



## Special Finance Committee

Anderson Room, City Hall  
6911 No. 3 Road

Monday, May 9, 2016

Immediately following the Open General Purposes Committee meeting

Pg. #      ITEM

### MINUTES

#### *Motion to:*

- FIN-4**      (1)    *adopt the minutes of the meeting of the Finance Committee held on March 7, 2016; and*
- FIN-6**      (2)    *adopt the minutes of the meeting of the special Finance Committee held on April 11, 2016.*



### DELEGATION

- FIN-8**      1.    C.J. James, Engagement Partner, KPMG and Archie Johnston, Client Relationship and Quality Review Partner, KPMG, to present the 2015 Audit findings on the City's financial statements.

### FINANCE AND CORPORATE SERVICES DIVISION

2.    **2015 ANNUAL PROCUREMENT REPORT**  
(File Ref. No. 02-0600-01) (REDMS No. 4929751 v. 2)

**FIN-25**

See Page **FIN-25** for full report

*Designated Speaker: Syd Stowe*

STAFF RECOMMENDATION

*That the staff report titled “2015 Annual Procurement Report” dated March 17, 2016 from the Director of Finance be received for information.*

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3. **2015 CONSOLIDATED FINANCIAL STATEMENTS**

(File Ref. No. 03-0905-01) (REDMS No. 4987755 v. 2; 4986723 v. 3; 4988765 v. 3)

FIN-41

See Page FIN-41 for full report

*Designated Speaker: Andrew Nazareth*

STAFF RECOMMENDATION

*That the City’s audited consolidated financial statements for the year ended December 31, 2015 be approved.*

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LULU ISLAND ENERGY COMPANY

4. **2015 FINANCIAL STATEMENTS FOR THE LULU ISLAND ENERGY COMPANY**

(File Ref. No. 01-0060-20-LIEC1) (REDMS No. 4957779 v. 5)

FIN-104

See Page FIN-104 for full report

*Designated Speakers: John Irving and Jerry Chong*

STAFF RECOMMENDATION

*That the Lulu Island Energy Company audited financial statements for the year ended December 31, 2015, in the report titled, “2015 Financial Statements for the Lulu Island Energy Company,” dated April 18, 2016 from the Chief Executive Officer and Chief Financial Officer, Lulu Island Energy Company be received for information.*

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RICHMOND PUBLIC LIBRARY BOARD

5. **2015 FINANCIAL STATEMENTS OF THE RICHMOND PUBLIC LIBRARY BOARD**  
(File Ref. No.) (REDMS No.)

FIN-122

See Page FIN-122 for full report

*Designated Speaker: Greg Buss*

STAFF RECOMMENDATION

*That the 2015 Financial Statements of the Richmond Public Library Board be received for information.*

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RICHMOND OLYMPIC OVAL CORPORATION

6. **2015 FINANCIAL STATEMENTS AND 2015 Q4 – OVAL**  
(File Ref. No.) (REDMS No. 4992045)

FIN-141

See Page FIN-141 for full report

*Designated Speaker: Rick Dusanj*

STAFF RECOMMENDATION

*That the report on 2015 Financial Statements and 2015 fourth quarter ended December 31, 2015 for the Richmond Olympic Oval Corporation from the Controller of the Richmond Olympic Oval Corporation be received for information.*

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ADJOURNMENT

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## Finance Committee

Date: Monday, March 7, 2016

Place: Anderson Room  
Richmond City Hall

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

Call to Order: The Chair called the meeting to order at 5:32 p.m.

### MINUTES

It was moved and seconded

*That the minutes of the meeting of the Finance Committee held on February 1, 2016, be adopted as circulated.*

**CARRIED**

### FINANCE AND CORPORATE SERVICES DIVISION

1. **REVENUE ANTICIPATION BORROWING (2016) BYLAW NO. 9527**  
(File Ref. No. 03-0900-01) (REDMS No. 4908704)

It was moved and seconded

*That Revenue Anticipation Borrowing (2016) Bylaw No. 9527 be introduced and given first, second, and third readings.*

**CARRIED**

**Finance Committee**  
**Monday, March 7, 2016**

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2. **PRELIMINARY PRE-AUDITED FINANCIAL INFORMATION – 4<sup>TH</sup> QUARTER DECEMBER 31, 2015**  
(File Ref. No. 03-0905-01) (REDMS No. 4908102 v. 2)

It was moved and seconded

*That the staff report titled, "Preliminary Pre-Audited Financial Information – 4th Quarter December 31, 2015," dated February 11, 2016, from the Director, Finance be received for information.*

**CARRIED**

**ADJOURNMENT**

It was moved and seconded

*That the meeting adjourn (5:35 p.m.)*

**CARRIED**

Certified a true and correct copy of the Minutes of the meeting of the Finance Committee of the Council of the City of Richmond held on Monday, March 7, 2016.

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Mayor Malcolm D. Brodie  
Chair

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Carrie Peacock  
Recording Secretary



## Special Finance Committee

Date: Monday, April 11, 2016

Place: Anderson Room  
Richmond City Hall

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

Call to Order: The Chair called the meeting to order at 4:02 p.m.

1. **ANNUAL PROPERTY TAX RATES (2016) BYLAW NO. 9535**  
(File Ref. No. 03-0925-01) (REDMS No. 4937597)

In response to queries from Committee, Ivy Wong, Manager, Revenue, acknowledged that (i) assessment values recently increased (ii) the proposed tax rates were adjusted to ensure the City collected enough to balance the 2016 operating budget and (iii) anticipated new growth revenues were considered.

It was moved and seconded

*That the Annual Property Tax Rates (2016) Bylaw No. 9535 be introduced and given first, second and third readings.*

**CARRIED**  
Opposed: Cllr. Day

**Special Finance Committee**  
**Monday, April 11, 2016**

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ADJOURNMENT

It was moved and seconded

*That the meeting adjourn (4:05 p.m.).*

**CARRIED**

Certified a true and correct copy of the  
Minutes of the meeting of the Finance  
Committee of the Council of the City of  
Richmond held on Monday,  
April 11, 2016.

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Mayor Malcolm D. Brodie  
Chair

---

Carrie Peacock  
Recording Secretary



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**AUDIT FINDINGS LETTER**

**PRIVATE & CONFIDENTIAL**

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

April 20, 2016

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, 2015. A summary of the information provided is as follows:

Description

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

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

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



April 20, 2016

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

Yours very truly,

A handwritten signature in black ink that reads "Chin Jan Ling".

