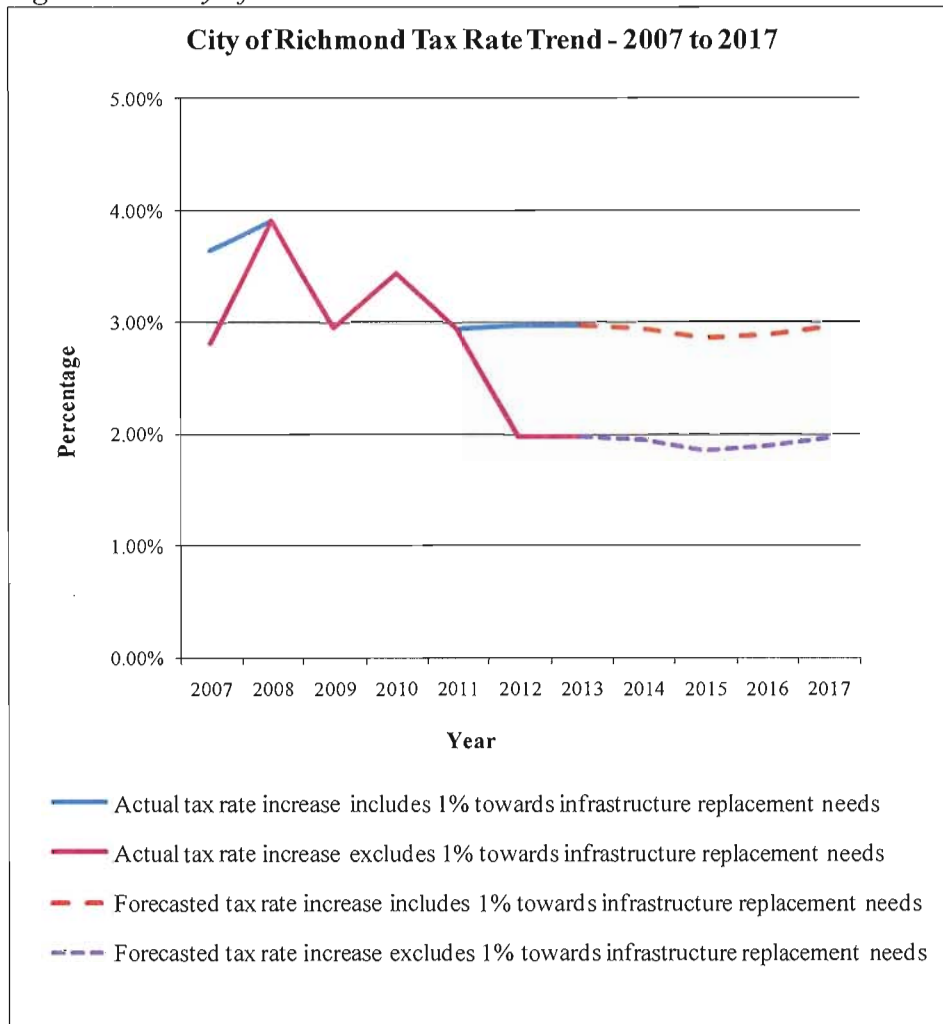
Similar to most communities, Richmond will experience an aging population which means increased demand for services to improve aging-in-place and healthy community. The City is facing cost increases that surpass the CPI. These include additional fund transfers to reserves for future infrastructure replacement, RCMP contract cost, water purchase from Metro Vancouver and operating cost of the facilities. Despite the slow economic recovery and challenges, Richmond is able to maintain a competitive tax rate. The following illustrates the actual tax rate from 2007 to 2013 and the projection of 2014 to 2017.



*The City provides many core services to residents at consistent costs despite cost increases that surpass the CPI.*



Figure 12 – City of Richmond Tax Rate Trend



The capital replacement of several City facilities is forthcoming and analysis and discussion of the financing alternatives is required.

### Conclusion

The City, under Council's stewardship, the CAO's leadership and staff performance, has continued to retain a solid financial position in 2012, enabling the City to maintain the necessary flexibility and sustainability well into the future.

### Our Mission:

*To protect and enhance the City's livability and economic well-being for current and future generations through:*

- Visionary leadership and responsible decision making
- Accountable and sustainable fiscal practice
- The development of a unique and beautiful city
- Product and service excellence and efficiency
- Community consultation



# Appendices

Appendix 1 – Statement of Financial Position Analysis

Appendix 2 – Tangible Capital Assets and Reserve Analysis

Appendix 3 – Annual Surplus Analysis

Appendix 4 – Cash Flow Statement Analysis

Appendix 5 – Indicators of Financial Condition

Appendix 6 – Richmond Olympic Oval Corporation and Richmond Public Library



## Summary of Financial Statement Position

The statement of financial position presents the City's financial assets, liabilities, non-financial assets and accumulated surplus as at December 31, 2012.

In 2012, the following changes occurred:

- financial assets have increased by \$64.9 million, while liabilities have increased by \$11.5 million, which led to a combined increase of net financial assets of \$53.4 million.
- investment in non-financial assets increased by \$29.4 million, driven mainly by the net increase in tangible capital assets.

The resulting effect led to an increase of accumulated surplus of \$82.9 million.

### Net Financial Assets

Net financial assets represent the difference between the total financial assets over the liabilities and is an indication of the City's ability to pay for future services. The excess of financial assets of \$469.2 million is indicative of a solid financial position relative to the size of this City.

### Summary of Financial Assets

The following table represents the breakdown of the financial assets at December 31, 2012 and 2011:

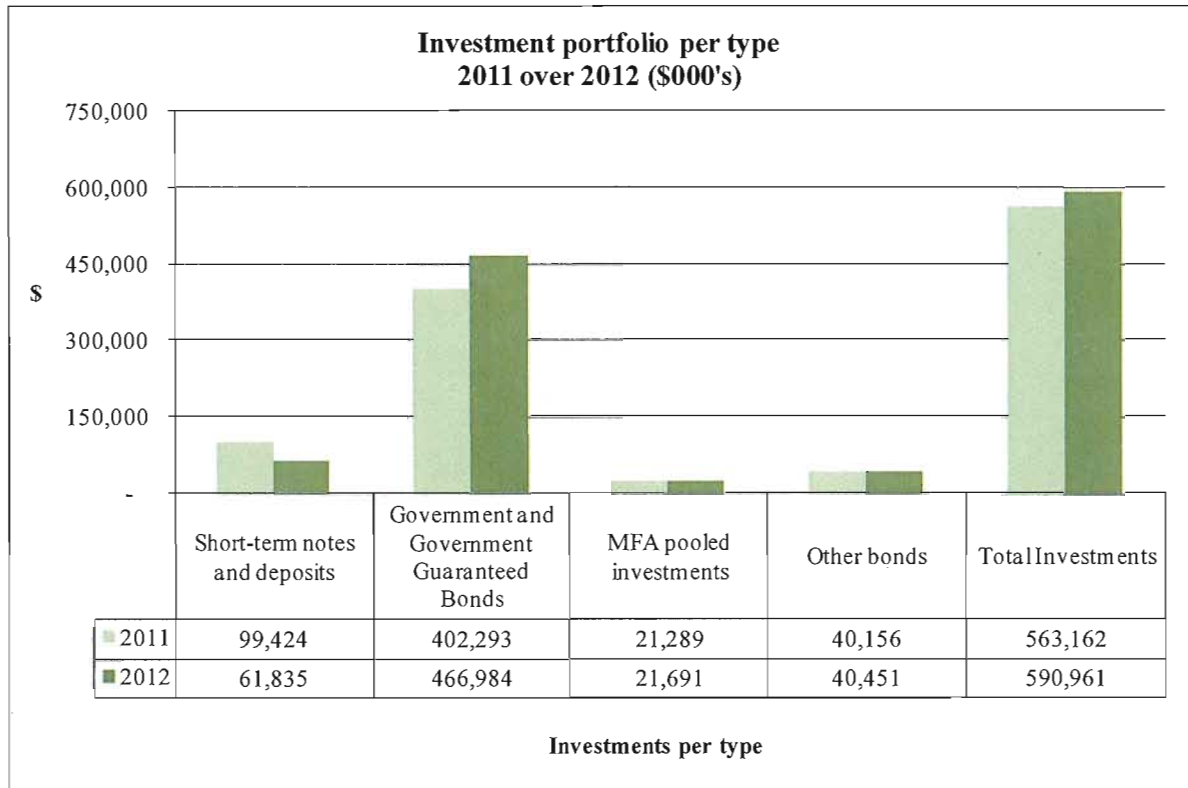
Financial Assets (\$000's)	2012	2011	Change from 2011 to 2012	% Change 2011 to 2012
Cash and cash equivalents	49,632	11,766	37,866	321.8%
Investments	590,961	563,162	27,799	4.9%
Accrued interest receivable	3,122	2,710	412	15.2%
Accounts receivable	22,682	22,095	587	2.7%
Taxes receivable	8,895	6,716	2,179	32.4%
Development fees receivable	12,923	16,826	(3,903)	(23.2%)
Debt reserve fund - deposits	386	386	0	0.0%
<b>Total Financial Assets</b>	<b>\$688,601</b>	<b>\$623,661</b>	<b>\$64,940</b>	<b>10.4%</b>

As presented in the table, the financial assets have increased by \$64.9 million.

## Statement of Financial Position Analysis

During the period major changes relating to the following items occurred:

- Increase in cash and equivalents by \$37.9 million.
- Investments increased by \$27.8 million. The following chart provides a breakdown of investments for fiscal years 2012 and 2011:



- Increase in taxes receivable by \$2.2 million due mainly to the year over year increase in the property tax and utility rates, along with a slight increase in the number of taxable properties outstanding.
- Decrease in development fees receivable of \$3.9 million, due to more payments being received than new receivables issued as a result of slowing development activity. Payments in the amount of \$13.0 million were received and new receivables issued of \$9.1 million.

## Statement of Financial Position Analysis

**Summary of Liabilities**

The following table represents the breakdown of the liabilities at December 31, 2012 and 2011, respectively:

Liabilities (\$000's)	2012	2011	Change from 2011 to 2012	% Change 2011 to 2012
Accounts payable and accrued liabilities	75,325	77,698	(2,373)	(3.1%)
Deposits and holdbacks	40,669	36,753	3,916	10.7%
Deferred revenue	37,307	34,801	2,506	7.2%
Development cost charges	62,547	52,379	10,168	19.4%
Obligations under capital leases	106	499	(393)	(78.8%)
Debt, net of MFA sinking fund deposits	3,488	5,808	(2,320)	(39.9%)
<b>Total</b>	<b>219,442</b>	<b>207,938</b>	<b>11,504</b>	<b>5.5%</b>

The following items describe the major changes during the period:

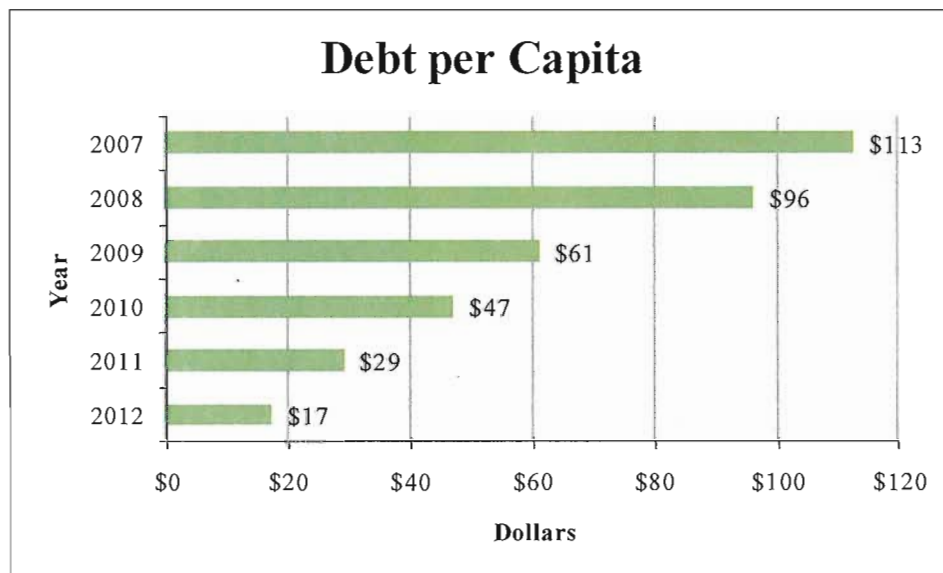
- Accounts payable decreased by \$2.4 million consisting of the decrease in the trade payables of \$3.9 million and an increase of \$1.5 million that relates to post-employment benefits for employees.
- Deposits and holdbacks increased by \$3.9 million mostly due to increased security deposits in the amount of \$2.4 million. The remaining amount is comprised of increased contract and maintenance holdbacks of \$0.5 million, developer contributions of \$0.5 million and other of \$0.5 million.
- Deferred revenues increased by \$2.5 million with the majority originating from prepaid taxes in the amount of \$2.7 million as a result of additional preauthorized payment customers and tax and utility rate increases. Other deferred revenues had an overall decrease of 0.2 million.
- Development cost charges (DCC) increased by \$10.2 million, which was the net result of new contributions in the amount of \$19.8 million (2011 \$23.5 million) and interest earned of \$0.9 million, with outflows of \$10.5 million (2011 \$14.3 million) relating to capital construction, parkland acquisition and repayments.
- Long term debt decreased to \$3.5 million and will be fully repaid in 2014.

## Statement of Financial Position Analysis

The Debt-to-Revenue ratio (which represents the ratio of long-term debt to total revenues) is minimal at 1.0% and the liability servicing cost (cost of principal and interest charges) over total revenue is substantially below the threshold of 25%.

Net Debt (\$000's)	Net Debt	Revenues per fund	Ratio Debt to Revenue
General Fund	3,412	307,111	1.1%
Sewerworks Fund	76	29,919	0.3%
	<b>\$3,488</b>	<b>\$337,030</b>	<b>1.0%</b>

Current debt will be extinguished by 2014 and the 2012 outstanding net debt per capita is \$17.



## Statement of Financial Position Analysis

**Summary of Non-Financial Assets**

The changes in the non-financial assets relate primarily to the change in tangible capital assets that have increased by a net \$29.0 million in 2012. The tangible capital asset balance represents the historical cost of the asset less the accumulated amortization. The increase over 2011 is the direct result of the capital expenditures made during the year.

The following table details the changes in tangible capital assets by asset category.

**Tangible Capital Assets (\$000's)**

Cost	2011	Additions	Disposals	2012
Land	608,511	25,522	453	633,580
Buildings and building improvements	340,172	7,695	-	347,867
Infrastructure	1,499,594	31,567	1,970	1,529,191
Vehicles, machinery and equipment	85,263	5,383	2,358	88,288
Library's collections, furniture and equipment	9,662	1,361	1,830	9,193
Assets under construction	25,857	7,633	-	33,490
<b>Total Cost</b>	<b>\$2,569,059</b>	<b>\$79,161</b>	<b>\$6,611</b>	<b>\$2,641,609</b>

Accumulated amortization	2011	Disposals	Amortization expense	2012
Buildings and building improvements	90,931	-	12,118	103,049
Infrastructure	619,060	1,846	30,383	647,597
Vehicles, machinery and equipment	52,266	2,329	5,306	55,243
Library's collections, furniture and equipment	5,172	1,830	1,759	5,101
<b>Total Accumulated Amortization</b>	<b>\$767,429</b>	<b>\$6,005</b>	<b>\$49,566</b>	<b>\$810,990</b>

Net book value	2011	2012
Land	608,511	633,580
Buildings and building improvements	249,241	244,818
Infrastructure	880,534	881,594
Vehicles, machinery and equipment	32,997	33,045
Library's collections, furniture and equipment	4,490	4,092
Assets under construction	25,857	33,490
<b>Total Net Book Value</b>	<b>\$1,801,630</b>	<b>\$1,830,619</b>





## Statement of Financial Position Analysis

### Accumulated Surplus

The accumulated surplus represents the accumulated results of operations and can be compared with the net worth of a private organization.

The accumulated surplus increased by \$82.9 million in 2012 which is calculated as the difference between revenues and expenses. The change in the accumulated surplus corresponds to the annual surplus on the Statement of Operations (**Appendix 3**).

The \$82.9 million increase to accumulated surplus is detailed below:

- Investments in tangible capital assets increased by \$31.7 million. This corresponds to the net increase in the non-financial asset category – tangible capital assets (\$29.0 million) plus the reduction of debt and net reduction of obligations for capital leases.
- Reserves increased by a net \$19.6 million bringing the total 2012 balance to \$295.0 million. Reserves are restricted for particular uses and must be approved for use through bylaw.
- The appropriated surplus balance of \$150.9 million represents internally reserved funds.
- The increase in surplus of \$4.2 million consists of the 2012 surplus from the general fund operating budget (\$3.7 million) plus the net impact of capital financing repayments and the 2011 one-time expenditure funding allocation.
- The obligation to be funded and other equity increased by \$0.4 million from 2011.