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

A handwritten signature in black ink that reads "Archie G. Johnston".

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

Enclosures:

Appendix 1 - Management representation letter

### ***AUDIT STATUS AND OPINION***

As of the date of this letter, we have completed our audit of the consolidated financial statements with the exception of the following procedures:

- completing our discussion with the Finance Committee
- subsequent event updates to the date of our auditors' report;
- obtaining the signed management representation letter as of the date of the auditors' report;
- obtaining evidence that those with approved authority to take responsibility for the City's consolidated 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***

#### ***Liability for Contaminated Sites***

The new accounting standard PS3260 *Liability for Contaminated Sites* was effective for the City's December 31, 2015 year-end. This accounting standard requires the City to recognize any liabilities for remediation of contaminated sites provided certain criteria are met.

We reviewed the approved contaminated sites policy prepared by management to identify contaminated sites and performed a detailed walkthrough to ensure the policy was being followed for each City owned site. We determined the policy was appropriate and correctly applied for the analysis of contaminated sites.

Management completed its assessment of contaminated sites and recognized a liability of \$650,000 in estimated remediation costs. We reviewed the third party environmental assessment reports supporting this estimate, and concur with management's conclusions. We also ensured that appropriate note disclosures have been added to the consolidated financial statements for the adoption of the new accounting standard.

**Recast of prior year comparative figures**

During the land reconciliation process as part of its contaminated sites assessment, the City identified certain developer-contributed land from prior years that were not recorded on its consolidated financial statements. The City also identified certain Rights of Way that should not have been previously recorded as tangible capital assets. The net impact of these items was an immaterial understatement of 2014 tangible capital assets, annual surplus, and opening accumulated surplus. Accordingly, management has recorded the impact of these immaterial errors retrospectively and recast the comparative figures on the consolidated financial statements. Note 3 of the consolidated financial statements describe the details of these adjustments. We reviewed management's analysis, including testing a sample of the revisions, and concur with management's assessment. We also ensured that appropriate note disclosures have been made to indicate the impact of the errors on 2014 tangible capital assets, annual surplus, and opening accumulated surplus.

We recommend that on a go-forward basis, management develop a process to ensure that any land contributions and disposals are communicated internally on a timely basis and thus appropriately recorded on the consolidated financial statements.

In addition, the City also recast its 2014 comparative figures by reclassifying \$8,678,000 from investments to cash and cash equivalents, relating to certain guaranteed investment certificates held by the Richmond Olympic Oval Corporation that had a term to maturity of three months or less at the date of purchase. We reviewed the adjustments made by management and the related disclosures and found them to be appropriate.

**Concession agreement with Corix Utilities Inc. (Corix)**

On October 30, 2014, the Lulu Island Energy Company Ltd. ("LIEC") and Corix entered into a 30 year Concession Agreement (the "Agreement"), where Corix will design, construct, finance, operate, and maintain the infrastructure for the district energy utility at the Oval Village community. The total estimated concession liability to finance the construction is \$30,909,000 and will be accrued over time. The concession liability balance outstanding as of December 31, 2015 is \$3,926,000, of which \$38,000 represents interest.

In addition, on October 30, 2014, Corix and the City entered into a Limited Guarantee Agreement. The City is the Guarantor and agreed to guarantee the performance of LIEC's obligations under the Concession Agreement described above up to a total of \$18.2 million.

We reviewed the limited guarantee agreements and the concession agreement and noted that all related liabilities relating to the concession agreement have been properly recorded and disclosed in the financial statements. We did not note that indicators that LIEC would default on its concession liability, and as such, the City has not recognized any liabilities associated with the limited guarantee agreement.

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

The following are the significant qualitative aspects of accounting practices:

<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 2015, other than the adoption of <i>PS 3260 Liability for Contaminated Sites</i>.</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, and
- corrected audit misstatements, including disclosures.

#### Uncorrected Audit Misstatements

There were no uncorrected audit misstatements noted from the audit.

#### Corrected Audit Misstatements

The management representation letter includes all adjustments identified as a result of the audit, communicated to management and subsequently corrected in the consolidated financial statements.

### ***CONTROL DEFICIENCIES***

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 in the preceding paragraph and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

#### **Identification**

We did not identify any control deficiencies that we consider to be significant deficiencies in ICFR.

### ***DOCUMENTS CONTAINING OR REFERRING TO THE AUDITED FINANCIAL STATEMENTS***

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

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

### ***CONFIRMATION OF INDEPENDENCE***

We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2015 up to the date of this letter.

### ***CURRENT DEVELOPMENTS***

#### **Related Party Disclosures and Inter-Entity Transactions**

- Two new Handbook sections were approved in December 2014, effective for fiscal years beginning on or after April 1, 2017.
- Related parties include entities that control or are controlled by a reporting entity, entities that are under common control and entities that have shared control over or that are subject to shared control of a reporting entity

- Individuals that are members of key management personnel and close members of their family are related parties. Disclosure of key management personnel compensation arrangements, expense allowances and other similar payments routinely paid in exchange for services rendered is not required.
- Determining which related party transactions to disclose is a matter of judgment based on assessment of:
  - the terms and conditions underlying the transactions;
  - the financial significance of the transactions;
  - the relevance of the information; and
  - the need for the information to enable users' understanding of the financial statements and for making comparisons.
- A related party transaction, with the exception of contributed goods and services, should normally be recognized by both a provider organization and a recipient organization on a gross basis.
- Related party transactions, if recognized, should be recorded at the exchange amount. A public sector entity's policy, budget practices or accountability structures may dictate that the exchange amount is the carrying amount, consideration paid or received or fair value.

#### Assets, Contingent Assets, and Contractual Rights

- Three new Handbook sections were approved in March 2015, effective for fiscal years beginning on or after April 1, 2017.
- The intended outcome of the three new Handbook Sections is improved consistency and comparability.
- The standard includes enhanced guidance on the definition of assets and disclosure of assets to provide users with better information about the types of resources available to the public sector entity.
- Disclosure of contingent assets and contractual rights is required to provide users with information about the nature, extent and timing of future assets and potential assets and revenues available to the public sector entity when the terms of those contracts are met.

#### Revenue

- PSAB is proposing a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. A Statement of Principles was issued in 2013 and comments are currently under deliberation.
- A request for information is under development and expected for release in 2016. Adoption of these principles would result in a need to assess current accounting policies.
- In the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations.
- For unilateral revenues, recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.

#### Retirement obligations

- A new standard is under development addressing the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use.

Retirement costs would be recognized as an integral cost of owning and operating tangible capital assets. PSAB current contains no specific guidance in this area.

- In August 2014, a Statement of Principles was issued with responses and feedback solicited by November 2014.
- PSAB is currently deliberating responses and an exposure draft is under development, expected for release in the 2016.

#### Conceptual Framework

- A consultation paper was issued on the conceptual framework and closed in August 2015. A Statement of Principles anticipated in 2016 which includes a number of presentation recommendations to enhance accountability objective of public sector financial statements.
- A new “Statement of Comprehensive Financial Results” replaces the Statement of Operations and Statement of Remeasurement Gains and Losses.
- Revenues and expenses to be grouped to show the net results of services.
- Below net results of services, non-operating items presented such as: grants recognized for the acquisition of tangible capital assets, unrealized remeasurement gains and losses, and unusual transactions.
- Grants received for the purpose of a tangible capital asset used to provide services for a defined number of years proposed to be recognized in operating revenue as the liability is settled.

#### Financial Instruments

- Effective for governments for fiscal years beginning on or after April 1, 2019.
- This standard requires that all financial instruments that are equity instruments and trade in an active market or derivatives be recorded at fair value.
- The standard requires that all other financial instruments are recorded at cost but permits the option of fair value for any financial instruments that are managed and reported at fair value.
- This standard also includes a requirement to identify and report embedded derivatives separate from the host contract with an option to value the full contract which includes the embedded derivatives at fair value.



*City of Richmond*  
*April 20, 2016*

***APPENDIX I – MANAGEMENT REPRESENTATION LETTER***

KPMG LLP  
Chartered Professional Accountants  
Metrotower I  
Suite 2400 – 4710 Kingsway  
Burnaby, BC V5H 4M2

Date of approval of financial statements

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of the City of Richmond (“the City”) as at and for the period ended December 31, 2015.

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

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

**GENERAL:**

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

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

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

**FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:**

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

**COMMITMENTS & CONTINGENCIES:**

- 4) There are no:
  - a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation
  - b) guarantees, whether written or oral, under which the City is contingently liable.

**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.
- 7) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 8) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

**ESTIMATES:**

- 9) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- 10) 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.

**NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:**

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

**MISSTATEMENTS:**

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

**ASSETS & LIABILITIES - GENERAL:**

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

**RECEIVABLES:**

- 16) Receivables reported in the financial statements represent valid claims against taxpayers and other debtors for taxes, fees or other charges arising on or before the balance sheet date. Receivables have been appropriately recorded at their net realizable value.

**CONTRACTUAL AGREEMENTS:**

- 17) 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.

**ENVIRONMENTAL MATTERS:**

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

**EMPLOYEE FUTURE BENEFITS:**

- 19) The employee future benefit costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 20) 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.
- 21) 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.
- 22) 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.
- 23) 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.
- 24) 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.
  - 25) In arriving at these assumptions, management has obtained the advice of Mercer, but has retained the final responsibility for them.
  - 26) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
  - 27) 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.
  - 28) 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.

**COMPARATIVE INFORMATION:**

- 29) In respect of the recasts related to tangible capital assets and cash equivalents adjustments made to correct immaterial misstatements in the comparative information, we reaffirm that the written representations we previously provided to you, in respect of the prior period financial statements, remain appropriate.

**OTHER:**

- 30) We have appropriately prepared the Form C2 – Home Owner Grant: Treasurer/Auditor Certification in accordance with the financial reporting provisions of Section 12(1) of the Home Owner Grant Act.
- 31) We have complied with subsection 2 and 3 section 124 of Part 8 of the School Act for the year ended December 31, 2015.

- 32) All transfers out of statutory reserves have been approved by bylaw except for those transfers allowed by Council resolution.

Yours very truly,

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Andrew Nazareth, General Manager, Finance & Corporate Services

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Jerry Chong, Director of Finance

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

cc: Finance Committee

## **Attachment I – Definitions**

### **MATERIALITY**

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

### **FRAUD & ERROR**

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

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

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

### **RELATED PARTIES**

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

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

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

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

## Attachment II – Summary of Audit Misstatements Schedule(s)

### Summary of Corrected audit misstatements

Ref	Description	Assets Increase/ (Decrease)	Liabilities Decrease/ (Increase)	Annual Surplus Decrease/ (Increase)	Opening Accumulated Surplus Decrease/ (Increase)
1	Dr. Cash equivalents	8,631,723	-	-	-
	Cr. Investments	(8,631,723)	-	-	-
	Dr. Cash equivalents – 2014 (recast)	8,677,855	-	-	-
	Cr. Investments – 2014 (recast)	(8,677,855)	-	-	-
	<i>To reclassify short term investments as cash equivalents.</i>				
2	Dr. Tangible capital assets – 2014 (recast)	23,532,000	-	-	-
	Cr. Annual surplus – 2014 (recast)	-	-	-	(11,554,000)
	Cr. Opening accumulated surplus – 2014 (recast)	-			(11,978,000)
	<i>To recast prior year tangible capital assets and corresponding impact on annual surplus and accumulated surplus related to previously unrecorded developer contributions.</i>				
	<b>Total</b>	23,532,000	-	-	(23,532,000)

### Summary of Uncorrected audit misstatements

There were no uncorrected audit misstatements for the year ended December 31, 2015.



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** March 17, 2016

**From:** Jerry Chong  
Director, Finance

**File:** 02-0600-01/2016-Vol  
01



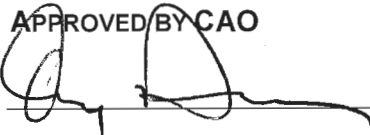
**Re:** 2015 Annual Procurement Report

### Staff Recommendation

That the staff report titled "2015 Annual Procurement Report" dated March 17, 2016 from the Director of Finance be received for information.

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

Att. 1

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

## Staff Report

### Origin

This report is being provided to Council in order to provide additional information concerning the City's procurement activities during the 2015 calendar year and procurement metrics as recommended by the Auditor General Local Government to all BC municipalities concerning Government Procurement Processes.

This report supports Council's 2014-2018 Term Goal #7 Strong Financial Stewardship:

*Maintain the City's strong financial position through effective budget processes, the efficient and effective use of financial resources, and the prudent leveraging of economic and financial opportunities to increase current and long-term financial sustainability.*

*7.2. Well-informed and sustainable financial decision making.*

*7.3. Transparent financial decisions that are appropriately communicated to the public.*

*7.4. Strategic financial opportunities are optimized.*

### Analysis

This procurement report covers the period from January 1, 2015 to December 31, 2015 and documents the City of Richmond's procurement activities. The scope of this report includes the City's procurement achievements and procurement statistics.