The following table represents the changes in the major categories in the period 2011 – 2012:

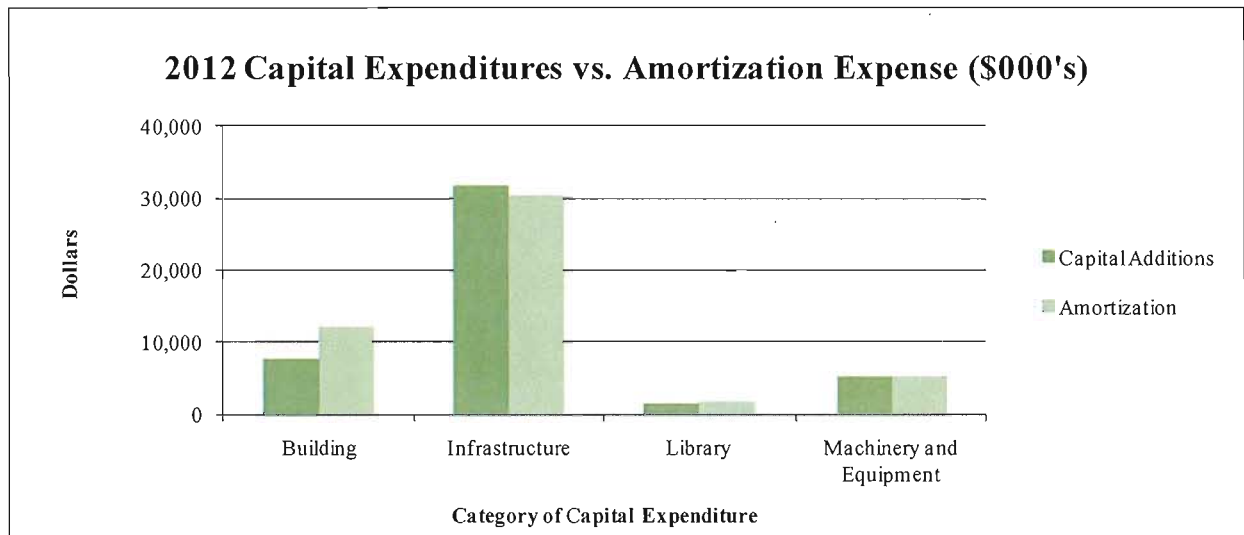
Accumulated Surplus (\$000's)	2012	2011	Change from 2011 to 2012	% Change 2011 to 2012
Investment in TCA	1,827,025	1,795,323	31,702	1.8%
Reserves	295,001	275,353	19,648	7.1%
Appropriated Surplus	150,895	123,943	26,952	21.7%
Obligation to be funded	(4)	(50)	46	(92.0%)
Surplus	28,839	24,631	4,208	17.1%
Other equity	2,252	1,934	318	16.4%
<b>Total</b>	<b>\$2,304,008</b>	<b>\$2,221,134</b>	<b>\$82,874</b>	<b>3.7%</b>

## Tangible Capital Assets

The tangible capital assets represent a diverse mix of assets from underground infrastructure to library books. These assets enable the City to deliver a vast range of services and functions.

The net tangible capital asset balance of \$1,830.6 million represents the historical cost of the assets less accumulated amortization. The increase over 2011 is the direct result of the capital expenditures made during the year being in excess of the amortization expense. Adjusting for land, the net change in the depreciable asset categories was an increase of \$3.9 million.

The level of capital expenditure relative to the amortization expense can be used as a gauge to evaluate capital reinvestment. Overall the City is replacing assets at a similar rate to the amortization expense in most asset categories.



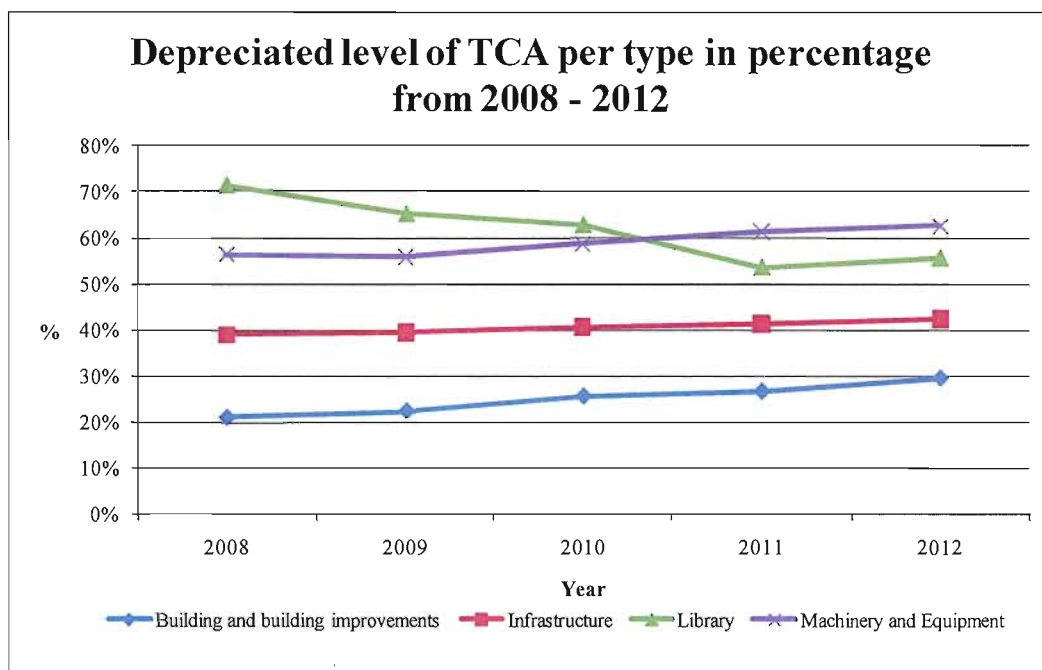
## Tangible Capital Assets and Reserve Analysis

Asset useful lives range from 3 to 100 years based on the asset category.

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

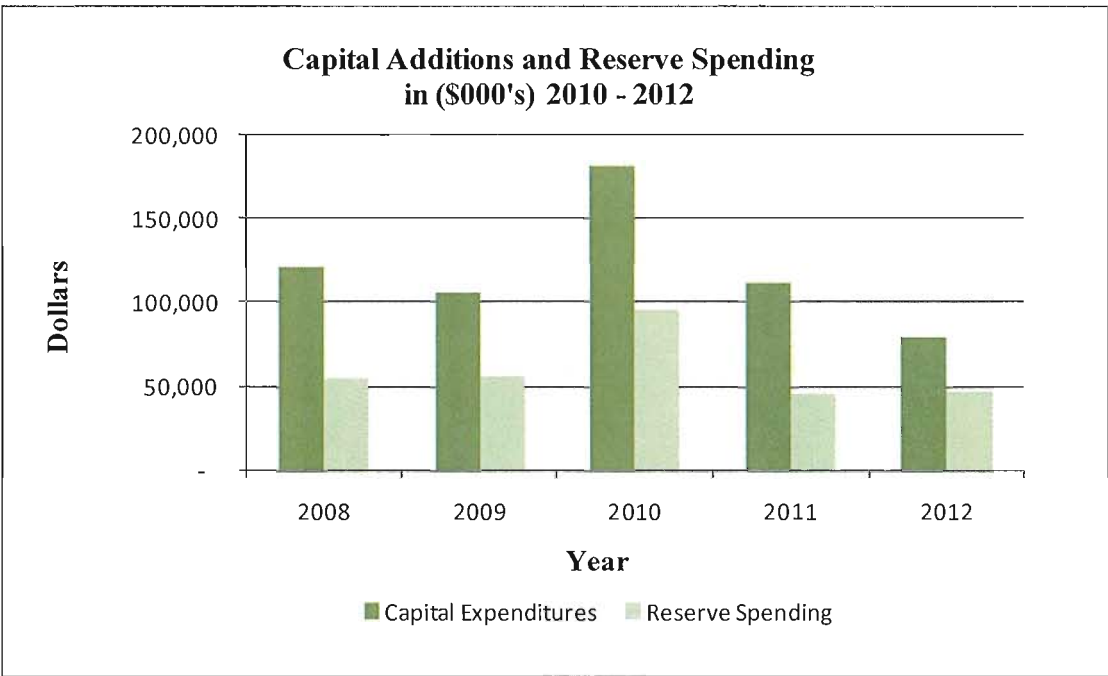
The asset useful life determines the annual amortization. Amortization is charged over the asset's useful life commencing when the asset is acquired. Total amortization in 2012 was \$49.6 million.

The depreciated level of TCA graph below portrays the trend of the net book value balance by asset category. Generally, the higher the depreciated level, the older the asset is and is closer to replacement.



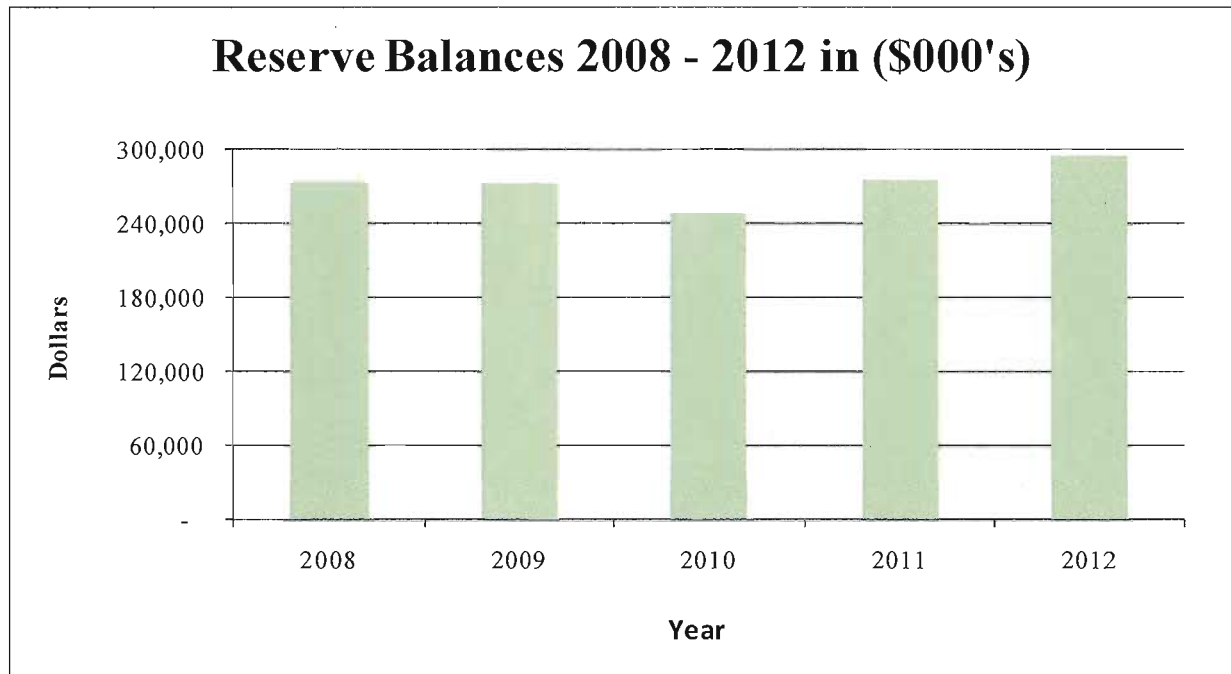
## Tangible Capital Assets and Reserve Analysis

Annual capital additions are comprised of many assets and are funded from various sources. These sources include: City reserves, DCC’s, grants, developer contributed assets and other sources. The portion related to the City reserves represents planned replacement of new and existing infrastructure. As shown below, the reserves represent approximately 40-50% of the total annual funding of capital additions.



## Reserves

The balance of the reserves has remained fairly consistent with a 2012 balance of \$295.0 million. This balance includes both the uncommitted balance of \$207.0 million (2011 \$183.9 million) and amounts that have been approved for expenditure but remain unspent as at December 31, 2012 of \$88.0 million (2011 \$91.5 million).



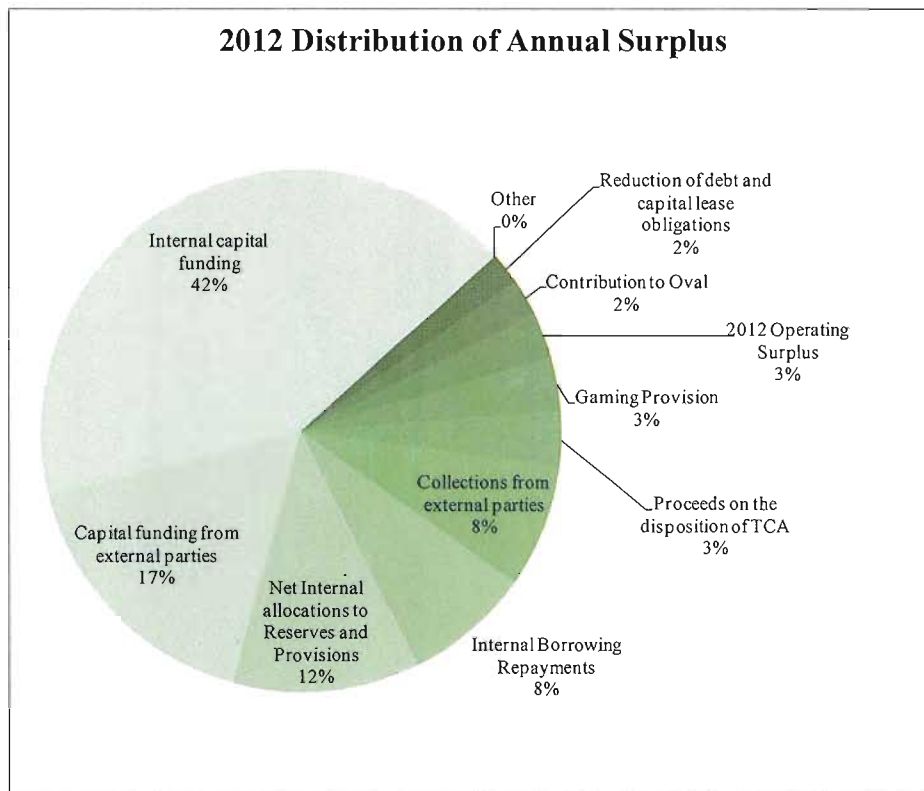
## Annual Surplus Analysis

The 2012 annual surplus of \$82.9 million 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 under PSAB is different from the annual surplus as determined in the context of the annual general fund operating budget. The primary difference is that the annual surplus does not include contributions to and from reserves, principal payments on debt and capital contributions. Another important distinction is that the annual surplus as presented under PSAB represents the consolidated result of operations including utilities, capital and the oval.

The 2012 general operating surplus (\$3.7 million) represents the net excess of revenues over expenditures relating to budgeted transactions and is a component of the 2012 annual surplus of \$82.9 million. The remaining portion of the annual surplus relates to transactions that impact the capital equity and other accumulated surplus items as per PSAB.

The annual surplus of \$82.9 million is the net amount including amortization expense. The following chart details the distribution of the items that comprise the annual surplus excluding amortization. Note that the annual operating budget surplus of \$3.7 million is included in the



total distribution and comprises 3% of the adjusted annual surplus figure.

Internal and external capital funding comprises 59% of the total annual surplus.

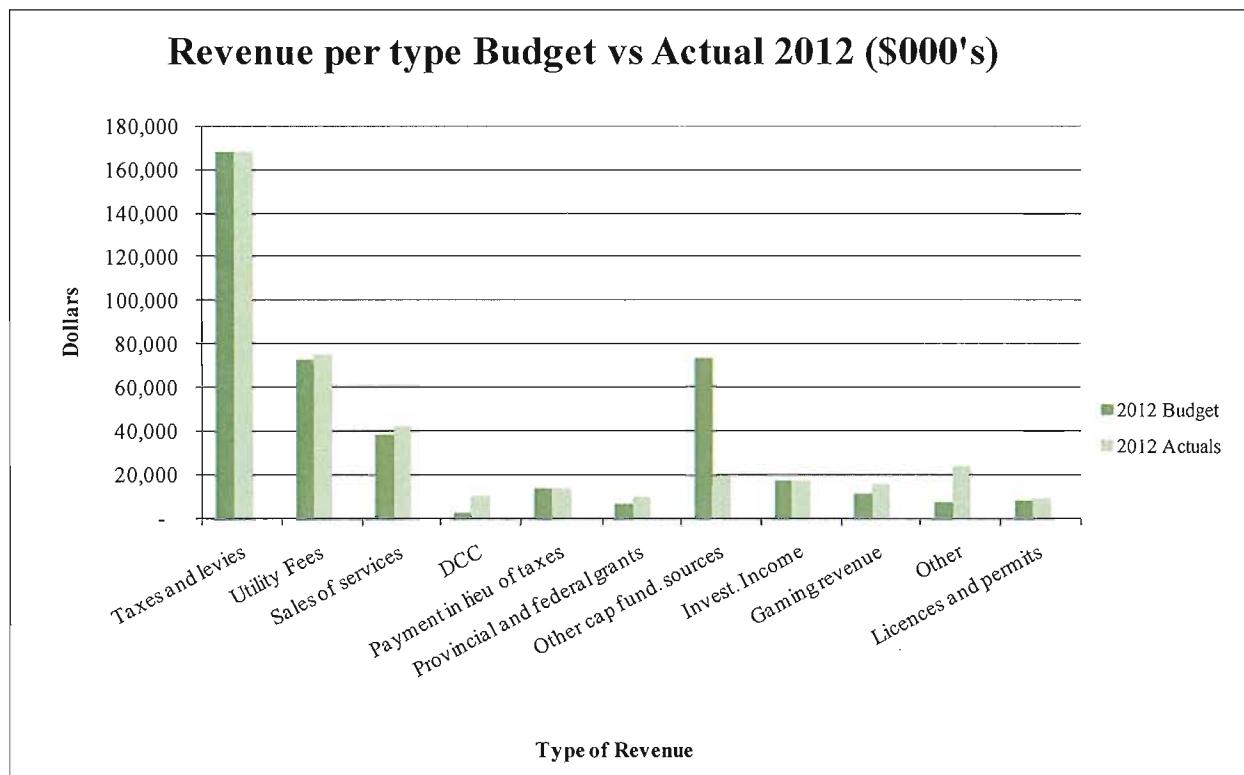
These amounts are reflected in the year over year change in each of the accumulated surplus categories included in Note 13 to the Financial Statements.