This report is the first since the implementation of the amended Procurement Policy 3104. The policy is significant in enabling a collaborative and responsive approach to supply management strategy.

Effective management of the acquisition and flow of goods and services, which represent approximately 10.85% of the total City 5 Year Financial Plan Bylaw (2015-2019), is both operationally and financially important in delivering City services. Through the implementation of leading practices, staff has enhanced procurement and inventory management operations at the City and delivered value for money for internal partners. In addition, these practices have improved transparency, fostered improved vendor relations and improved internal controls.

The City's Purchasing Section worked collaboratively with all City departments to successfully negotiate and awarded approximately \$100,389,000 worth of contracts for goods, services and construction in 2015. These contracts resulted in savings of approximately \$8,736,000 in 2015 and will continue to generate savings over the multi- year terms of the contracts; achieved through deployment of procurement strategies such as consolidation of spend competitive bidding and robust negotiation processes.

## 1. Procurement Achievements

In September 2015 Council approved an amended Procurement Policy 3104. The policy provides direction from Council for the procurement of goods and services for the City with respect to contract approval authority limits, contract signing authority and sustainable and ethical procurement.

2015 marked the completion of the implementation of a new city-wide purchasing card (pcard) program. A robust purchasing card program simplifies the purchasing and payment process lowering overall transaction and administrative costs per purchase and delivers rebates to the City based on dollar volumes spent. Through a competitive Expression of Interest process staff negotiated a contract with Scotiabank and collaboratively developed and installed system software and program design for the organization. Staff developed and delivered corporate training through a hands-on classroom experience and instructional on-line intranet videos. A SharePoint site was also developed along with deliverance of presentations to management teams and corporate communications. The following outcomes were realized in the first 9 months of implementation:

- An increased rebate of 28% for the City's annual pcard spends.
- Cardholder self-expense management system and on-line approvals for a near-paperless expense management system.
- Full e-learning system (SharePoint site and videos) to support cardholders and approvers as well as better promote compliance.

Subsequent to the completion of the Peoplesoft 9.2 Financial upgrade completed in 2014, many procurement enhancements were introduced that benefitted the organization. Major enhancements include:

- Implementing auto-processing of Purchase Orders to improve cycle time.
- Approval workflow updates to provide more flexibility for routing of e-Requisitions.
- Stepped approvals for e-Requisitions over \$25,000 to provide Senior Manager Approvers with assurance that spending has been reviewed by Direct Report Approvers;
- Transition to "PO Rollover" processing for fiscal year end. This improved efficiency for staff compared to the previous year end processing. PO Rollover also enables Purchasing to communicate with Departments about outstanding PO encumbrances throughout the year and allows Departments to manage their open PO's encumbrances more effectively.
- Out of Office capability allowing Approvers to set up alternative approvers in their absence.

As a part of the upgrade, staff provided in-house training to e-Requisition users and scheduled several high level e-Requisition updates for staff.

The upgrade resulted in enhanced capabilities for e-Requisition users and implementing PeopleSoft functionality for increased systems efficiencies.

Goals and objectives have included supporting the City's long-term strategic goals, in particular, Council Term Goal #7: Strong Financial Stewardship.

Staff has been focused on developing effective processes and systems and driving business performance and value. Below are some of the key activities and achievements that have been achieved or directly contributed to:

- Successful negotiation to completion of the master agreement with a selected construction manager for the City's Capital projects program.
- Contract negotiation and implementation of Consultant Services for Hansen Work Order software upgrade.
- Some major strategic sourcing projects undertaken by Purchasing in 2015 included the No.1 Road Box Culvert Rehabilitation; Provision of Design Services for Various Sanitary, Drainage Water and Road Capital Projects; Alexandra District Energy Utility; Self Contained Breathing Apparatus replacement for Richmond Fire and Rescue Services;
- Procuring a vendor-maintained 20-year revenue stream street furniture program with goals to increase public transit use in the City and to improve City appeal through reliable transit shelter amenities and unified urban design.
- Development of an updated Hired Commercial vehicle program requirements and competitive bid process.
- Development of a Purchasing service plan with key performance indicators which will be used to measure departmental efficiency and effectiveness going forward.

## 2. Procurement Statistics

The following are key procurement statistics for the period of January 1, 2015 to December 31, 2015:

Total Value of Purchase Order Contracts Awarded in 2015	\$100,389,258.74
Total Value of Procurement Savings* from Contracts Awarded	\$8,736,000
Competitive Contracts Administered	140
Purchase Orders Issued	5329
Purchasing Card Expenditures	\$ 3,777,722

\*Procurement savings represent a positive variance between either current cost, anticipated cost or budget for goods, services and construction prior to the competitive bid process and the actual value at the time of contract award, for each procurement.

### 3. Strategic Sourcing

Strategic Sourcing is a systematic approach to managing the acquisition of goods, services and construction that matches internal partner needs with marketplace capabilities. Strategic sourcing focuses on long term supplier relationships with suppliers integral to the City's organizational strategy. In 2015 a total of 140 strategic sourcing procurements led to the award of \$32,545,800.00 in contracts on behalf of all City departments.

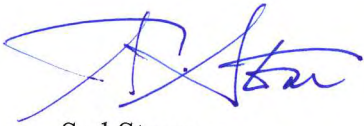
#### **Financial Impact**

None.

#### **Conclusion**

The amended Purchasing Policy 3104 adopted by Council in September 2015, along with the newly developed purchasing guidelines, will enhance the City's collaborative approach to strategic sourcing and strategic decision making on significant expenditures, increased compliance to policies and standardized systems and controls.

The emphasis for Purchasing in 2015 was to continue to enhance operations through utilizing leading procurement and inventory management practices. Purchasing was involved in a variety of procurement activities, supporting many City operational and capital programs.