### Results of Operations

The 2012 annual surplus of \$82.9 million was a decrease of \$27.9 million compared to 2011, due mainly to the decrease in other capital funding revenues of \$23.7 million. The majority of these revenues relate to external contributions of assets through development and are not cash related. The contributed value of tangible capital assets for 2012 was \$12.7 million as compared to \$35.7 million in 2011.

### Revenues by Type

The following chart represents the comparison of the 2012 revenues to the budget.



The major source of revenues is the property taxes. These revenues increased by 3.5% in comparison with 2011. This includes the budgeted increase of 2.98% and increases relating to newly constructed properties added to the assessment roll. The sale of services budget variance is mainly a result of additional receivable revenues of \$1.9 million.

The decrease in Development Cost Charges was the result of capital expenditures and the timing of projects. The increase in the other revenue mainly relates to the \$8.5 million in developer contributions to reserves and \$5.4 million gain on disposal of tangible capital assets.

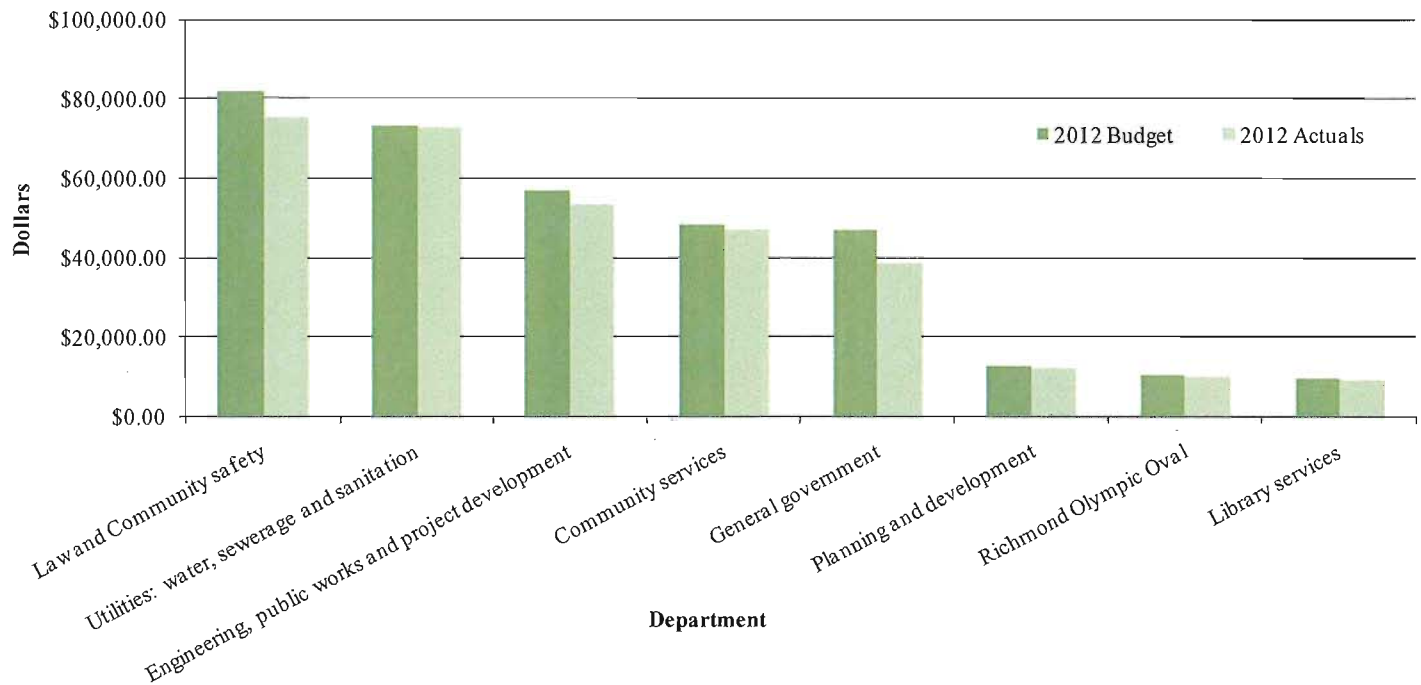


## Annual Surplus Analysis

### Expenditure Analysis

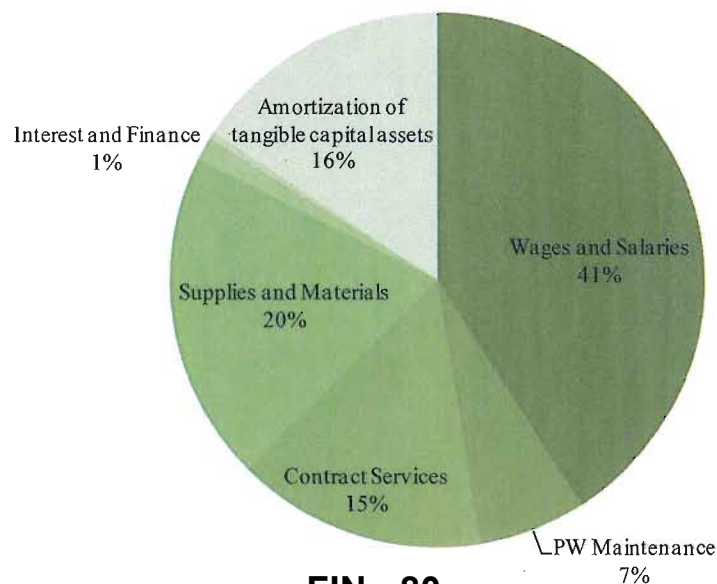
The following chart represents the operating expenditure structure per type of service. As shown below, all services were provided within the approved 2012 budgets.

2012 Expenditures per type (\$000's)



The following chart depicts the 2012 expenditures by type of expense.

2012 Expenditures by Object





## Cash Flow Statement Analysis

**Cash Flow Statement**

The following chart represents the condensed cash flow statement for the year ended December 31, 2012 and 2011. This presents the major sources of cash and cash equivalents during the period as well as the use of cash. As can be seen, the major source of cash comes from the annual surplus, i.e. the results of operation achieved during the period of \$82.9 million.

<b>Cash Flow Statement (\$000's)</b>	<b>2012</b>	<b>2011</b>
Annual Surplus	\$ 82,874	\$ 110,797
Items not involving cash:	30,954	1,609
Change in non-cash assets and liabilities:		
Decrease (increase) in financial assets	725	13,682
Decrease (increase) in other assets	(449)	(302)
Increase (decrease) in financial liabilities	14,217	7,794
Total change in non-cash assets	14,493	21,174
Net change in cash from operating activities:	128,321	133,580
Change in capital activities (investment in TCA)	(59,889)	(75,878)
Change in financing activities (repayment of debt)	(2,767)	(4,207)
Investment activities (investment in bonds and deposits)	(27,799)	(60,787)
Net change in cash	37,866	(7,292)
Cash and cash equivalents, beginning of year	11,766	19,058
<b>Cash and cash equivalents, end of year</b>	<b>\$ 49,632</b>	<b>\$ 11,766</b>

## Ratio Analysis

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. The analysis serves as a recommended practice of financial reporting and enables the readers of financial reports not only to interpret the financial reports but also to also assess the quality of financial management.

As a best practice, the conducted analysis should address 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.
  - 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** measures and demonstrates the degree to which a government entity can change the level of debt and tax burden in order to meet its services commitments or settle financial commitments.
  - 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.

## Indicators of Financial Condition

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** 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.
  - 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.

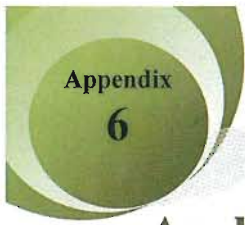
The following table presents ratio analysis for the period 2011-2012:

Ratio analysis indicators of financial condition	2012	2011
<b>Sustainability ratios</b>		
Assets to liabilities (times)	11.6	11.2
Financial assets to liabilities (times)	3.1	2.8
Net debt to total revenues	1.2%	1.8%
Net debt to the total assessment	0.0%	0.0%
Expenses to the total assessment	0.6%	0.6%
<b>Flexibility ratios</b>		
Public debt charges to revenues	1.1%	1.2%
Net book value of capital assets to its cost	69.7%	70.4%
Own source revenue to the assessment	0.7%	0.8%
<b>Vulnerability ratios</b>		
Government transfers to total revenues	2.6%	1.9%

*Note:*

*Based on average Balance Sheet amounts*

The ratio analysis confirms the City's stable financial position.



## **Analysis of the Richmond Olympic Oval Corporation and Richmond Public Library**

### **Richmond Olympic Oval Corporation**

- In 2012, the Richmond Olympic Oval Corporation had an annual surplus of \$3.1 million before the transfer to capital reserves, which is an annual increase of \$0.8 million. Revenue from membership, admissions and programs increased year over year in the amount of \$1.4 million, which was partly offset by the increase in payroll expenses of \$0.9 million and program service expenses of \$0.4 million, as the Corporation approaches steady state.
- Net financial assets increased by \$3.1 million, due mainly to the increase in cash and investments by \$3.2 million.
- The capital works committee allocated \$2.4 million to the capital reserve.

### **Richmond Public Library**

- In 2012, the Library had an annual deficit of \$0.3 million driven mainly by amortization expense.
- Net financial assets increased to \$0.47 million from \$0.42 million.
- The non-financial assets decreased by a net \$0.33 million relating to tangible capital assets.





**Proforma**

Consolidated Financial Statements of

**CITY OF RICHMOND**

Year ended December 31, 2012



## 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, 2012 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, 2012, 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, 2012, with comparative figures for 2011

	2012	2011
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 49,632	\$ 11,766
Investments (note 3)	590,961	563,162
Accrued interest receivable	3,122	2,710
Accounts receivable (note 4)	22,682	22,095
Taxes receivable	8,895	6,716
Development fees receivable	12,923	16,826
Debt reserve fund - deposits (note 5)	386	386
	688,601	623,661
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 6)	75,325	77,698
Deposits and holdbacks (note 7)	40,669	36,753
Deferred revenue (note 8)	37,307	34,801
Development cost charges (note 9)	62,547	52,379
Obligations under capital leases (note 10)	106	499
Debt, net of MFA sinking fund deposits (note 11)	3,488	5,808
	219,442	207,938
Net financial assets	469,159	415,723
<b>Non-Financial Assets</b>		
Tangible capital assets (note 12)	1,830,619	1,801,630
Inventory of materials and supplies	2,276	1,934
Prepaid expenses	1,954	1,847
	1,834,849	1,805,411
Accumulated surplus (note 13)	\$ 2,304,008	\$ 2,221,134

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, 2012, with comparative figures for 2011

	Budget 2012	2012	2011
	(unaudited - notes 2(m) and 22)		
Revenue:			
Taxation and levies	\$ 168,205	\$ 167,529	\$ 161,821
Utility fees	72,193	74,222	69,359
Sales of services	38,219	41,449	41,518
Payments-in-lieu of taxes	13,199	13,189	13,726
Provincial and federal grants	6,612	9,487	8,066
Development cost charges	2,028	10,480	14,321
Other capital funding sources	73,144	19,306	50,063
Other revenues:			
Investment income	16,777	17,144	20,328
Gaming revenue	11,148	15,585	13,728
Licenses and permits	7,412	8,734	7,524
Other (note 20)	7,319	23,186	23,588
	416,256	400,311	424,042
Expenses:			
Law and Community safety	81,642	75,193	74,563
Utilities: water, sewerage and sanitation	72,920	72,682	69,430
Engineering, public works and project development	56,774	53,164	52,727
Community services	47,766	46,796	45,345
General government	46,645	38,570	42,358
Planning and development	12,470	11,961	11,560
Richmond Olympic Oval	10,541	9,826	8,646
Library services	9,323	9,245	8,616
	338,081	317,437	313,245
Annual surplus	78,175	82,874	110,797
Accumulated surplus, beginning of year	2,221,134	2,221,134	2,110,337
Accumulated surplus, end of year	\$ 2,299,309	\$ 2,304,008	\$ 2,221,134

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, 2012, with comparative figures for 2011

	2012 budget (unaudited - notes 2(m) and 22)	2012	2011
Surplus for the year	\$ 78,175	\$ 82,874	\$ 110,797
Acquisition of tangible capital assets	(78,175)	(66,377)	(76,026)
Developer contributions of tangible capital assets		(12,784)	(35,740)
Amortization of tangible capital assets		49,566	47,696
Gain on disposal of tangible capital assets		(5,828)	(10,347)
Proceeds on sale of tangible capital assets		6,434	11,806
	-	53,885	48,186
Acquisition of inventories of supplies		(2,276)	(1,934)
Acquisition of prepaid expenses		(1,954)	(1,847)
Consumption of inventories of supplies		1,934	1,745
Use of prepaid expenses		1,847	1,734
Change in net financial assets	-	53,436	47,884
Net financial assets, beginning of year	415,723	415,723	367,839
Net financial assets, end of year	\$ 415,723	\$ 469,159	\$ 415,723

See accompanying notes to consolidated financial statements.

# CITY OF RICHMOND

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

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 82,874	\$ 110,797
Items not involving cash:		
Amortization	49,566	47,696
Gain on disposal of tangible capital assets	(5,828)	(10,347)
Developer contributions of tangible capital assets	(12,784)	(35,740)
Change in non-cash operating working capital:		
(Increase) decrease in accrued interest receivable	(412)	708
(Increase) decrease in accounts receivable	(587)	7,556
(Increase) decrease in taxes receivable	(2,179)	992
Decrease in development fees receivable	3,903	4,363
Decrease in debt reserve fund	-	63
Increase in prepaid expenses	(107)	(113)
Increase in inventories of supplies	(342)	(189)
(Decrease) increase in accounts payable and accrued liabilities	(2,373)	3,735
Increase (decrease) in deposits and holdbacks	3,916	(8,694)
Increase in deferred revenue	2,506	2,585
Increase in development cost charges	10,168	10,168
Net change in cash from operating activities	128,321	133,580
Capital activities:		
Cash used to acquire tangible capital assets	(66,323)	(75,954)
Proceeds on disposal of tangible capital assets	6,434	76
Net change in cash from capital activities	(59,889)	(75,878)
Financing activities:		
Principal payments on debt	(2,320)	(3,466)
Principal payments on obligations under capital leases	(447)	(741)
Net change in cash from financing activities	(2,767)	(4,207)
Investing activities:		
Change in investments	(27,799)	(60,787)
Net change in cash and cash equivalents	37,866	(7,292)
Cash and cash equivalents, beginning of year	11,766	19,058
Cash and cash equivalents, end of year	\$ 49,632	\$ 11,766
Supplementary Information:		
Non-cash transactions:		
Tangible capital assets financed by capital leases	\$ 54	\$ 72
Sale of property in exchange for leasehold interest in another property	-	11,730

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, 2012

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## 1. Operations:

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

## 2. Significant accounting policies:

The consolidated financial statements of the City are the representation of management prepared in accordance with Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board ("PSAB") of the 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") and the Richmond Olympic Oval. The Library is consolidated as the Library Board is appointed by the City. The Richmond Olympic Oval is consolidated as it is a wholly owned municipal corporation of the City and operates as an other government organization. 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, 2012

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## 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 in the year in which the related expenditures are incurred. Unrestricted transfers are recognized as revenue when received.

### (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, 2012

## 2. Significant accounting policies (continued):

### (i) Non-financial assets:

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

### (i) Tangible capital assets:

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

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

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

### (ii) Contributions of tangible capital assets:

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

### (iii) Natural resources:

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

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

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

### (v) Interest capitalization:

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

### (vi) 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

# CITY OF RICHMOND

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

Year ended December 31, 2012

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## 2. Significant accounting policies (continued):

### (vi) Leased tangible capital assets (continued):

accounted for as operating leases and the related payments are charged to expenses as incurred.

### (vii) 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:

Unaudited 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 adopted through Bylaw #8867 on April 23, 2012.

### (n) Use of accounting estimates:

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

# CITY OF RICHMOND

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

Year ended December 31, 2012

## 2. Significant accounting policies (continued):

### (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:

	2012		2011	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 61,835	\$ 62,206	\$ 99,424	\$ 99,457
Government and government guaranteed bonds	466,984	468,382	402,293	410,633
Municipal Finance Authority Pooled Investment	21,691	21,692	21,289	21,289
Other Bonds	40,451	42,192	40,156	42,162
	\$ 590,961	\$ 594,472	\$ 563,162	\$ 573,541

## 4. Accounts receivable:

	2012	2011
Water and sewer utilities	\$ 8,130	\$ 6,880
Casino revenues	3,580	3,186
Capital grant	3,054	2,934
Other trade receivables	7,918	9,095
	\$ 22,682	\$ 22,095

## 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, 2012 are as follows:

# CITY OF RICHMOND

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

Year ended December 31, 2012

## 5. Debt reserve fund deposits and contingent demand notes (continued):

	Cash deposits	Contingent demand notes
General Revenue Fund	\$ 376	\$ 1,707
Sewerworks Revenue Fund	10	48
Total	\$ 386	\$ 1,755

## 6. Accounts payable and accrued liabilities:

	2012	2011
Trade and other liabilities	\$ 46,911	\$ 50,808
Post-employment benefits (note 15)	28,414	26,890
	\$ 75,325	\$ 77,698

## 7. Deposits and holdbacks:

	Balance December 31, 2011	Deposit contributions	Refund expenditures	Balance December 31, 2012
Security deposits	\$ 25,140	\$ 8,289	\$ 5,939	\$ 27,490
Contract holdbacks	1,206	2,550	2,089	1,667
Developer contribution	5,537	465	-	6,002
Transit Oriented Development Fund	1,523	-	-	1,523
Other	3,347	4,931	4,291	3,987
	\$ 36,753	\$ 16,235	\$ 12,319	\$ 40,669

# CITY OF RICHMOND

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

Year ended December 31, 2012

## 8. Deferred revenue:

Deferred revenue represents revenues that are collected but not earned as of December 31, 2012. 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.

	2012	2011
Prepaid taxes	\$ 15,352	\$ 12,652
Building permits	5,185	4,649
Capital grants	4,351	4,919
Firm price billing revenues	2,674	2,723
Business license revenues	2,525	2,433
Parking easement and leased land revenues	2,409	2,403
Other	2,327	2,729
Tree Compensation	1,030	822
Memberships and programs – Oval	946	537
Sport hosting funding – Oval	508	934
Balance, end of year	\$ 37,307	\$ 34,801

## 9. Development cost charges:

	2012	2011
Balance, beginning of year	\$ 52,379	\$ 42,211
Contributions	19,772	23,518
Interest	876	971
Revenue recognized	(10,480)	(14,321)
Balance, end of year	\$ 62,547	\$ 52,379



# CITY OF RICHMOND

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

Year ended December 31, 2012

## 10. Obligations under capital leases:

The City has entered into capital lease agreements to finance certain equipment at an estimated cost of borrowing ranging from 1.25% to 5% per year.

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

Year ending December 31:

2013	\$	50
2014		31
2015		22
2016		6
Total future minimum lease payments		109
Less amount representing interest		(3)
Present value of capital lease payments	\$	106

## 11. Debt, net of MFA sinking fund deposits:

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, 2012 approximates 5.68%.

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 sinking fund deposits to date are as follow:

	Gross amount borrowed	Principal payments	Sinking fund deposits	Net debt 2012	Net debt 2011
General Fund	\$ 37,600	\$ 24,616	\$ 9,572	\$ 3,412	\$ 5,659
Sewerworks Fund	1,000	575	349	76	149
	\$ 38,600	\$ 25,191	\$ 9,921	\$ 3,488	\$ 5,808

Principal payments and sinking fund instalments on net outstanding debenture debt over the next two years are as follows:

	General	Sewerworks	Total
2013	\$ 2,356	\$ 76	\$ 2,432
2014	1,056	-	1,056
	\$ 3,412	\$ 76	\$ 3,488

# CITY OF RICHMOND

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

Year ended December 31, 2012

## 12. Tangible capital assets:

Cost	Balance at December 31, 2011	Additions and transfers	Disposals	Balance at December 31, 2012
Land	\$ 608,511	\$ 25,522	\$ 453	\$ 633,580
Buildings and building improvements	340,172	7,695	-	347,867
Infrastructure	1,499,594	31,567	1,970	1,529,191
Vehicles, machinery and equipment	85,263	5,383	2,358	88,288
Library's collections, furniture and equipment	9,662	1,361	1,830	9,193
Assets under construction	25,857	7,633	-	33,490
	<b>\$ 2,569,059</b>	<b>\$ 79,161</b>	<b>\$ 6,611</b>	<b>\$ 2,641,609</b>

Accumulated amortization	Balance at December 31, 2011	Disposals	Amortization expense	Balance at December 31, 2012
Buildings and building improvements	\$ 90,931	\$ -	\$ 12,118	\$ 103,049
Infrastructure	619,060	1,846	30,383	647,597
Vehicles, machinery and equipment	52,266	2,329	5,306	55,243
Library's collections, furniture and equipment	5,172	1,830	1,759	5,101
	<b>\$ 767,429</b>	<b>\$ 6,005</b>	<b>\$ 49,566</b>	<b>\$ 810,990</b>

# CITY OF RICHMOND

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

Year ended December 31, 2012

## 12. Tangible capital assets (continued):

	Net book value December 31, 2012	Net book value December 31, 2011
Land	\$ 633,580	\$ 608,511
Buildings and building improvements	244,818	249,241
Infrastructure	881,594	880,534
Vehicles, machinery and equipment	33,045	32,997
Library's collection, furniture and equipment	4,092	4,490
Assets under construction	33,490	25,857
Balance, end of year	\$ 1,830,619	\$ 1,801,630

(a) Assets under construction:

Assets under construction having a value of approximately \$33,490,000 (2011 - \$25,857,000) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed 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 \$12,784,000 (2011 - \$35,740,000) comprised of infrastructure in the amount of approximately \$9,838,000 (2011 - \$11,978,000), land in the amount of approximately \$2,946,000 (2011 - \$22,483,000) and library collections in the amount of approximately nil (2011 - \$1,279,000).

(c) Tangible capital assets disclosed at nominal values:

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

(d) Works of Art and Historical Treasures:

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

(e) Write-down of tangible capital assets:

There were no writedowns of tangible capital assets during the year (2011 - nil).

# CITY OF RICHMOND

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

Year ended December 31, 2012

## 13. Accumulated surplus:

	Water							2012	2011
	General Fund	Sanitary Sewer Utility Fund	Capital and Loan Fund	Reserves Fund	Library Services	Richmond Oval	Total	Total	
Investment in tangible capital assets	\$ -	\$ -	\$ 1,822,181	\$ -	\$ 4,158	\$ 686	\$ 1,827,025	\$ 1,795,323	
Reserves (note 14)	-	-	-	290,901	-	4,100	295,001	275,353	
Appropriated Surplus	137,417	12,565	(5,850)	-	124	212	150,895	123,943	
Obligations to be funded	-	-	-	-	(4)	-	(4)	(50)	
Surplus	5,797	15,230	(2,096)	-	374	347	28,839	24,631	
Other equity	2,251	-	-	-	-	1	2,252	1,934	
Balance, end of year	\$ 145,465	\$ 27,795	\$ 1,814,235	\$ 290,901	\$ 4,652	\$ 5,346	\$ 2,304,008	\$ 2,221,134	

# CITY OF RICHMOND

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

Year ended December 31, 2012

## 14. Reserves:

	2011	Change during year	2012
Reserve funds:			
Affordable housing	\$ 11,344	\$ 6,738	\$ 18,082
Capital building and infrastructure	27,646	9,040	36,686
Capital reserve	81,820	(3,566)	78,254
Child care development	2,146	(151)	1,995
Community legacy and land replacement	17,097	(416)	16,681
Drainage improvement	23,395	4,553	27,948
Equipment replacement	16,744	(165)	16,579
Leisure facilities	2,621	556	3,177
Local improvements	6,330	98	6,428
Neighborhood improvement	6,057	(46)	6,011
Public art program	1,585	382	1,967
Sanitary sewer	30,254	3,418	33,672
Steveston off-street parking	277	5	282
Steveston road ends	2,723	(1,376)	1,347
Waterfront improvement	179	(67)	112
Watermain replacement	43,435	(1,755)	41,680
Oval	1,700	2,400	4,100
	\$ 275,353	\$ 19,648	\$ 295,001

## 15. Post-employment benefits:

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

	2012	2011
Balance, beginning of year	\$ 26,890	\$ 25,071
Current service cost	2,095	1,843
Interest cost	1,021	1,207
Amortization of actuarial loss	460	424
Benefits paid	(2,052)	(1,655)
Balance, end of year	\$ 28,414	\$ 26,890

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2009 and the results are extrapolated to December 31, 2012. The difference between the actuarially determined accrued benefit obligation of approximately \$28,826,000 and the liability of approximately \$28,414,000 as at December 31, 2012 is an unamortized net actuarial loss of \$412,000. This actuarial loss is being amortized over a period equal to the employees' average remaining service lifetime of 10 years.

# CITY OF RICHMOND

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

Year ended December 31, 2012

## 15. Post-employment benefits (continued):

	2012	2011
Actuarial benefit obligation:		
Liability, end of year	\$ 28,414	\$ 26,890
Unamortized actuarial loss	412	1,581
Balance, end of year	\$ 28,826	\$ 28,471

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

	2012	2011
Discount rate	3.50%	3.50%
Expected future inflation rate	2.50%	2.50%
Expected wage and salary range increases	3.50%	3.50%

## 16. Pension plan:

The City 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 pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

The most recent actuarial valuation as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. 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 the 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 City paid \$9,247,832 (2011 - \$9,291,000) for employer contributions to the Plan in fiscal 2012. Employees paid \$7,676,659 (2011 - \$7,624,000) for employee contributions to the Plan in fiscal 2012.

## 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.

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# CITY OF RICHMOND

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

Year ended December 31, 2012

## 17. Commitments and contingencies (continued):

### (b) Lease payments:

In addition to the obligations under capital leases, at December 31, 2012, the City was committed to operating lease payments for premises and equipment in the following approximate amounts:

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2013	\$ 4,346
2014	4,273
2015	4,238
2016	4,048
2017 and thereafter	24,588

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### (c) Litigation:

As at December 31, 2012, there were a number of legal claims in various stages of litigation. 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 27 Class A and 22 Class B shares issued and outstanding as at December 31, 2012). As a Class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.

# CITY OF RICHMOND

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

Year ended December 31, 2012

## 17. Commitments and contingencies (continued):

### (g) Community Associations:

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

### (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 financial statements as at December 31, 2012.

## 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 financial statements.

	2012	2011
Richmond Community Associations	\$ 1,091	\$ 1,015

## 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 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:

	2012	2011
Province of British Columbia - Schools	\$ 128,610	\$ 122,465
Greater Vancouver Regional District and others	39,498	37,655
	\$ 168,108	\$ 160,120

# CITY OF RICHMOND

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

Year ended December 31, 2012

## 20. Other revenue:

	2012	2011
Debt funding	\$ 1,180	\$ 2,135
Developer reserve contribution	8,534	3,231
Donation	53	43
Other	4,248	2,482
Parking program	1,566	1,389
Sponsorship	200	293
Tangible capital assets gain/loss on land	5,402	11,719
Taxes and fines	2,003	2,296
	<u>\$ 23,186</u>	<u>\$ 23,588</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.

**Engineering, Public Works and Project Development** comprises of General Public Works, Roads and Construction, Storm Drainage, Fleet Operations, Engineering Planning, 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 planning, and construction of major projects.

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

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

# CITY OF RICHMOND

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

Year ended December 31, 2012

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## 21. Segmented reporting (continued):

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

**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.

**Library Services** provides public access to information by maintaining 5 branches throughout the City.

**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.

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

Year ended December 31, 2012

**21. Segmented reporting (continued):**

	Law and Community Safety	Engineering, public works and project development	General government	Community Services	Utilities	Planning and development	Richmond Public Library	Richmond Olympic Oval	Consolidated	Consolidated
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>										
Taxation and levies	-	-	167,529	-	-	-	-	-	167,529	161,821
User fees	-	7,964	-	-	66,258	-	-	-	74,222	69,359
Sales of services	4,653	2,804	6,227	8,108	12,515	1,430	232	5,480	41,449	41,518
Development cost charges	-	1,443	7,198	-	397	-	-	-	10,480	14,321
Provincial and Federal Grants	102	2,034	4,099	9	-	8	450	2,785	9,487	8,066
Other Capital Funding Sources	1,476	9,936	3,031	551	2,664	1,648	-	-	19,306	50,063
Payments-in-Lieu of taxes	-	-	13,169	-	-	-	-	-	13,169	13,726
Other revenue:	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	16,552	-	592	-	-	-	17,144	20,328
Grant revenue	588	1,400	13,597	-	-	-	-	-	15,585	13,728
License and permits	184	68	3,569	-	-	4,913	-	-	8,734	7,524
Other	1,621	167	19,187	331	43	53	230	1,554	23,186	23,588
<b>Total</b>	<b>8,624</b>	<b>25,816</b>	<b>254,178</b>	<b>10,441</b>	<b>82,469</b>	<b>8,052</b>	<b>912</b>	<b>9,819</b>	<b>400,311</b>	<b>424,042</b>
<b>Expenditures:</b>										
Wages	33,280	20,750	18,293	26,126	9,862	8,951	6,457	6,262	129,981	128,361
PW Maintenance	24	13,724	34	2,290	4,757	64	8	-	20,901	18,444
Contract Services	36,860	609	2,953	1,911	5,108	249	106	149	47,945	45,687
Supplies and Materials	2,459	(3,408)	4,038	11,413	43,675	1,334	1,044	3,129	63,684	63,765
Interest and Finance	17	6	2,363	1	2,086	-	-	-	4,495	5,164
Transfer from (to) capital for tangible capital assets	-	761	-	-	252	389	(113)	-	1,289	2,755
Amortization of tangible capital assets	2,559	21,227	10,869	5,055	6,837	973	1,759	286	49,565	47,696
Loss (gain) on disposal of tangible capital assets	(6)	(505)	-	-	105	1	(18)	-	(423)	1,373
<b>Total</b>	<b>75,193</b>	<b>53,164</b>	<b>38,570</b>	<b>48,796</b>	<b>72,682</b>	<b>11,961</b>	<b>9,245</b>	<b>9,826</b>	<b>317,437</b>	<b>313,245</b>
<b>Surplus (deficit)</b>	<b>(66,569)</b>	<b>(27,348)</b>	<b>215,608</b>	<b>(34,355)</b>	<b>9,787</b>	<b>(3,909)</b>	<b>(8,333)</b>	<b>(7)</b>	<b>82,874</b>	<b>110,797</b>

# CITY OF RICHMOND

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

Year ended December 31, 2012

## 22. Budget data:

The unaudited budget data presented in these consolidated financial statements is based on the 2012 operating and capital budgets approved by Council on April 23, 2012 and the approved budget for Richmond Olympic Oval. Below is the reconciliation of the approved budget to the budget amount reported in these financial statements.

	Budget Amount
Revenues:	
Approved operating budget	\$ 380,168
Approved capital budget	180,163
Approved Oval budget	11,386
Less:	
Transfer from other funds	7,591
Intercity recoveries	37,777
Intercompany recoveries	3,074
Carried forward capital expenditures	107,019
Total revenue	416,256
Expenses:	
Approved operating budget	380,168
Approved capital budget	180,163
Approved Oval budget	10,541
Less:	
Transfer to other funds	10,636
Intercity payments	37,777
Intercompany payments	3,074
Capital expenditures	73,144
Debt principal payments	1,141
Carried forward capital expenditures	107,019
Total expenses	338,081
Annual surplus per statement of operations	\$ 78,175



Financial Statements of

**RICHMOND PUBLIC LIBRARY BOARD**

Year ended December 31, 2012

## 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, 2012, 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, 2012 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

Date \_\_\_\_\_

Burnaby, Canada

# **RICHMOND PUBLIC LIBRARY BOARD**

## Statement of Financial Position

December 31, 2012, with comparative figures for 2011

	2012	2011
<b>Financial Assets</b>		
Due from City of Richmond (note 3)	\$ 1,840,056	\$ 1,630,380
Accounts receivable	217,391	217,556
	<u>2,057,447</u>	<u>1,847,936</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	1,411,163	1,260,372
Deferred revenue	178,362	163,457
	<u>1,589,525</u>	<u>1,423,829</u>
Net financial assets	467,922	424,107
<b>Non-Financial Assets</b>		
Tangible capital assets (note 5)	4,158,175	4,490,175
Prepaid expenses	25,615	24,932
	<u>4,183,790</u>	<u>4,515,107</u>
Commitments (note 12)		
Accumulated surplus (note 7)	<u>\$ 4,651,712</u>	<u>\$ 4,939,214</u>

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, 2012, with comparative figures for 2011

	Budget 2012	2012	2011
	(unaudited - notes 2(a) and 13)		
Revenue:			
Municipal contribution	\$ 8,044,800	\$ 8,044,800	\$ 7,932,848
Fines and miscellaneous (note 8)	537,500	426,421	490,672
Grants (note 9)	422,500	449,776	429,965
Other Capital Funding Sources	-	-	1,156
Donations (note 10)	-	35,865	1,278,765
Gain on disposal of tangible capital assets	-	18,335	12,150
	9,004,800	8,975,197	10,145,556
Expenses:			
Salaries and employee benefits	6,585,100	6,411,959	6,232,427
Amortization	1,581,300	1,758,558	1,364,104
Supplies and equipment services	243,600	206,445	213,326
General and administration	211,500	198,397	180,116
Building, leases and maintenance	208,300	224,778	209,450
Utilities	183,200	170,859	176,395
Periodicals	131,000	139,872	128,010
Automation	99,000	60,991	32,964
Resource sharing services	80,200	77,276	78,856
Contribution to City of Richmond	-	13,564	19,682
	9,323,200	9,262,699	8,635,330
Annual surplus (deficit)	(318,400)	(287,502)	1,510,226
Accumulated surplus, beginning of year	4,939,214	4,939,214	3,428,988
Accumulated surplus, end of year	\$ 4,620,815	\$ 4,651,712	\$ 4,939,214

See accompanying notes to financial statements.

# **RICHMOND PUBLIC LIBRARY BOARD**

## **Statement of Changes in Net Financial Assets**

Year ended December 31, 2012, with comparative figures for 2011

	Budget	2012	2011
	(unaudited - notes 2(a) and 13)		
Annual surplus (deficit)	\$ (318,400)	\$ (287,502)	\$ 1,510,226
Acquisition of tangible capital assets	318,400	(1,426,558)	(2,787,996)
Amortization of tangible capital assets		1,758,558	1,364,104
Gain on disposal of tangible capital assets		(18,335)	(12,150)
Proceeds on disposal of tangible capital assets		18,335	12,150
Increase in prepaid expenses		(683)	(1,515)
Change in net financial assets	-	43,815	84,819
Net financial assets, beginning of year	424,107	424,107	339,288
Net financial assets, end of year	\$ 424,107	\$ 467,922	\$ 424,107

See accompanying notes to financial statements.