Syd Stowe  
Manager, Purchasing  
(604-276-4061)

Att. 1: Competitive Bid Awards 2015

## Competitive Bid Awards 2015

	<i>Contract Name and Description</i>	<i>Award</i>	<i>Amount</i>	<i>Division</i>
1.	F5361 Project Management and Coordination Services for the Tempest System	Dynamic Management Solutions	\$44,000.00	Engineering & Public Works
2.	F5265 Hansen Licenses	Infor (Canada) Ltd	\$133,560.00	Engineering & Public Works
3.	5316P Supply and Install Mechanical Rooftop Units at Works Yard	Gateway Mechanical Services	\$107,351.00	Engineering & Public Works
4.	5363Q Alexandra District Energy Utility (ADEU) Phase 3 - Raft Slab for Building Expansion	Stuart Olson Construction Ltd	\$226,306.00	Engineering & Public Works
5.	5364Q ADEU Phase 3 - Mechanical Works for Interim Phase and the Polygon Building	Stuart Olson Construction Ltd	\$1,611,941.00	Engineering & Public Works
6.	5375Q Extreme Networks Support Renewal	Island Key computer	\$52,680.00	Finance and Corporate Services
7.	5382S Annual Arc PadMaintenance /Licence agreement	ESRI Canada	\$136,125.00	Finance and Corporate Services
8.	5376S Dell Server Extended Support Contract	Dell Canada	\$41,555.77	Finance and Corporate Services
9.	5377Q Commvault Backup Software Support Contract	CDW	\$25,400.00	Finance and Corporate Services
10.	5378Q Wmware ESX Vsphere Server Virtual Machine	Compugen Inc	\$31,230.00	Finance and Corporate Services
11.	5367S Oracle (PeopleSoft) Licence Contract Renewal	Oracle Canada ULC	\$299,102.23	Finance and Corporate Services
12.	5368S Open Text Licence Contract Renewal	Open Text Corporation	\$184,809.66	Finance and Corporate Services
13.	5369S Tempest License Contract Renewal	Tempest Development Group Inc	\$108,982.00	Finance and Corporate Services
14.	5319P Community Needs Assessment	CitySpaces Consulting Ltd	\$75,410.00	Community Services

March 17, 2016

	<i><b>Contract Name and Description</b></i>	<i><b>Award</b></i>	<i><b>Amount</b></i>	<i><b>Division</b></i>
15.	5321Q Supply & Delivery of One Motor Grader with Front Bucket	PSE Equipment Ltd	\$156,141.28	Engineering & Public Works
16.	5149P Consulting service - Hansen Public Sector Asset and Work Management System V8.3 Upgrade	Infor (Canada) Ltd	\$454,630.00	Engineering & Public Works
17.	5298Q On Call "Boarding Up" Services for Fire-Rescue and Facilities Services	Genesis Restorations Ltd	\$40,000.00	Law and Community Safety
18.	5356P Pavement Management Model Update	Opus International Consultants Ltd	\$38,796.00	Engineering & Public Works
19.	F5365 Design and Construction Ongoing Consulting Services for ADEU Phase 3 Expansion	Corix Utilities Inc	\$61,607.50	Engineering & Public Works
20.	5370Q Cambie Fire Hall 3 - Preload Tender Package	Stuart Olson Construction Ltd. Subcontracted to E. Mathers Bulldozing.	\$448,812.00	Engineering & Public Works
21.	5371Q Steveston Pool Bleacher Replacement	Colter Developments	\$27,672.70	Engineering & Public Works
22.	5372Q Security Services - City Centre Community Centre	Bridge (Pro-Sound) Via Ledcor Construction	\$77,872.00	Engineering & Public Works
23.	F5373 Supply and Delivery Portable Fences	SportaFence Marketing Enterprises LLC	\$45,900.00	Community Services
24.	F5374 Queen Canal Culvert Design	Kerr Wood Leidal Associates Ltd.	\$30,600.00	Engineering & Public Works
25.	5381S Oracle Annual Software Support Renewal	Oracle	\$37,605.53	Finance and Corporate Services
26.	5310 EOI - Hydrogeological Consultant Garden City Lands	SNC-Lavalin Inc	\$47,305.00	Engineering & Public Works
27.	F5388 Museum Track Lighting at Japanese Fisherman's Benevolent Society Building	Norburn Lighting & Bath Via Penta Builders	\$ 37,209.24	Engineering & Public Works

March 17, 2016

	<i><b>Contract Name and Description</b></i>	<i><b>Award</b></i>	<i><b>Amount</b></i>	<i><b>Division</b></i>
28.	5397Q 2015 HVAC Upgrades - Design Services at Richmond Ice Centre	Bycar Engineering Ltd	\$30,250.00	Engineering & Public Works
29.	F5398 Chiller Overhaul at Watermania	Trane Building Services	\$ 58,676.00	Engineering & Public Works
30.	5353Q Supply and Installation @ Richmond Courthouse Lighting	Energy Network Services	\$68,383.76	Engineering & Public Works
31.	5289P Site Remediation for 14940 Triangle Road	Golder Associates Ltd.	\$52,640.00	Finance and Corporate Services
32.	F5441 Flygt Submersible Pumps	Xylem Canada Company	\$53,352.00	Engineering & Public Works
33.	F5442 Emergency demolition of residential property at 9080 Williams Road	MWL Demolition Ltd	\$34,130.00	Finance and Corporate Services
34.	5384Q Supply and Delivery of 1 (One) Mid Size 4 (Four) Door Front Wheel Drive Sports Utility Vehicle	Metro Motors	\$24,655.00	Engineering & Public Works
35.	5413Q Soil Densification - Minoru Complex	Stuart Olson Construction Subcontracted to Vancouver Pile Driving	\$1,628,043.00	Engineering & Public Works
36.	5360Q Minoru Silver Arena Evaporative Condenser Replacement 2015	Cimco Refrigeration	\$127,680.00	Engineering & Public Works
37.	5248Q Supply and Delivery of 2 (Two) Mid Size Hybrid Sedans	Metro Motors	\$26,896.00	Engineering & Public Works
38.	5399S Altiris Client Management Suite and support renewal	CDW	\$28,700.00	Finance and Corporate Services
39.	F5400 Training Services for the Corporate Performance Measurement Program (CPMP)	MNP LLP	\$60,000.00	Deputy CAO
40.	F5402 A Long Range Facility and Deployment plan for Richmond Fire and Richmond Police Services	University of the Fraser Valley	\$143,000.00	Law and Community Safety
41.	5404J Richmond Ice Centre Shower Re-Tiling	Ashton Service Group	\$26,984.00	Engineering & Public Works