# RICHMOND PUBLIC LIBRARY BOARD

## Statement of Cash Flows

Year ended December 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ (287,502)	\$ 1,510,226
Items not involving cash:		
Amortization	1,758,558	1,364,104
Gain on disposal of tangible capital assets	(18,335)	(12,150)
Contributed tangible capital assets	-	(1,195,200)
Change in non-cash working capital:		
Due from City of Richmond	(209,676)	(77,256)
Accounts receivable	165	22,514
Prepaid expenses	(683)	(1,515)
Accounts payable and accrued liabilities	150,791	421
Deferred revenue	14,905	(30,498)
Net change in cash from operating activities	1,408,223	1,580,646
Capital activities:		
Proceeds on disposal of tangible capital assets	18,335	12,150
Cash used to acquire tangible capital assets	(1,426,558)	(1,592,796)
Net change in cash from capital activities	(1,408,223)	(1,580,646)
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, 2012

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### **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 unaudited budget data presented in these financial statements is based upon the 2012 budget submission approved by the Board on September 28, 2011. 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 this 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, 2012

## **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 years
Furniture and fixture	10 - 20 years
Equipment	5-10 years

Amortization is charged over the asset's useful life commencing when the asset is acquired or when it 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 (see 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. Unrestricted transfers are recognized as revenue when received.

# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 3. Due from City of Richmond:

Due from City of Richmond is composed 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:

	2012	2011
Accounts payable	\$ 354,537	\$ 233,821
Accrued liabilities	37,163	34,806
Accrued payroll liabilities	407,763	358,945
Post-employment benefits (note 6)	611,700	632,800
	<u>\$ 1,411,163</u>	<u>\$ 1,260,372</u>

## 5. Tangible capital assets:

Cost	Balance, December 31, 2011	Additions	Disposals	Balance, December 31, 2012
Library collections	\$ 7,777,581	\$ 1,312,068	\$ 1,830,165	\$ 7,259,484
Furniture and fixture	905,851			905,851
Equipment	978,452	114,490		1,092,942
	<u>\$ 9,661,884</u>	<u>\$ 1,426,558</u>	<u>\$ 1,830,165</u>	<u>\$ 9,258,277</u>

Accumulated amortization	Balance, December 31, 2011	Disposals	Amortization	Balance, December 31, 2012
Library collections	\$ 3,938,549	\$ 1,830,165	\$ 1,593,410	\$ 3,701,794
Furniture and fixture	500,368	-	68,963	569,331
Equipment	732,792	-	96,185	828,977
	<u>\$ 5,171,709</u>	<u>\$ 1,830,165</u>	<u>\$ 1,758,558</u>	<u>\$ 5,100,102</u>

Net book value	Balance, December 31, 2011	Balance, December 31, 2012
Library collections	\$ 3,839,032	\$ 3,557,690
Furniture and fixture	405,483	336,520
Equipment	245,660	263,965
	<u>\$ 4,490,175</u>	<u>\$ 4,158,175</u>

# **RICHMOND PUBLIC LIBRARY BOARD**

Notes to Financial Statements (continued)

Year ended December 31, 2012

## **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:

	2012	2011
Balance, beginning of year	\$ 632,800	\$ 633,100
Current service cost	35,400	31,800
Interest cost	15,800	19,400
Amortization of actuarial gain	(34,900)	(32,100)
Benefits paid	(37,400)	(19,400)
Balance, end of year	\$ 611,700	\$ 632,800

An actuarial valuation for these benefits was performed to determine the Library's accrued benefit obligation as at December 31, 2012. The difference between the actuarially determined accrued benefit obligation of \$437,300 and the accrued benefit liability of \$611,700 as at December 31, 2012 is an unamortized net actuarial gain of \$174,400. This actuarial gain is being amortized over the period equal to the employees' average remaining service life of 10 years.

	2012	2011
Actuarial benefit obligation:		
Accrued liability, end of year	\$ 611,700	\$ 632,800
Unamortized net actuarial gain	(174,400)	(185,400)
Balance, end of year	\$ 437,300	\$ 447,400

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

	2012	2011
Discount rate	3.50%	3.50%
Expected future inflation rate	2.50%	2.50%
Expected wage and salary increases	3.50%	3.50%

# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 7. Accumulated surplus:

	2012	2011
Operating:		
Surplus	\$ 497,890	\$ 499,452
Obligations to be funded	(4,353)	(50,413)
	493,537	449,039
Invested in tangible capital assets	4,158,175	4,490,175
	\$ 4,651,712	\$ 4,939,214

Surplus includes amounts approved by the Board to be spent in future periods, including \$110,000 for strategic planning and \$75,000 towards the wireless access upgrade project.

## 8. Fines and miscellaneous:

	2012	2011
Book fines	\$ 193,804	\$ 212,452
InterLINK revenue	176,628	215,646
Photocopy and printer revenue	28,198	27,255
Miscellaneous	27,791	35,319
	\$ 426,421	\$ 490,672

## 9. Grants:

	2012	2011
Provincial Revenue Sharing Grant	\$ 351,783	\$ 352,376
One Card Grant	58,934	62,882
British Columbia Equity Grant	4,500	4,500
Writers in Library Grant	4,500	2,300
Community Access Program (CAP) Grant	3,855	3,855
Resource Sharing Grants	4,329	4,052
New Horizon for Seniors Program	21,875	-
	\$ 449,776	\$ 429,965

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, 2012

## **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.

	2012	2011
Friends of the Library	\$ 9,936	\$ 65,199
Collection Donations	5,453	1,196,000
McDonald Estate	-	5,775
Filipiniana collection	1,361	1,660
Law Matters	2,541	2,476
Other	16,574	7,655
	<b>\$ 35,865</b>	<b>\$ 1,278,765</b>



# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2012

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## 11. Pension plan:

The Library and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusted pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including the investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

The most recent valuation as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. 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 \$459,671 (2011 - \$432,214) for employer contributions to the Plan in fiscal 2012. Employees paid \$376,722 (2011 - \$366,294) for employee contributions to the Plan in fiscal 2012.

## 12. Commitments:

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

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2013	\$ 207,559
2014	199,086
2015	147,943
2016	147,943
Thereafter	1,038,066

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# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2012

## 13. Budget data:

The unaudited budget data presented in these financial statements is based upon the 2012 budget approved by the Board on September 28, 2011. 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	\$ 9,004,800
Expenses:	
Operating	9,323,200
Capital	1,161,500
	10,484,700
Annual deficit per approved budget	(1,479,900)
Add capital expenditures:	
Library collection	1,161,500
Annual deficit per statement of operations	\$ ( 318,400)

# RICHMOND PUBLIC LIBRARY BOARD

Schedule 1 - Statement of Operations by Fund  
Year ended December 31, 2012, with comparative figures for 2011

	2012			2011		
	Operating	Capital	Total	Operating	Capital	Total
Revenue:						
Municipal contribution	\$ 6,636,577	\$ 1,408,223	\$ 8,044,800	\$ 6,352,202	\$ 1,580,646	\$ 7,932,848
Fines and miscellaneous	426,421	-	426,421	490,672	-	490,672
Grants	449,776	-	449,776	429,965	-	429,965
Other Capital Funding Sources	-	-	-	1,156	-	1,156
Donations	35,865	-	35,865	83,565	1,195,200	1,278,765
Gain on disposal of tangible capital assets	-	18,335	18,335	-	12,150	12,150
	7,548,639	1,426,558	8,975,197	7,357,560	2,787,996	10,145,556
Expenses:						
Salaries and employee benefits	6,411,959	-	6,411,959	6,232,427	-	6,232,427
Amortization	-	1,758,558	1,758,558	-	1,364,104	1,364,104
Supplies and equipment services	206,445	-	206,445	213,326	-	213,326
General and administration	198,397	-	198,397	180,116	-	180,116
Building, leases and maintenance	224,778	-	224,778	209,450	-	209,450
Utilities	170,859	-	170,859	176,395	-	176,395
Periodicals	139,872	-	139,872	128,010	-	128,010
Automation	60,991	-	60,991	32,964	-	32,964
Resource sharing services	77,276	-	77,276	78,856	-	78,856
Contribution to City of Richmond	13,564	-	13,564	19,682	-	19,682
	7,504,141	1,758,558	9,262,699	7,271,226	1,364,104	8,635,330
Annual surplus	44,498	(332,000)	(287,502)	86,334	1,423,892	1,510,226
Accumulated surplus, beginning of year	449,039	4,490,175	4,939,214	362,705	3,066,283	3,428,988
Accumulated surplus, end of year	\$ 493,537	\$ 4,158,175	\$ 4,651,712	\$ 449,039	\$ 4,490,175	\$ 4,939,214

Financial Statements of

**RICHMOND OLYMPIC OVAL  
CORPORATION**

Year ended December 31, 2012



**KPMG LLP**  
**Chartered Accountants**  
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Internet [www.kpmg.ca](http://www.kpmg.ca)

## 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, 2012, 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 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 in our audit 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, 2012 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.

*KPMG LLP*

Chartered Accountants

April 18, 2013

Burnaby, Canada

# **RICHMOND OLYMPIC OVAL CORPORATION**

## **Statement of Financial Position**

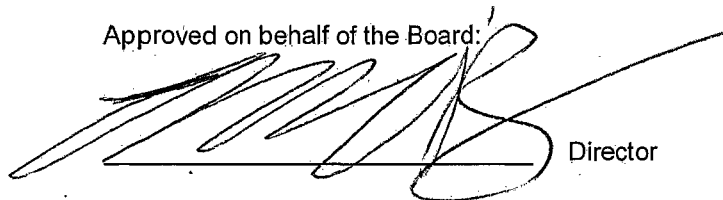
December 31, 2012, with comparative information for 2011

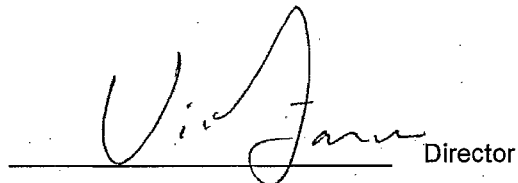
	2012	2011
<b>Financial Assets</b>		
Cash	\$ 2,053,574	\$ 1,430,735
Investments (note 3)	4,805,363	2,250,000
Due from City of Richmond (note 8)	132,632	-
Accounts receivable	390,081	368,744
	<u>7,381,650</u>	<u>4,049,479</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	952,216	772,430
Obligations under capital leases (note 6)	8,491	205,663
Deferred revenue (note 7)	2,317,370	1,879,250
Due to City of Richmond	-	139,798
Rental deposits	5,513	5,513
	<u>3,283,590</u>	<u>3,002,654</u>
Net financial assets	4,098,060	1,046,825
<b>Non-Financial Assets</b>		
Tangible capital assets (note 9)	694,497	661,555
Deferred lease costs (note 10)	121,186	123,809
Inventories of supplies	2,508	1,865
Prepaid expenses and other deposits	428,954	444,327
	<u>1,247,145</u>	<u>1,231,556</u>
Accumulated surplus (note 11)	\$ 5,345,205	\$ 2,278,381

Economic dependence (note 14)

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director



# RICHMOND OLYMPIC OVAL CORPORATION

## Statement of Operations

For the year ended December 31, 2012

	2012 Budget (unaudited – note2(g))	2012	2011
Revenue:			
2010 Games Operating Trust Fund (note 5)	\$ 2,500,000	\$ 2,784,637	\$ 2,739,398
Contribution from City of Richmond (note 12)	3,073,883	3,073,883	3,022,500
Memberships, admissions and programs	4,820,246	5,480,286	4,067,266
Other (note 12)	991,856	1,554,377	1,031,052
	11,385,985	12,893,183	10,860,216
Expenses (note 12):			
Salaries and benefits	6,496,140	6,261,653	5,320,829
Utilities	1,107,750	914,519	818,959
Amortization	323,789	286,071	526,964
Supplies and equipment	606,337	557,441	442,954
Insurance	368,225	347,487	326,631
General and administration	612,437	396,618	489,134
Marketing and sponsorship	290,743	235,990	290,330
Program services	587,365	677,223	302,058
Professional fees	148,540	149,357	127,887
	10,541,326	9,826,359	8,645,746
Annual surplus	844,659	3,066,824	2,214,470
Accumulated surplus, beginning of year	2,278,381	2,278,381	63,911
Accumulated surplus, end of year	\$ 3,123,040	\$ 5,345,205	\$ 2,278,381

See accompanying notes to financial statements.

# RICHMOND OLYMPIC OVAL CORPORATION

## Statement of Changes in Net Financial Assets (Debt)

For the year ended December 31, 2012

	2012 Budget (unaudited - note 3(g))	2012	2011
Annual surplus for the year	\$ 844,659	\$ 3,066,824	\$ 2,214,470
Acquisition of tangible capital assets	(503,111)	(319,013)	(364,544)
Amortization of tangible capital assets	323,789	286,071	526,964
	(179,322)	(32,942)	162,420
Amortization of deferred lease costs	-	13,729	17,002
Acquisition of inventory of supplies	-	(3,655)	(1,487)
Acquisition of prepaid expense	-	(500,385)	(679,609)
Consumption of inventories of supplies	-	3,012	2,236
Use of prepaid expenses and other deposits	-	515,758	566,495
Additions of deferred leasing costs	-	(11,106)	(7,492)
Change in net financial assets	665,337	3,051,235	2,274,035
Net financial assets (debt), beginning of year	1,046,825	1,046,825	(1,227,210)
Net financial assets, end of year	\$ 1,712,162	\$ 4,098,060	\$ 1,046,825

See accompanying notes to financial statements.

# RICHMOND OLYMPIC OVAL CORPORATION

## Statement of Cash Flows

For the year ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 3,066,824	\$ 2,214,470
Items not involving cash:		
Amortization of tangible capital assets	286,071	526,964
Amortization of deferred lease costs	13,729	17,002
Changes in non-cash operating working capital:		
Accounts receivable	(21,337)	(51,276)
Deferred lease costs	(11,106)	(7,492)
Inventories of supplies	(643)	749
Prepaid expenses and other deposits	15,373	(113,114)
Accounts payable and accrued liabilities	179,786	51,465
Deferred revenue	438,120	1,343,725
Due from/to the City of Richmond	(272,430)	(74,977)
	3,694,387	3,907,516
Capital activities:		
Purchase of tangible capital assets	(319,013)	(364,544)
Investing activities		
Purchase of investments	(2,555,363)	(2,250,000)
Financing activities:		
Repayment of obligations under capital leases	(197,172)	(231,890)
Increase in rental deposits	-	(21,248)
	(197,172)	(253,138)
Increase in cash	622,839	1,039,834
Cash, beginning of year	1,430,735	390,901
Cash, end of year	\$ 2,053,574	\$ 1,430,735

See accompanying notes to financial statements.

# **RICHMOND OLYMPIC OVAL CORPORATION**

## **Notes to Financial Statements**

For the year ended December 31, 2012

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### **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 the 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) 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)

For the year ended December 31, 2012

## **2. Significant accounting policies (continued):**

### **(c) Non-financial assets (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
Automobile	5 years
Building improvements	5 years
Computer software and equipment	3 years
Facility equipment	3 years
Signage	3 years
Uniforms, ice skates and helmets	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 Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

#### **(iii) 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.

# **RICHMOND OLYMPIC OVAL CORPORATION**

Notes to Financial Statements (continued)

For the year ended December 31, 2012

## **2. Significant accounting policies (continued):**

### **(d) 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.

### **(e) Income taxes:**

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

### **(f) 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.

### **(g) Budget data:**

The unaudited budget data presented in these financial statements is based upon the 2012 budget approved by the Board of Directors on February 29, 2012.

### **(h) 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.

## **3. Investments:**

Investments represent term deposits as follows:

Purchase date	Maturity date	2012	2011
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	-
March 21, 2011	March 20, 2012	-	2,250,000
Total		\$ 4,805,363	\$ 2,250,000

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

## 4. Richmond Oval Agreement:

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

## 5. 2010 Games Operating Trust Fund:

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

Effective December 31, 2007:

- (a) the 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, the funds are then paid to the Corporation.

Revenue from GOT is comprised of:

	2012	2011
2011 annual distributable amount approved and received in 2012	\$ 2,784,637	\$ -
2010 annual distributable amount approved and received in 2011	-	2,739,398
	<u>\$ 2,784,637</u>	<u>\$ 2,739,398</u>



# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

## 6. Obligations under capital leases:

The capital leases have an estimated cost of borrowing ranging from 0.21% to 0.35% per month. The principal and interest payments as at December 31, 2012 and December 31, 2011 are as follows:

	2012	2011
Total minimum lease payments	\$ 8,517	\$ 208,445
Imputed interest	(26)	(2,782)
Obligations under capital leases	\$ 8,491	\$ 205,663

As at December 31, 2012, the Corporation was committed to payments under capital leases of \$8,517 in 2013.

## 7. Deferred revenue:

	2012	2011
Balance, beginning of year	\$ 1,879,250	\$ 535,525
Add: receipts	7,472,783	6,442,043
Less: revenue recognized	(7,034,663)	(5,098,318)
Balance, end of year	\$ 2,317,370	\$ 1,879,250

Deferred revenue comprises of:

	2012	2011
Memberships and programs	\$ 946,082	\$ 537,041
Sponsorship fees	433,333	408,333
Sport Hosting funding (note 12)	507,779	933,876
Richmond Olympic Experience (note 12)	430,176	-
	\$ 2,317,370	\$ 1,879,250

## 8. Due from the City of Richmond:

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

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

## 9. Tangible capital assets:

Cost	Balance at December 31, 2011	Additions	Balance at December 31, 2012
Assets under capital lease	\$ 905,888	\$ -	\$ 905,888
Athletic equipment	692,935	164,089	857,024
Automobile	23,158	-	23,158
Building improvements	26,727	9,963	36,690
Computer software and equipment	176,383	59,982	236,365
Facility equipment	63,343	14,027	77,370
Signage	43,884	-	43,884
Tenant improvements	16,979	-	16,979
Uniforms, ice skates, and helmets	126,838	1,128	127,966
Work-in-progress (note 12)	-	69,824	69,824
	\$ 2,076,135	\$ 319,013	\$ 2,395,148

Accumulated amortization	Balance at December 31, 2011	Amortization expense	Balance at December 31, 2012
Assets under capital lease	\$ 873,841	\$ 32,047	\$ 905,888
Athletic equipment	272,985	154,625	427,610
Automobile	6,562	4,631	11,193
Building improvements	4,847	6,674	11,521
Computer software and equipment	109,923	43,147	153,070
Facility equipment	6,599	18,444	25,043
Signage	26,808	11,809	38,617
Tenant improvements	16,255	300	16,555
Uniforms, ice skates, and helmets	96,760	14,394	111,154
	\$ 1,414,580	\$ 286,071	\$ 1,700,651

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

## 9. Tangible capital assets (continued):

	Net book value December 31, 2012	Net book value December 31, 2011
Assets under capital lease	\$ -	\$ 32,047
Athletic equipment	429,414	419,950
Automobile	11,965	16,596
Building improvements	25,169	21,880
Computer software and equipment	83,295	66,460
Facility equipment	52,327	56,744
Signage	5,267	17,076
Tenant improvements	424	724
Uniforms, ice skates, and helmets	16,812	30,078
Work-in-progress (note 12)	69,824	-
	<b>\$ 694,497</b>	<b>\$ 661,555</b>

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.

Assets under capital lease include audio and visual equipment, printers, drivers, computer hardware and other information technology equipment. The lease agreements are between the City and the Municipal Finance Authority of the Province of British Columbia. The equipment is used solely by the Corporation and, accordingly, the leased assets are capitalized and the related obligation recorded in the accounts of the Corporation. The lease payments made by the City are charged at cost to the Corporation.

There was no write down of tangible capital assets during the year (2011 - nil).

## 10. Deferred lease costs:

	2012	2011
Balance, beginning of year	\$ 123,809	\$ 133,319
Add: payments	11,106	7,492
Less: amortization	(13,729)	(17,002)
Balance, end of year	<b>\$ 121,186</b>	<b>\$ 123,809</b>

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2012

## 11. Accumulated surplus:

Accumulated surplus is comprised of:

	2012	2011
Share capital	\$ 1	\$ 1
Capital reserve	4,100,000	1,700,000
Other reserves/provisions	211,790	-
Operating surplus	347,408	122,488
Invested in tangible capital assets	686,006	455,892
	<u>\$ 5,345,205</u>	<u>\$ 2,278,381</u>

## 12. 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 \$61,835 to the City for the provision of city staff time in fiscal year 2012 (2011 - \$60,000).

In 2012, \$93,979 (2011 - \$84,288) of salaries and benefits expenses were charged to the City relating to the costs of the Corporation's staff time for services performed for the City.

Included as a reduction to other revenue in 2011 is \$39,919 pertaining to management fees paid to the City for services performed pertaining to the parking revenue in 2011. At the end of 2011 the Oval began managing these parking operations internally and therefore did not have any management fees paid to the City in 2012 in respect of such services.

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. Commencing in 2011, the City approved an additional \$1.5 million in annual financial support to the Corporation. The Corporation received a contribution from the City of \$3,073,833 (2011 - \$3,022,500).

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 2012, nil (2011 - \$1,091,565) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2012, receipts of hotel tax revenue of \$507,779 (2011 - \$933,876) was included in deferred revenue (note 7) and \$426,097 (2011 - \$157,689) was recognized in other revenue on the statement of operations.

The Corporation also received an additional \$500,000 from the hotel tax funding in 2012 to be used for the construction and operation of tourism destination enhancing attractions. This funding will be used for the Richmond Olympic Experience project. Of this amount, \$69,824 was spent in 2012 and is included in tangible capital assets (note 9) as part of work in progress. As such, \$430,176 remains in deferred revenue.

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# **RICHMOND OLYMPIC OVAL CORPORATION**

Notes to Financial Statements (continued)

For the year ended December 31, 2012

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## **13. Pension plan:**

The Corporation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Plan's Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including the investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits provided are based on a formula. The Plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

The most recent valuation of the Plan as a whole as at December 31, 2009 indicated a \$1,024 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risk 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 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 \$263,064 (2011 - \$192,337) as employer contributions to the Pension Plan.

## **14. Economic dependence:**

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

## **15. Comparative figures:**

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



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** April 12, 2013

**From:** Jerry Chong  
Director, Finance

**File:**

**Re:** Financial Information – 1<sup>st</sup> Quarter March 31, 2013

### Staff Recommendation

That the report titled Financial Information – 1<sup>st</sup> Quarter March 31, 2013 be received for information.

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

REPORT CONCURRENCE			
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER	
Business Licences	<input checked="" type="checkbox"/>		
Economic Development	<input checked="" type="checkbox"/>		
Affordable Housing	<input checked="" type="checkbox"/>		
Parks Services	<input checked="" type="checkbox"/>		
Recreation Services	<input checked="" type="checkbox"/>		
Engineering	<input checked="" type="checkbox"/>		
Project Development	<input checked="" type="checkbox"/>		
Sewerage & Drainage	<input checked="" type="checkbox"/>		
Water Services	<input checked="" type="checkbox"/>		
Community Bylaws	<input checked="" type="checkbox"/>		
Fire Rescue	<input checked="" type="checkbox"/>		
RCMP	<input checked="" type="checkbox"/>		
Building Approvals	<input checked="" type="checkbox"/>		
Development Applications	<input checked="" type="checkbox"/>		
Transportation	<input checked="" type="checkbox"/>		
REVIEWED BY DIRECTORS	INITIALS: 	REVIEWED BY CAO	INITIALS: 

## Staff Report

### Origin

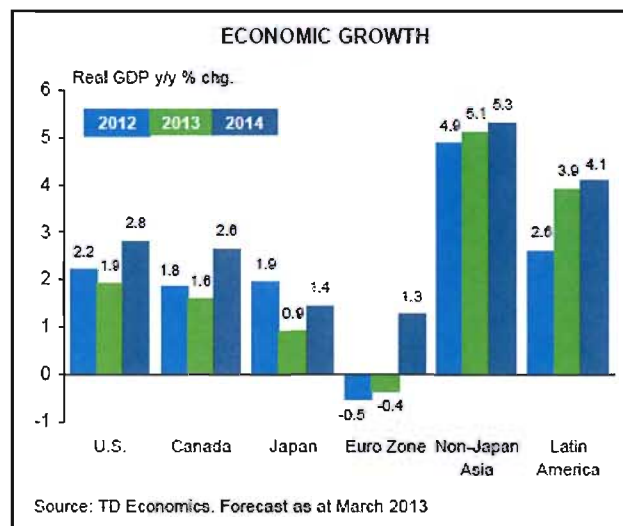
Financial information for the 1<sup>st</sup> quarter ended March 31, 2013 is being provided to Council for review. Global and more specific economic updates outline the current environment with respect to Canada, the Province of B.C., and the City of Richmond. The City's financial results, significant revenues, investments, capital projects and other key indicator information are provided.

### Analysis

#### Global Economic Overview<sup>1,2</sup>

- Economists at TD Bank feel that global economic growth faltered last year, amidst renewed recessions in Japan and the euro zone, and concurring slowdowns in the U.S. and developing economies. As a result, the global economy expanded by a sub-par 2.9%.
- Steady growth within emerging economies gives confidence to the TD Bank to project global growth of 3.1% in 2013, and a more notable acceleration to 3.7% in 2014.
- The Chinese economy is projected to grow 7.9% in 2013, supported by a modest acceleration in real estate and infrastructure investment. If the U.S. economy improves beyond TD's current forecast, this would be beneficial for Canada. Chinese monetary policy will likely shift to a neutral stance in the second half of this year, as inflation accelerates.
- In Brazil, economic activity is stabilizing at low levels. Fourth-quarter real GDP growth was weaker than expected, creating a poor hand-off for 2013. Rising inflation will take some steam out of household consumption and likely force the central bank to tighten before the end of this year.
- In the euro zone, economic activity will stabilize at depressed levels in the first half of 2013, and a slow recovery is set for the second half. Rising unemployment and private sector de-leveraging will continue to hinder credit demand, offsetting the accommodative monetary stance of the European Central Bank. Real euro zone GDP will contract around 0.4% in 2013





### Canadian Economic Overview<sup>3</sup>

After grinding nearly to a halt in the second half of 2012, Canada's economic growth looks set to pick up over the course of this year and next. The Economists at TD Bank believe that real GDP growth in 2013 will advance by only 1.6%, but feel that there will be roughly a 2% growth from 2012 to 2013. Stronger growth in the U.S. should help lift Canadian economic growth further to an average of 2.6% next year.

- Canada's housing sector is slowing, and ripple effects will be felt throughout Canada's economy; from residential construction to purchases of housing-related goods. Still, low interest rates and decent employment growth suggest a cooling not a crash, and the weight of a housing slowdown won't be enough to sink the economy.
- Exports will play a larger role in Canada's economic growth in 2013. There are positive indicators that the U.S. economy is rising and should help improve many economies in Canada later this year, and more notably in 2014.
- But, the recent slowdown in economic growth has meant increased excess capacity in Canada's economy, which has cooled inflation significantly. The Bank of Canada's has kept the interest rates low and it is anticipated that the first rate hikes will be delayed to the final quarter of 2014. Interest rates remaining lower for longer should help support the domestic economy until external sources of growth gain momentum.

Table 1

CANADIAN ECONOMIC OUTLOOK																		
Period-Over-Period Annualized Per Cent Change Unless Otherwise Indicated																		
	2012				2013				2014				Annual Average			4th Qtr/4th Qtr		
	Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	12F	13F	14F	12F	13F	14F
Real GDP	1.2	1.9	0.7	0.6	1.6	2.0	2.3	2.6	2.6	2.7	2.8	2.7	1.8	1.6	2.6	1.1	2.1	2.7
Labour Force	0.6	2.1	0.8	2.1	0.3	1.7	1.2	1.2	1.5	1.2	1.0	1.0	1.0	1.2	1.3	1.4	1.1	1.2
Unemployment Rate	7.4	7.3	7.3	7.2	7.0	7.2	7.2	7.2	7.2	7.1	7.0	6.8	7.3	7.1	7.0	--	--	--
Cons. Price Index (Y/Y)	2.3	1.6	1.2	0.9	0.9	1.2	1.2	1.3	1.6	1.8	1.9	1.9	1.5	1.1	1.8	0.9	1.3	1.9
Core CPI (Y/Y)	2.1	2.0	1.5	1.2	1.0	0.8	1.0	1.3	1.6	1.8	1.9	1.9	1.7	1.0	1.8	1.2	1.3	1.9
Housing Starts (000's)	205	231	222	202	172	180	175	172	171	170	168	165	215	175	169	--	--	--
Productivity: Real GDP / worker (Y/Y)	1.2	1.5	0.5	-0.5	-0.5	-0.1	0.2	1.0	1.1	1.2	1.2	1.1	0.7	0.2	1.1	-0.5	1.0	1.1
F: Forecast by TD Economics as at March 2013																		
Source: Statistics Canada, Bank of Canada, Canada Mortgage and Housing Corporation, Haver Analytics																		

F: Forecast by TD Economics as at March 2013

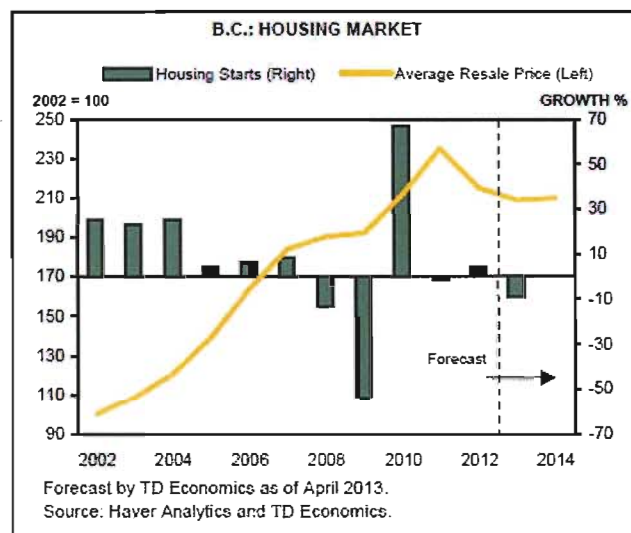
Source: Statistics Canada, Bank of Canada, Canada Mortgage and Housing Corporation, Haver Analytics

Province of B.C. Economic Overview<sup>4, 5</sup>

The RBC Economists expect British Columbia's economy to grow modestly in 2013 but feel BC will have to wait until 2014 to see acceleration in the pace. Unexpectedly weak capital spending intentions prompted RBC to revise their real GDP growth forecast downward for the province in 2013 to 1.6% from 2.3% previously, and this new rate represents a slight easing from the estimated 1.8% rate in 2012.

- The RBC Economists feel that there are already tentative signs that the BC economy is slowly improving. For example, the housing resale activity stabilized by early in 2013, and new motor vehicle sales picked up in January.

Table 2



- Other sectors such as manufacturing are on the cusp of showing gains. RBC is encouraged by the sustained recovery in US home building and its implications for BC

<sup>4</sup> RBC Economics – Provincial Outlook, March 2013<sup>5</sup> TD Economics – Provincial Economic Forecast – April 4, 2013

lumber production. The initial stages of this recovery last year produced an increase of 25% in BC lumber exports to the United States.

- A strengthening of the Chinese economy brightens the outlook for exports even more. As China is expected to be the leading driver of global growth that bodes well for British Columbia.

Table 3

British Columbia forecast at a glance				
% change unless otherwise indicated				
	2011	2012F	2013F	2014F
Real GDP	2.8	1.8	1.6	2.7
Employment	0.8	1.7	1.0	1.4
Unemployment rate (%)	7.5	6.7	6.3	6.3
Retail Sales	3.1	2.2	2.9	3.9
Housing starts (units)	26,400	27,500	23,900	23,500
Consumer price index	2.3	1.1	0.7	1.6

Source: Royal Bank Economics - Provincial Outlook - March 2013

- A pick-up in natural gas prices can be expected in 2013, as increased demand helps draw down inventories in the United States. In addition to higher heating demand due to the recent cold spell, an expected increase in U.S. industrial production will also provide a boost to the natural gas sector in the second half of 2013 and into 2014. Over the longer term, the outlook for natural gas in B.C. is very bright, as a multitude of potential projects have been tabled to get liquefied natural gas to port for emerging Asian markets.
- Labour market weakness observed near the tail end of 2012 extended into January as B.C.'s economy shed jobs for a third time in four months. Estimated total employment in the province fell to a seasonally adjusted 2.298 million persons, marking a decline of 0.7 per cent or 15,900 persons from December. The decline was led by a two per cent tumble in the number of part-time employed individuals, while full-time employment also dipped by 0.3%.

### Lower Mainland Overview<sup>6,7</sup>

Economic activity in the lower mainland region is expected to hold steady through 2013 on moderate employment gains and modest growth in housing activity.

- Lower Mainland MLS® sales activity rebounded in March following a poor February showing. While total sales in the region, which spans Metro Vancouver and Abbotsford-Mission, were still 19% lower than same-month 2012, seasonally-adjusted sales popped 18% from February to 3,120 units in March - the strongest pace of activity since July 2012.

<sup>6</sup> Central 1 Credit Union-BC Economic Briefing, Volume 19, Issues 14

<sup>7</sup> Central 1 Credit Union-Labour Markets – Regional BC – February 2013

Table 4

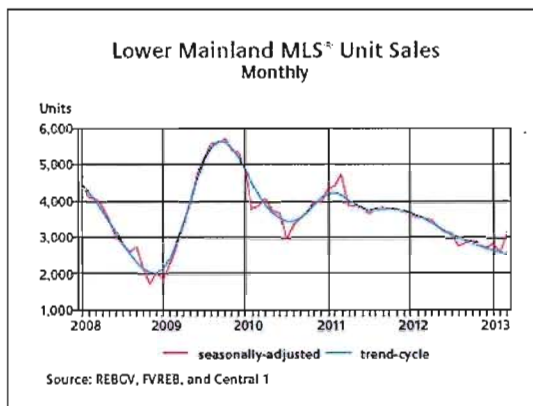
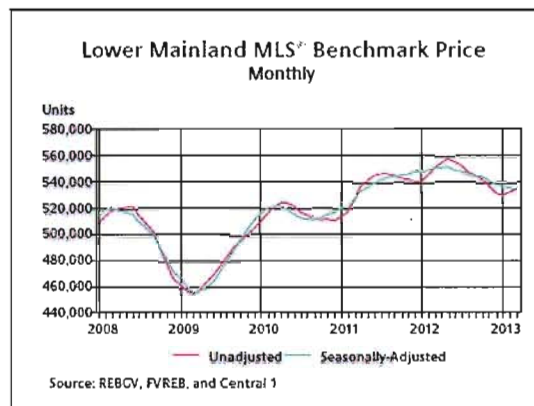
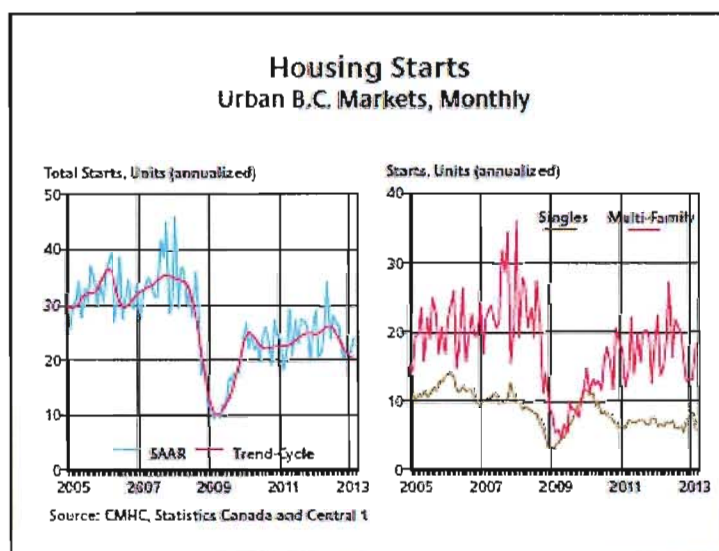


Table 5



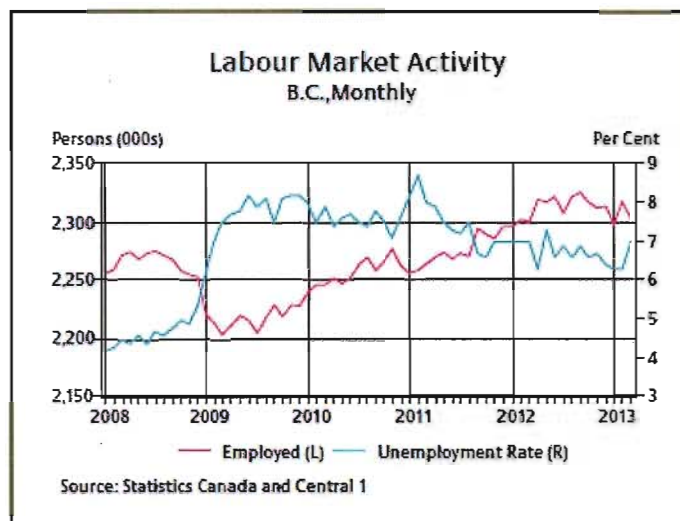
- On the pricing front, the regional benchmark MLS® rose for a second month to reach \$535,600, up 0.5 % from February. However, these likely reflected seasonal gains often observed with transition from the slower winter months to the spring selling season. Stripping out typical seasonal factors, the benchmark price eased for a tenth month in March. The benchmark price has fallen about 3% since peaking in April. The mild but persistent erosion in price levels is consistent with the low sales-to-inventory ratios of a buyers' market.
- B.C. housing starts shifted higher in March as builders began work on more Metro Vancouver multi-family projects following a four-month lull. While starts fell sharply outside Metro Vancouver, total starts in the province's urban areas still rose to a seasonally adjusted annualized pace of nearly 24,400 units, marking a 13 per cent gain from February and 17 per cent gain from same-month 2012.