March 17, 2016

	<i><b>Contract Name and Description</b></i>	<i><b>Award</b></i>	<i><b>Amount</b></i>	<i><b>Division</b></i>
42.	5405Q Ironwood Library - Interior Upgrades	MA Eng-Tech Construction	\$57,598.28	Engineering & Public Works
43.	5412Q ADEU Phase 3 - Electrical Works for Building Expansion	Stuart Olson Construction Ltd.	\$54,896.00	Engineering & Public Works
44.	5417S Amanda Annual Support Contract Renewal	CSDC Systems Inc	\$68,608.13	Finance and Corporate Services
45.	5420J Works Yard Modular Site Office for the Sanitation and Recycling Department	Ashton Service Group	\$101,985.72	Engineering & Public Works
46.	5421J Richmond Ice Centre - Flooring Replacement - Phase 1	Ashton Service Group	\$86,071.98	Engineering & Public Works
47.	F5422 Design and Construction of a Concrete Stairway Adjacent to the Pacific Autism Centre	PC Urban Properties Corp	\$31,788.00	Engineering & Public Works
48.	F5423 Yearly Firefighter Assessment	Stefan, Fraser & Associates Inc	\$48,000.00	Law and Community Safety
49.	F5424 Logstor pre-insulated steel pipe for hot water distribution at SmartCentres site	Corix Utilities Inc	\$75,306.92	Engineering & Public Works
50.	5433Q South Arm Pool Showers Replacement Project	Core Plumbing and Heating Ltd.	\$26,641.00	Engineering & Public Works
51.	5437Q Steveston Net Shed - Front Entrance Upgrades - General Contracting Services	MA Eng-Tech Construction	\$54,630.00	Engineering & Public Works
52.	4989P Self Contained Breathing Apparatus	Guillevin International Co	\$549,523.37	Law and Community Safety
53.	F5450 Red Cross Lesson Supplies - Minoru Aquatic & Watermania	Canadian Red Cross	\$25,000	Law and Community Safety
54.	5451S MS Windows Server Datacentre License	SoftChoice	\$65,960.24	Finance and Corporate Services
55.	5452Q ProofPoint Enterprise Protection - Support and Configuration	Ion Secured Networks Inc	\$28,613.38	Finance and Corporate Services

March 17, 2016

	<i>Contract Name and Description</i>	<i>Award</i>	<i>Amount</i>	<i>Division</i>
56.	5351P Advertising for Emergency Notification System	Flip Digital	\$50,000.00	Law and Community Safety
57.	4589Q Watermania – Janitorial Services	Dynamic Facility Services	\$ 63,701.82	Community Services
58.	5197Q Supply and Delivery of Recreation and Culture Printed Materials (Inner Content), Bindery & Wrap Around Covers - Fall '15, Winter/Spring '16 & Summer '16	International WebExpress	\$ 28,914.00	Community Services
59.	5307Q On Call Fire Systems Contractor	Royal City Fire	\$ 90,000.00	Engineering & Public Works
60.	5333Q Supply and Delivery of Desktop Computers	Island Key Computers	\$127,120.00	Finance and Corporate Services
61.	5335P Consulting Service for Design of Buswell, Vulcan and Leslie Pump Station Sewermain and Forcemain Replacement	Opus DaytonKnight Consultants Ltd	\$ 193,871.00	Engineering & Public Works
62.	5344P Project Manager for Hansen 8.3 Upgrade	Annex Consulting Group Ltd	\$ 110,200.00 (Phase 1 only)	Engineering & Public Works
63.	5350P Civil Engineering Consulting Services For Ledway Road and Ryan Road Watermain Upgrades	Wedler Engineering	\$ 142,450.00	Engineering & Public Works
64.	5357P Lang Park Redevelopment Design Services	ISL Engineering	\$ 79,130.00	Community Services
65.	5379P Supply, Deliver and Install Fitness Equipment at City Centre Community Centre	Fitness Town; Life Fitness; Stak Fitness; Tower Fitness; Technogym	\$ 295,809.81	Community Services
66.	5389Q Richmond Ice Centre Dehumidifier Replacement	Fraser Valley Refrigeration Ltd	\$ 119,375.17	Engineering & Public Works
67.	5391Q Supply and Delivery of 2 (Two) Mini-Vans	Maple Ridge Chrysler	\$ 48,666.00	Engineering & Public Works
68.	5406Q Supply and Delivery of 3 (Three) Extended Compact Trucks	Dueck Richmond GM	\$ 69,282.00	Engineering & Public Works

March 17, 2016

	<i><b>Contract Name and Description</b></i>	<i><b>Award</b></i>	<i><b>Amount</b></i>	<i><b>Division</b></i>
	with 5' (five ) Feet Box			
69.	5407Q Supply and Delivery of One (1) Ton Crew Cab Truck	Metro Motors	\$ 37,084.00	Engineering & Public Works
70.	5411Q Gateway Theatre – Air Handling Unit Replacement	Davidson Bros Mechanical Contractor	\$ 226,125.98	Engineering & Public Works
71.	5418Q Minoru Arena 1 (Stadium) – Flooring Replacement	Ashton Service Group	\$114,516.76	Engineering & Public Works
72.	5428P Provision of Producer and Production Team Services for the Richmond World Block Party	John Donnelly & Associates Event	\$ 80,000.00	Community Services
73.	5438Q Supply and Delivery of Oracle Database Infrastructure	RCR Technologies Inc.	\$ 114,262.00	Finance and Corporate Services
74.	5439F Consulting Services for an Inmagic Upgrade & Development of a Web-based Search Interface for the Holdings at the COR Archives	Andornot Consulting Inc	\$36,024.00	Finance and Corporate Services
75.	5440F Completion of DDC Upgrade at City Hall	ESC Automation Inc.	\$ 160,533.00	Engineering & Public Works
76.	5445Q Cook Road Children's Centre Upgrades - General Contracting Services	ICE Development Ltd	\$50,597.80	Engineering & Public Works
77.	5446F Design of the Energy Transfer Station (ETS) and Service Connection for Firehall No. 3	Kerr Wood Leidal Associates Limited	\$ 28,866.00	Engineering & Public Works
78.	5447F Consulting Services - Festival Director for the 12th Annual Maritime Festival	Dolly Hopkins	\$25,600.00	Community Services
79.	5449F Design of Energy Transfer Station (ETS) and Service Connection for Townline Oxford Lane Townhomes	Kerr Wood Leidal Associates Limited	\$ 28,866.00	Engineering & Public Works
80.	5453Q Supply and Installation of Monorail Support for the ADEU Phase 3 Energy Centre Expansion	Stuart Olson Construction Subcontracted to Structurlam	\$ 486,330.00	Engineering & Public Works