Table 6



- The latest seasonally adjusted, short-term trends in labour market indicators were mixed. Employment levels were unchanged over the latest three month period. However, a sharp drop in the participation rate suggests a subset of unemployed temporarily left the labour market, leading to a decline in the unemployment rate. The regional unemployment rate fell 0.9 percentage points to 6.3%.

Table 7



### City of Richmond Overview

Richmond is performing well relative to global and provincial economic trends. The figures described below indicate that Richmond's economy is maintaining similar levels to that of 2012 and this trend is expected to continue throughout 2013.

Industrial space vacancy continues to be at historical lows, dropping from 3.1% in the last quarter of 2012 to yet another record low of 2.69% in Q1 2013, despite the addition of 100,000 square feet to the inventory (now at 37 million square feet). Industrial space continues to become more and more scarce; pressuring business retention of light industry companies in need to move their operations from areas of re-development.<sup>8</sup>

Chart 1



After peaking at 20.3% in the last quarter of 2012, office vacancies edged down to 18.99% in Q1 2013, which is about 1% higher than the same time last year. Office inventory continues to remain at the same 4.4 million square feet for a 5th quarter in a row, as developers continue to be discouraged from the high vacancy rates and land prices.

Chart 2





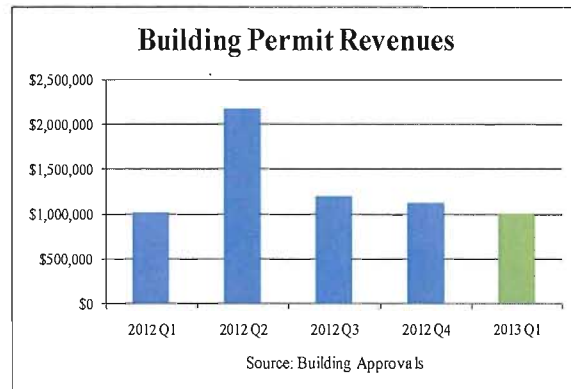
The value of building construction for permits issued increased slightly during the 1<sup>st</sup> quarter of 2013 by 12.3% from \$67M in the same quarter in 2012 to \$75M. This reflects the current trend of higher value construction projects, predominately as mixed-use residential and commercial buildings are starting to complete.

In the 1<sup>st</sup> quarter, there were 330 building permits issued, which is comprised of multi-family and residential building permits, representing an increase of 12.2% compared to the 294 permits issued in the 1<sup>st</sup> quarter 2012. There were 26 more new single family home permits issued in 2012 than 2013, in contrast the number of townhouse/apartment permits went up by 86 from 2012 to 2013. The total revenues collected on for the 1<sup>st</sup> quarter decreased slightly by 2.2% from \$1.02M to \$1.0M for 2012 to 2013.

Chart 3



Chart 4



There were 63 development applications received in the 1<sup>st</sup> quarter which is an increase of 26% as compared to 50 received in the same quarter in 2012. Revenues fell by 6.5% in the 1<sup>st</sup> quarter of 2013 when compared to the 1<sup>st</sup> quarter of 2012 due to the type and scope of applications submitted in 2013. Development applications submitted in the 1<sup>st</sup> quarter of 2012 included a number of larger Development Permit and Airspace Parcel Subdivision applications which generated high application fee revenue relative to other application types.

Chart 5

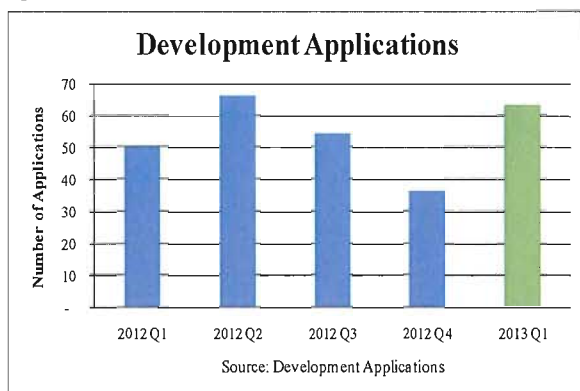
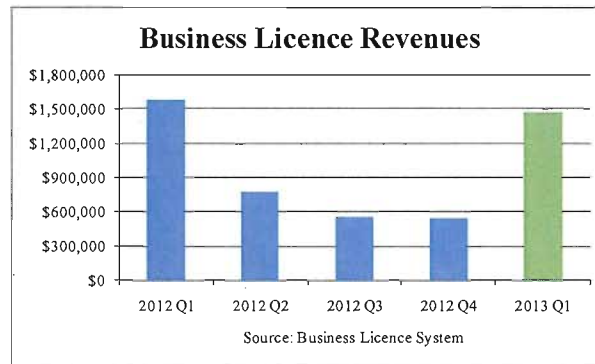


Chart 6



Business Licence activity for the 1<sup>st</sup> quarter of 2013 is consistent with first quarter 2012. In 2012, the 1<sup>st</sup> quarter revenue was \$1.57M compared to the \$1.46M earned in the 1<sup>st</sup> quarter of 2013. There were 423 licenses issued in the 1<sup>st</sup> quarter of 2013 as compared with the 501 new licenses issued in the 1<sup>st</sup> quarter of 2012.

Chart 7



Parking Program revenues from meters, permits and enforcement for the 1<sup>st</sup> quarter of 2013 increased by \$110,000 to \$0.470M from \$0.360M for the same period in 2012.

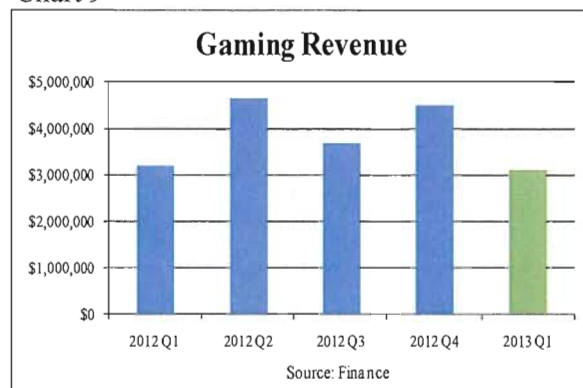
Chart 8





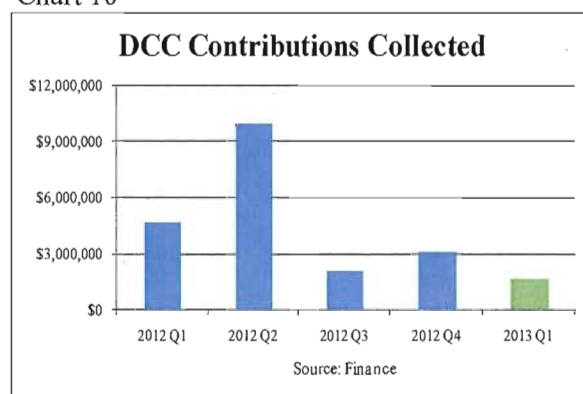
Gaming revenues for the 1<sup>st</sup> quarter are slightly lower at \$3.09M compared to \$3.20M in the same quarter last year representing a 3.4% decrease.

Chart 9



DCC contributions received in the 1<sup>st</sup> quarter of 2013 were lower than 2012 due to a large multi-family development that was recognized in the first quarter in 2012. The year-over-year contributions decreased by 65.4% from \$4.68M in 2012 to \$1.62M in 2013.

Chart 10



**Statement of (net revenues)/expenditures for  
March 31, 2013**

<b>Operating Budget (000's)</b>		<b>Actuals</b>	
General Fund		<b>March 31,</b>	
	<b>Budget</b>	<b>2013**</b>	<b>Variance</b>
	<b>2013*</b>		
RCMP	9,649	9,772	(123)
Fire Rescue	7,604	6,759	845
Community Services	8,639	7,299	1,339
Engineering & Public Works	10,981	10,595	386
Finance & Corporate Services	4,185	3,840	345
Library	2,834	2,704	130
Planning & Development	1,518	774	744
Corporate Administration	1,809	1,514	295
Law & Community Safety	1,058	576	482
Fiscal & Transfer to Reserves	(41,679)	(42,413)	734
<b>Total</b>	<b>\$6,599</b>	<b>\$1,421</b>	<b>\$5,178</b>

\*The 2013 Budget amount represents the prorated annual budget to March 31, 2013 adjusting for the timing of certain revenues and expenditures.

\*\*The 2013 Actuals include, where applicable, accruals and estimates for revenues and expenditures.

The following describes the net expenditure variances at the departmental 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 on budget at the end of the year. The surplus resulting from vacancies in the first quarter will be eroded by an increase in overtime until the vacancies are filled.
- Community Services revenues and expenditures are on track given the seasonal nature of the business. The highest levels of expenditures are during the 2nd and 3rd quarter for seasonal Parks maintenance.
- Engineering and Public Works are due to be on budget by the end of the year. The 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 be favourable relative to budget.

- Library is on budget.
- Planning and Development has realized higher than anticipated development application revenues during the 1<sup>st</sup> quarter of 2013. The 1<sup>st</sup> quarter revenues are primarily a result of large servicing agreements associated with a number of substantial development applications proceeding. Development applications submissions have been consistent through the 1<sup>st</sup> quarter and continue to build on the strength of the market, particularly in residential applications. It is anticipated the development activity will remain stable during the 2<sup>nd</sup> quarter of 2013.
- Corporate Administration has a favourable variance in the first quarter due mainly to the timing of training expenditures and vacant positions.
- Law and Community Safety is on budget.
- Fiscal has a favourable variance for the first quarter with anticipated expenses to be incurred throughout the year.

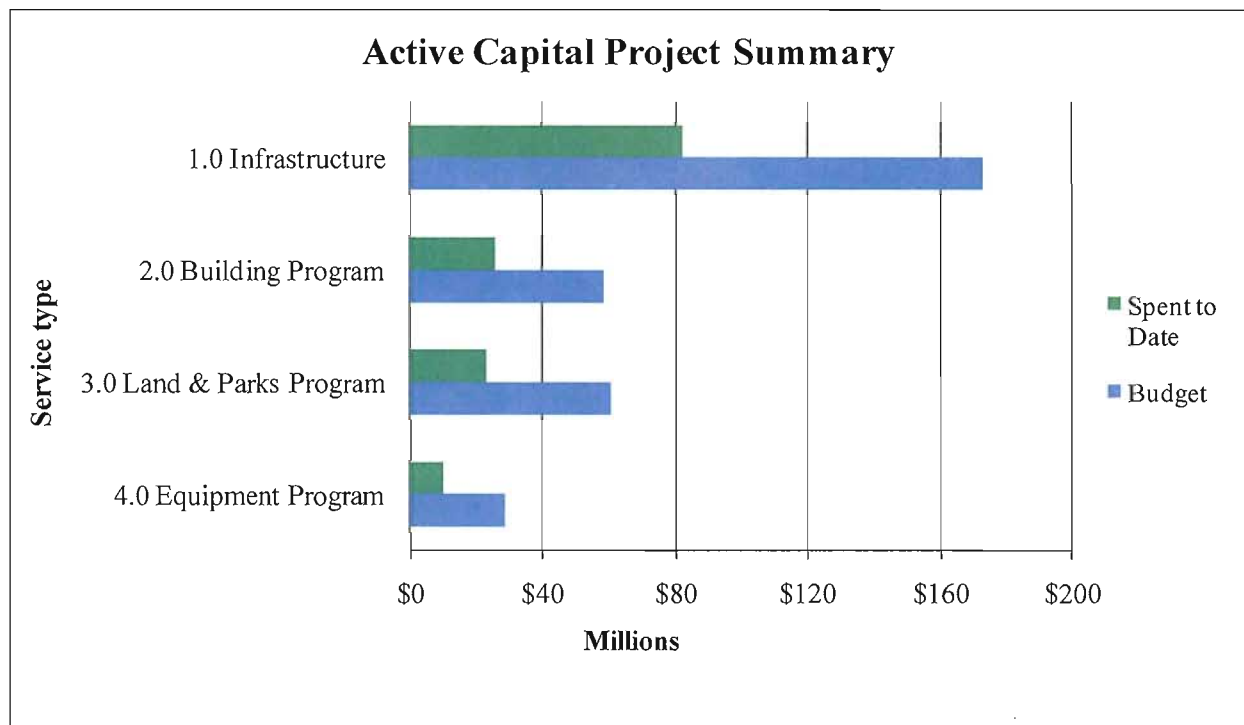
### Active Capital Project Summary

The 2013 Capital Budget of \$65.8M (excluding internal payment transfers and debt repayments) are included in the figures below as are amounts relating to capital projects from previous years' Capital budgets that remain active.

The projects within the Infrastructure, Building, Land & Parks and Equipment Programs are in progress

#### Statement of Active Capital Project Expenditures in \$'000s

	Budget	Spent to Date	Committed
1.0 Infrastructure	173,011	82,296	90,715
2.0 Building Program	58,086	25,917	32,169
3.0 Land & Parks Program	60,567	23,199	37,368
4.0 Equipment Program	28,660	10,134	18,526
<b>Grand Total</b>	<b>\$ 320,324</b>	<b>\$ 141,546</b>	<b>\$ 178,778</b>



### **Infrastructure Highlights:**

- **Nelson Road Improvements – Widening Nelson Road between Blundell Road and Westminster Highway:**
  - Approved Budget: \$4.1M
  - Award of the main road construction contract is currently in process.
- **Westminster Hwy: Nelson Rd. to McMillan Way – Widening Westminster Hwy:**
  - Approved Budget: \$10.4M
  - Preload works are continuing. Award of the main road construction contract is currently in process.
- **Steveston Drainage Area Replacement and Upgrades – Williams Road West Drainage Pump Station Upgrade:**
  - Approved Budget: \$2.0M
  - This project has been substantially completed. Final landscaping and installation of water and bottle filling station are ongoing.
- **No. 1 Road Drainage Pump Station:**
  - Approved Budget: \$3.45M
  - This project has been substantially completed, and the dyke path has been re-opened to the public. Final landscaping and installation of water and bottle filling station are ongoing.
- **No. 6 Road Widening:**
  - Approved Budget: \$1.7M
  - Construction tendering is anticipated for the April 2013 timeframe.
- **Aintree Crescent (West) Laneway Drainage and Pavement Upgrade:**
  - Approved Budget: \$540K
  - Contract award is in process for this laneway restoration project. The work includes re-grading of the surface to address ‘ride-ability’ and drainage issues.
- **Ainsworth Crescent (West) Laneway Drainage and Pavement Upgrade:**
  - Approved Budget: \$510K
  - Contract award is in process for this project. Similar to the Aintree Crescent Laneway, this project includes re-grading of the surface to address ‘ride-ability’ and drainage issues.

### **Building Highlights:**

- **Japanese Fishermen’s Benevolent Society Building (formerly 4091 Chatham Street) – Exterior Rehabilitation:**
  - Approved Budget: \$419K
  - The building from 4091 Chatham Street was relocated and placed on a foundation adjacent to the Steveston Museum building. Exterior restoration is substantially complete as of February 2013. Interior design & programming are underway and the anticipated construction completion date is October 2013.

- **Interurban Tram Structure:**
  - Approved Budget: \$1.9M
  - Construction of the new structure which will house the Interurban Tram Car in Steveston Park is complete as of March 2013. The Interurban Tram Car 1220 has been moved into the building. The building will permit the restoration of the Tram Car as well as viewing by the public.
- **Britannia Heritage Shipyards – Seine Net Loft:**
  - Approved Budget: \$1.2M
  - Construction is underway as of January 2013. The construction will accommodate Parks & Recreation programmed events at the ship yard.
- **Hamilton Childcare Centre:**
  - Approved Budget: \$1.8M (Land value \$480K)
  - A site plan and preliminary drawings have been developed, and rezoning is complete for this modular childcare service facility. Preloading placement at the site is complete. The design services have been awarded and design commenced in January 2013. Construction is planned to be complete May 2014.

**Community Services / Parks Highlights:**

- **Railway Corridor:**
  - Approved Budget: \$2.2M
  - Design in progress with construction scheduled to start in the summer.
- **Terra Nova Play Environment:**
  - Approved Budget: \$1.0M
  - The planning and design is in progress with most the site preparations completed. Construction is expected to be complete by the fall.
- **Garden City Community Park:**
  - Approved Budget: \$500K
  - Design in progress for the bike park. Construction to start in the summer.
- **Oval West Waterfront Park:**
  - Approved Budget: \$850K
  - The detailed design is complete with construction commencing in April and completion scheduled for early summer.
- **Terra Nova Heritage Building Restorations:**
  - Approved Budget: \$2.0M
  - The construction is in progress.
- **Thompson Youth Park, Phase 3:**
  - Approved Budget: \$300K
  - Design to start in May and construction to start in September.

- **The Gardens Agricultural Park:**
  - Approved Budget: \$316K
  - Design in progress. Construction to start in the summer.
- **Britannia Heritage Shipyards, Slipways Restoration:**
  - Approved Budget: \$513K
  - Design to start in May.

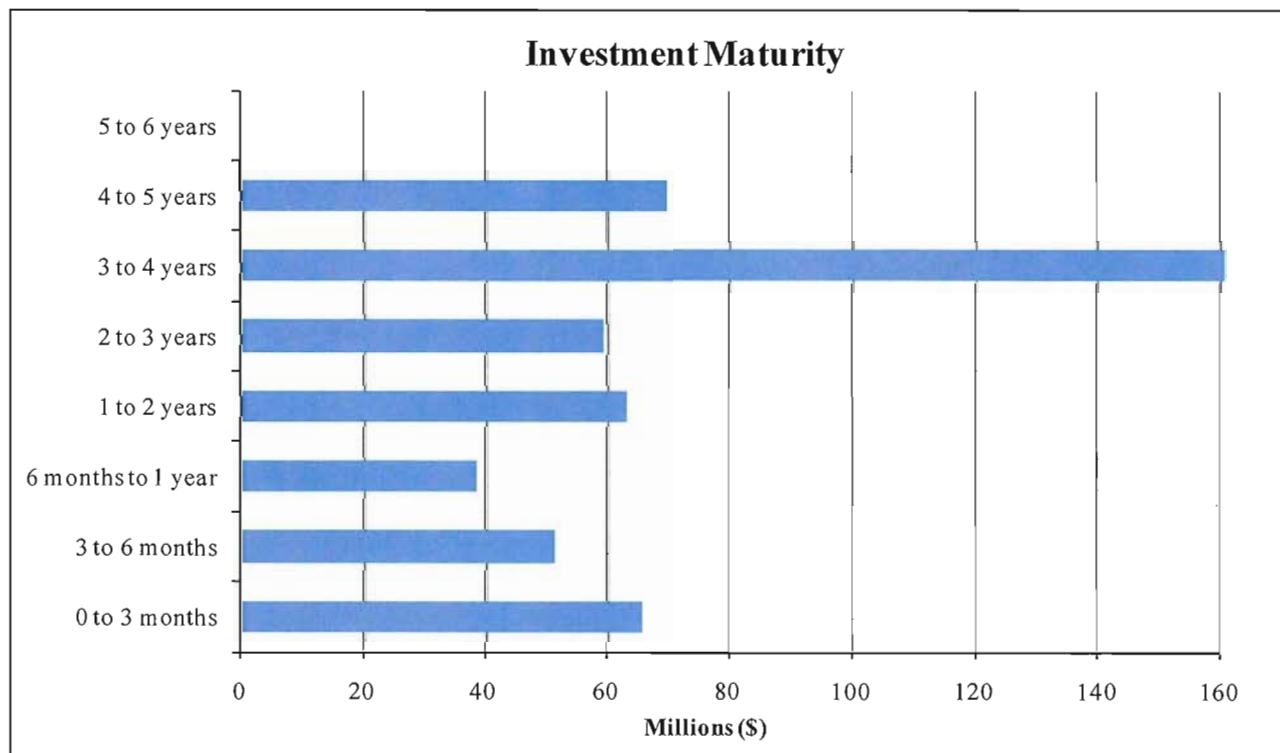
### **Cash and Investment Portfolio**

The City's cash and investment portfolio at March 31, 2013 was \$618.4M, with an average yield on investment for the 1st quarter of 1.78%. 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 1).

The Bank of Canada met on March 6, 2013 and maintained its benchmark overnight rate at 1.0%. Europe remains in a recession as shown by the recent bailout of Cyprus. In the United States, recovery has been sluggish and economic expansion is continuing slowly. Canada's economic growth is expected to pick up over the course of 2013 and 2014 after the economy ended on a soft note in 2012. GDP is projected to grow at a sub-par 1.6% pace this year and 2.6% in 2014. British Columbia's economy is similarly expected to grow modestly in 2013, but some analysts warned that overall economic conditions would not be much different than last year.

Reflecting on all these factors, yields across the Canadian yield curve remained relatively constant during the quarter. The Bank of Canada recently indicated that monetary policy stimulus currently in place "will remain appropriate for a period of time", leading analysts to anticipate the rate will likely remain on hold into next year.

The City in accordance with its Investment Policy (3703) is required to carry a diversified investment mix with strong credit quality and at the same time meeting the objectives of managing its investment activities in a manner that seeks to preserve capital and to realize a reasonable rate of return.





**Cash and Investment Portfolio**  
**March 31, 2013 (In'000s)**

Issuer	Amount	% of Portfolio
<b>Federal Government and Federal Crown Corporations</b>		
Canadian Mortgage and Housing Corporation	\$ 320,065	51.75%
Government of Canada	9,213	1.49%
<b>Total</b>	<b>\$ 329,278</b>	<b>53.24%</b>
<b>Provincial Governments and Provincial Crown Corporations</b>		
Province of Ontario	\$ 85,956	13.90%
Alberta Treasury Board	24,147	3.90%
Financement Quebec	21,217	3.43%
<b>Total</b>	<b>\$ 131,320</b>	<b>21.23%</b>
<b>Schedule I Banks</b>		
Royal Bank of Canada	\$ 15,404	2.49%
CIBC	8,990	1.45%
TD Financial	8,554	1.38%
Scotia Bank	7,659	1.24%
<b>Total</b>	<b>\$ 40,607</b>	<b>6.57%</b>
<b>Credit Unions</b>		
Vancity Savings Credit Union	\$ 25,520	4.13%
Gulf & Fraser Financial Group	20,889	3.38%
Coast Capital Savings	15,279	2.47%
<b>Total</b>	<b>\$ 61,688</b>	<b>9.97%</b>
<b>Pooled Investments</b>		
Municipal Finance Authority	\$ 21,825	3.53%
<b>Total</b>	<b>\$ 21,825</b>	<b>3.53%</b>
<b>Total Investments</b>	<b>\$ 584,718</b>	
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$ 33,743</b>	<b>5.46%</b>
<b>Total Reported Investments and Cash &amp; Cash Equivalents</b>	<b>\$ 618,461</b>	

### **Key Indicators (Appendix 2)**

This appendix provides information with regard to various financial and market indicators for the year 2013 as compared to 2012.

### **Contract Awards (Appendix 3)**

This report provides Committee members information with regard to the formal contracts awarded by the City during the 1<sup>st</sup> quarter.

### **Financial Impact**

None.


### **Conclusion**


The City of Richmond has started 2013 on similar notes to that of 2012 with stable economic indicators. The City is maintaining its strong financial position through continued business retention and development, building construction and development activity, and revenue collection. It is expected that these trends will continue throughout 2013.



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

## Key Indicators

 <b>City of Richmond</b> <b>Key Indicators - March 31, 2013</b>						
All \$ in 000s	Q1 2013 Jan - Mar 2013	Q1 2012 Jan - Mar 2012	% Change	Year to Date Jan-Mar 2013	Year to Date Jan-Mar 2012	Year to date % change
<b>Housing Starts</b>						
Number of Housing Starts (number of units)	243	185	31.4%	243	185	31.4%
Number of Demolitions	64	134	(52.2%)	64	134	(52.2%)
Net Housing Units Added	179	51	251.0%	179	51	251.0%
<b>Building Permits</b>						
Number of Building Permits Issued	330	294	12.2%	330	294	12.2%
Permit Revenues Collected	\$1,000	\$1,023	(2.2%)	\$1,000	\$1,023	(2.2%)
Value of Building Construction for Permits Issued	\$74,794	\$66,599	12.3%	\$74,794	\$66,599	12.3%
<b>Development Applications</b>						
Development Applications Received	63	50	26.0%	63	50	26.0%
Development Applications Revenue	\$270	\$288	(6.5%)	\$270	\$288	(6.5%)
<i>Revenue reported for Development Applications reflects deferred revenue adjustments for 2012 &amp; 2013</i>						
<b>Business Licenses</b>						
Number of New Business Licenses Issued	423	501	(15.6%)	423	501	(15.6%)
Number of Employees Reported - New Licenses	1,799	1,539	16.9%	1,799	1,539	16.9%
Total Valid Licenses Renewed/(Discontinued)	12,925	12,818	0.8%	12,925	12,818	0.8%
Revenue Received for Current Year Licenses	\$1,460	\$1,570	(7.0%)	\$1,460	\$1,570	(7.0%)
Revenue Received for Next Year (Deferred)	\$60	\$53	13.7%	\$60	\$53	13.7%
Total License Revenue	\$1,520	\$1,623	(6.3%)	\$1,520	\$1,623	(6.3%)
<i>Year to date valid licenses and revenue include current year licenses issued in the prior year.</i>						
<b>Other Revenues</b>						
Parking Program Revenue	\$470	\$360	30.7%	\$470	\$360	30.7%
Gaming Revenue	\$3,091	\$3,200	(3.4%)	\$3,091	\$3,200	(3.4%)
Traffic Fine Revenue to date	\$394	\$390	1.0%	\$394	\$390	1.0%
<b>Development Cost Charges Income</b>						
Roads, Water, Sewer DCC's Received	\$798	\$2,318	(65.6%)	\$798	\$2,318	(65.6%)
Parks DCC's Received	\$818	\$2,359	(65.3%)	\$818	\$2,359	(65.3%)
Total DCC Fees Received	\$1,616	\$4,677	(65.4%)	\$1,616	\$4,677	(65.4%)
<b>Uncommitted Reserves</b>						
DCC Reserves to date	\$28,547	\$25,369	12.5%	\$28,547	\$25,369	12.5%
Capital Funding Reserves to date	\$79,327	\$80,667	(1.7%)	\$79,327	\$80,667	(1.7%)
Affordable Housing Reserves to date	\$8,438	\$2,311	265.1%	\$8,438	\$2,311	265.1%
Other Reserves to date	\$103,266	\$113,439	(9.0%)	\$103,266	\$113,439	(9.0%)
Total Uncommitted Reserves to date	\$219,578	\$221,786	(1.0%)	\$219,578	\$221,786	(1.0%)
<b>Taxes to date</b>						
Taxes Collected	\$8,341	\$7,790	7.1%	\$8,341	\$7,790	7.1%
City Portion of Taxes Collected	\$4,087	\$3,817	7.1%	\$4,087	\$3,817	7.1%
Unpaid Taxes - Delinquent & Arrears	\$6,564	\$6,133	7.0%	\$6,564	\$6,133	7.0%
No. of Participants on PAWS (Pre authorized withdrawal)	6,031	5,796	4.1%	6,031	5,796	4.1%
PAWS	\$6,640	\$6,158	7.8%	\$6,640	\$6,158	7.8%
Interest Rate Paid to PAWS	1.00%	1.00%	0.00%	1.00%	1.00%	0.0%
<i>Sources: All data is from City of Richmond records</i>						

 <b>City of Richmond</b> <b>Key Indicators - March 31, 2013</b>						
All \$ in 000s	Q1 2013 Jan - Mar 2013	Q1 2012 Jan - Mar 2012	% Change	Year to Date Jan-Mar 2013	Year to Date Jan-Mar 2012	Year to date % change
<b>Employees</b>						
Number of City Employees (City and Library)	1,912	1,874	2.0%	1,912	1,874	2.0%
<b>Fire Rescue Responses</b>	2,251	2,247	0.2%	2,251	2,247	0.2%
<b>RCMP - Calls for Service Handled</b>	16,506	17,256	(4.3%)	16,506	17,256	0.0%
<b>Affordable Housing - New Units</b>						
New Affordable Rental Units	-	94	(100.0%)	-	94	(100.0%)
New Secondary Suite/Coach House Units	1	8	(87.5%)	1	8	(87.5%)
New Market Rental Units	-	-	0.0%	-	-	0.0%
Unspent Funds Allocated to Capital Projects to date	\$11,075	\$10,448	6.0%	\$11,075	\$10,448	6.0%
<b>Investments</b>						
Total Investments	\$618,461	\$542,411	14.0%	\$618,461	\$542,411	14.0%
<b>Interest Earned on Investments</b>						
Average City Rate of Return on Investments	1.78%	2.24%	(0.46%)	1.78%	2.24%	(0.46%)
<i>Sources: All data is from City of Richmond records</i>						
<b>Market Indicators</b>						
<b>Median Residential Selling Prices - Richmond</b>						
Single Family Detached	\$880	\$990	(11.1%)	\$880	\$990	(11.1%)
Townhouse	\$510	\$532	(4.2%)	\$510	\$532	(4.2%)
Apartment	\$345	\$343	0.6%	\$345	\$343	0.6%
Number of Sales (all housing types)	664	846	(21.5%)	664	846	(21.5%)
<i>Source: Real Estate Board of Greater Vancouver</i>						
<b>Unemployment Rate-Greater Vancouver</b>	7.0%	7.3%	(0.3%)	7.0%	7.3%	(0.3%)
<i>Regional Unemployment Rate (3 month moving average)</i>						
<i>Source: Statistics Canada &amp; BC Stats (Data not available for Richmond)</i>						
<b>Economic Development</b>						
Total sq. ft space Office YTD	4,358,727	4,358,727	0.0%	4,358,727	4,358,727	0.0%
Total sq. ft vacant space available Office YTD	827,706	810,434	2.1%	827,706	810,434	2.1%
Vacancy rate - Office (in %) YTD	18.99%	18.59%	2.2%	18.99%	18.59%	2.2%
Total sq. ft space Industrial YTD	36,997,163	36,306,863	1.9%	36,997,163	36,306,863	1.9%
Total sq. ft vacant space available Industrial YTD	994,683	1,325,355	(24.9%)	994,683	1,325,355	(24.9%)
Vacancy rate - Industrial (in %) YTD	2.69%	4.56%	(41.0%)	2.69%	4.56%	(41.0%)
<i>Source: Cushman &amp; Wakefield Ltd. - Market Report</i>						
<b>Richmond Population Estimate Year End**</b>	<b>2013</b>	205,133				
<b>**Note: BC Stats Population figures</b>	<b>2012</b>	201,471				



**Contract Awards > \$25,000**  
January 1<sup>st</sup>, 2013 to March 31<sup>st</sup>, 2013

	<i>Contract Name and Description</i>	<i>Award</i>	<i>Amount</i>	<i>Department</i>
1.	4630 Q - Supply and Delivery of one (1) 21 Passenger Low Floor Bus Gasoline/Diesel Options	Dynamic Specialty Vehicles Ltd.	\$126,260	PW - Fleet
2.	4698 Q - Supply and Delivery of two (2) Gang Mowers Implements	A.R. Mower Supply	\$59,930	PW-Fleet
3.	4699 Q - Supply and Delivery of one (1) 3/4 ton Extended Cab Pick Up Truck	Dueck GM	\$51,023	PW-Fleet
4.	4700 Q - Supply and Delivery of one (1) Excavator	Finning Canada	\$209,695	PW-Fleet
5.	4704 Q - Supply and Delivery of one (1) Telescopic Aerial DRW Bucket Extended Van	Metro Motors Ltd.	\$62,715	PW-Fleet
6.	4720 Q - Supply & Delivery of One (1) Aerial Lift Truck with Extended Cab	Altec	\$118,719	PW-Fleet
7.	4721 P - Electric Vehicle Charging Infrastructure Plan	Leviton Manufacturing Co. Of Canada Ltd.	\$31,880	PW/Fleet
8.	4755 P - Design consulting services for the Hamilton Child Care Centre	GHMA	\$107,820	Project Development
9	4758 Q - Supply and Delivery of a Pump Station Shell, Internal Piping, Ladder and Related Appurtenances for the Montrose Sanitary Pump Station	Xylem Water Solutions	\$48,472	PW - Engineering
10.	4773 P - East Richmond Agricultural Study	AECOM	\$136,068	PW- Engineering
11.	4779 F - Construction services / site servicing for Branscombe Heritage House	Performance Contracting Ltd	\$88,800	PW - Engineering

**Contract Awards > \$ 25,000**  
**October 1, 2012 – December 31, 2012**

	<i>Contract Name and Description</i>	<i>Award</i>	<i>Amount</i>	<i>Department</i>
12.	4785 PQ - Graham Hoffart Mathiasen Architects	General Contractor for the construction of Hamilton Child Daycare Facility	\$123,728	Project Development
13.	4828 F - 2013 Thermoplastic Road Markings	Sutton Road Marking Ltd.	\$45,000	PW - Roads