March 17, 2016

	<i>Contract Name and Description</i>	<i>Award</i>	<i>Amount</i>	<i>Division</i>
81.	5455P Consulting Services for Community Services Facilities Strategic Plan	RC Strategies	\$ 157,355.00	Community Services
82.	5456F Jamatkhana Temple ETS Controls and Metering, Supply, Install and Commission	Corix Utilities Inc	\$47,483.83	Engineering & Public Works
83.	5457S Purchase of the Google Search Appliance (hardware) and related Consulting and Support Services	Capital Technology Partners	\$68,125.60* (*USD \$36,000+ \$24,400 CAD)	Finance and Corporate Services
84.	5461F Richmond Maritime Festival - Production services	Anigraph Productions Ltd	\$ 200,000.00	Community Services
85.	5462Q Seine Net Loft South Deck Repair	JJM Construction Ltd	\$ 216,530.00	Engineering & Public Works
86.	5463Q Supply and installation of Structural Steel and Aluminum Screens for the ADEU Phase 3 Energy Centre expansion	Stuart Olson Construction Ltd Subcontract Crosstown and PMC	\$ 318,513.00	Engineering & Public Works
87.	5465F Supply and Delivery of 45,000 Metric Tonnes of River Sand	Hall Constructors	\$ 224,550.00	Engineering & Public Works
88.	5467Q Tools and Supplies for Hazmat Detection Equipment Kits	Rocky Mountain Phoenix	\$ 32,554.00	Law and Community Safety
89.	5469Q Delivery and Installation of Custom Slanted Cantilever Shade for Minoru Seatwall Spectator's viewing	Rectec Industries Inc	\$ 34,280.00	Community Services
90.	5471Q Fire Hall No 1 Demolition	Stuart Olson Construction Subcontract to Matcon Demolition	\$454,868.00	Engineering & Public Works
91.	5473Q Architectural Design Services for the Sharing Farm	Andrews Architects Inc	\$35,900.00	Engineering & Public Works
92.	5474J Cambie Community Centre Improvement Work 2015	Ashton Service Group	\$ 34,985.33	Engineering & Public Works

March 17, 2016

	<i><b>Contract Name and Description</b></i>	<i><b>Award</b></i>	<i><b>Amount</b></i>	<i><b>Division</b></i>
93.	5476Q ADEU Phase 3 Expansion - Geoechange Field	Stuart Olson Construction Ltd Subcontract: Geotility	\$ 1,575,136.00	Engineering & Public Works
94.	5477Q ADEU Phase 3 Expansion - Architectural Works	Stuart Olson Construction Ltd Subcontract: Flynn Canada, Spectrum Painting, Konecranes, Shanahans and Atlas	\$ 718,875.00	Engineering & Public Works
95.	5478F Construction of approximately 250m of District Energy Utility (DEU) Piping	Performance Contracting Ltd	\$ 143,856.00	Engineering & Public Works
96.	5480F The Design and Construction of 300m of Watermain at Dubbert Street and Alexandra Road	Townline Group of Companies	\$ 63,620.00	Engineering & Public Works
97.	5481Q Sound System Components for Sound Stage Unit # 1306	Allstar Pacific Integrated Media	\$ 33,721.00	Engineering & Public Works
98.	5482S Annual Telephone/Voice Equipment Maintenance of the Voice Equipment Hardware	Telus Communications	\$ 84,037.89	Finance and Corporate Services
99.	5483J Underground Water Meter Installation at 8700 Bennett Rd	Ashton Service Group	\$ 36,093.19	Engineering & Public Works
100.	5484S Support & Delivery of MS Products	SoftChoice	\$ 65,138.29	Finance and Corporate Services
101.	5485Q Alexandra DEU Phase 3 - Mechanical Works	Stuart Olson Construction Ltd Subcontract Division 15 Mechanical Ltd	\$ 1,971,925.00	Engineering & Public Works
102.	5486Q Alexandra DEU Phase 3 - Electrical Works	Stuart Olson Construction Ltd Subcontract Western Pacific	\$848,509.00	Engineering & Public Works
103.	5487S Infor (HANSEN) Annual Support Contract Renewal	Infor Canada Ltd	\$85,369.23	Finance and Corporate Services
104.	5488Q Supply and Installation of Wifi at City Centre Community Centre	Smartedge Networks	\$ 41,815.00	Finance and Corporate Services

March 17, 2016

	<i>Contract Name and Description</i>	<i>Award</i>	<i>Amount</i>	<i>Division</i>
105.	5489F Environmental Investigation of Westminster Hwy	Parsons Canada Limited	\$37,502.00	Engineering & Public Works
106.	5491S The Active Network (CLASS) Annual Support and Maintenance	The Active Network	\$ 98,442.83	Finance and Corporate Services
107.	5492Q Alexandra DEU Phase 3 – Pre-Construction Services	Stuart Olson Construction Ltd.	\$121,677.00	Engineering & Public Works
108.	5497Q Terra Nova Children's Centre Upgrades – Roofing Contracting Services	Broadway Roofing & Sheet Metal Ltd	\$ 51,301.00	Engineering & Public Works
109.	5498Q Soil Densification at Cambie Fire Hall 3	Stuart Olson Construction Subcontract Vancouver Pile Driving	\$ 796,313.00	Engineering & Public Works
110.	5501F Supply and Delivery of Knife Gate Valve for the Fish Screen at the Bath Slough Pump Station	Dezurik of Canada Ltd	\$25,195.00	Engineering & Public Works
111.	5502S Insights On-Line Profiles	Insights Learning & Development	\$32,000.00	Deputy CAO
112.	5509F Supply and Installation of Bus Shelters	Lucid Management Group	\$ 44,670.00	Planning & Development
113.	5511J Britannia Information Technology Closet	Ashton Service Group	\$ 30,144.64	Engineering & Public Works
114.	4080 Garry Street 3" Multi-Family Water Meter Installation	Ashton Service Group	\$ 31,000.00	Engineering & Public Works
115.	5513Q Rooftop HVAC Unit Replacement at Richmond Ice Centre	Stuart Olson Construction Subcontracted to Keith Plumbing	\$ 194,820.83	Engineering & Public Works
116.	5517F Supply and Delivery of Turf for Cambie Community Centre	Western Turf Farms Ltd	\$ 27,215.50	Community Services
117.	5518Q Supply & Install 85mm Asphalt at Swinton Cr Laneway	Winvan Paving	\$ 41,640.00	Engineering & Public Works

March 17, 2016

	<i><b>Contract Name and Description</b></i>	<i><b>Award</b></i>	<i><b>Amount</b></i>	<i><b>Division</b></i>
118.	5519Q Supply and Install 85mm Asphalt at Dennis Cr Laneway	Winvan Paving	\$ 53,960.00	Engineering & Public Works
119.	5647CM Minoru Chapel - Rehabilitation Phase 2	Stuart Olson Construction Subcontracted to Basil Construction	\$181,261	Engineering and Public Works
120.	5646CM Riverdale Area Watermain Upgrades	Stuart Olson Construction Subcontracted to Sandpiper Contracting	\$824,259	Engineering and Public Works
121.	5645EOI Direct Digital Control Lighting Upgrade - City Hall	ESC Automation Inc.	\$90,909	Engineering and Public Works
122.	5644F Alexandra District Energy Utility - Smart Centres Connection	Graham Construction and Engineering LP	\$2,702,632	Engineering and Public Works
123.	5643EOI Direct Digital Controls Upgrade Completion – Works Yard	ESC Automation Inc.	\$82,115	Engineering and Public Works
124.	5626EOI Ledway Road and Ryan Road Watermain Upgrades	Stuart Olson Construction Subcontracted to Hexcel Construction	\$1,163,770	Engineering and Public Works
125.	5625F Software Implementation and first -year licence fee Post implementation Consultancy Services	CAM Management Solutions (Canada) Inc.	\$83,790	Finance and Corporate Services
126.	5623J Library Cultural Centre - Improvement Projects	ICE Development Ltd	\$81,327	Engineering and Public Works
127.	5618CM Excavation & Raft Slab at Minoru Aquatic Center/Older Adult Center	Stuart Olson Construction Subcontract to Dominion Fairmile	\$4,847,541	Engineering and Public Works
128.	5617CM Soil Densification - Fire Hall No. 1	Stuart Olson Construction Subcontract Vancouver Pile Driving	\$648,719	Engineering and Public Works
129.	5613CM Animal Shelter – 12' x 40' Trailer	Stuart Olson Construction subcontracted to Shelter Modular	\$84,661	Engineering and Public Works

March 17, 2016

	<i>Contract Name and Description</i>	<i>Award</i>	<i>Amount</i>	<i>Division</i>
130.	5612Q Works Yard Stores Building - Roof Repairs	Cascade Roofing	\$138,612	Engineering and Public Works
131.	5602F Consulting engineering services for the raising of No. 2 Rd. dike from the No. 2 Rd. Drainage Pump Station west 400 meters towards Lynas Lane	Opus Dayton Knight	\$120,786	Engineering and Public Works
132.	5591CM Electrical and Fire Alarm Integration for City Hall Elevators Modernization	Stuart Olson Construction subcontracted to Saso Contractors	\$106,561	Engineering and Public Works
133.	5561Q Supply and Install Meru AP832I Access Points and Licences at Fire Halls # 2, 4, 6 and 7	X10 Networks	\$90,002	Finance and Corporate Services
134.	5534Q Building Envelope Repairs at the Works Yard Administration Building	All Round Home Improvements & Restorations Ltd	\$225,032	Engineering and Public Works
135.	5530Q Minoru Pump Station Jet Grouting	Pacific Ground Engineering	\$323,000	Engineering and Public Works
136.	5524P IT Service Management Solution	Network consulting services Inc	\$122,569	Finance and Corporate Services
137.	5503P Provision of Electronic Plan Submission & Review (e-Plan) Software and Services	Avolve	\$280,879	Finance and Corporate Services
138.	5410Q Supply and Delivery of 2 (Two) Full Size Front Wheel Drive High Roof 1 (One) ton Single Rear Wheel Cargo Van	Maple Ridge Chrysler	\$140,753	Engineering and Public Works
139.	5395Q Supply and Delivery of 1 (One) Regular One Ton Dump Truck with Crane and Dual Rear Wheels	Dams Ford Lincoln Sales	\$99,602	Engineering and Public Works



# City of Richmond

## Report to Committee

**To:** Finance Committee  
**From:** Andrew Nazareth  
General Manager, Finance and Corporate  
Services  
**Re:** 2015 Consolidated Financial Statements

**Date:** April 19, 2016  
**File:** 03-0905-01/2016-Vol  
01

### Staff Recommendation

That the City's audited consolidated financial statements for the year ended December 31, 2015 be approved.

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

Att. 2

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

## Staff Report

### Origin

Sections 98 and 167 of the Community Charter require that annual audited financial statements be prepared and presented to Council. The City's audited consolidated financial statements for 2015 have been prepared in accordance with the generally accepted accounting principles for local governments, as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The financial statements consist of:

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

### Analysis

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

An analysis of the consolidated financial statements as prepared by management is provided in the Financial Statement Discussion and Analysis (FSD&A) included in **Attachment 1**. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis is intended to be read in conjunction with the 2015 audited consolidated financial statements.

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

**Financial Impact**2015 Consolidated Statement of Financial Position

The financial position of the City is strong as accumulated surplus increased in 2015 by \$153.6 million to \$2.7 billion and the net financial assets increased by \$61.4 million to \$664.0 million.

Highlights of the 2015 consolidated statement of financial position:

- \$2.7B – Accumulated surplus (net worth)
  - \$2.1B – Net book value of tangible capital assets
  - \$461.2M – Reserve balance, including \$210.7M committed towards active capital projects
  - \$194.1M – Appropriated surplus for future commitments
- \$664.0M – Net financial assets
  - \$951.4M – Cash and investments
  - (\$111.6M) – Development cost charge balance, including \$30.9M committed towards active capital projects
  - (\$58.9M) – Deposits and holdback
  - (\$46.6M) – Net debt

2015 Consolidated Statement of Operations

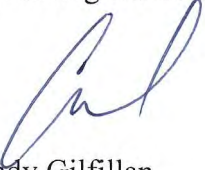
The consolidated revenues exceeded expenses by \$153.6 million. Revenues increased by \$30.8 million to \$527.1 million and expenses increased by \$12.6 million to \$373.6 million.

Highlights of the 2015 consolidated statement of operations:

- \$153.6 million – Annual surplus (the increase in net worth which includes the increase in capital equity, reserves, appropriated surplus and surplus). The 2015 annual surplus is comprised of:
  - \$86.8M increase in investment in capital assets
  - \$84.6M increase in the reserve balance
  - \$10.4M increase in appropriated surplus for future commitments
  - (\$28.1M) net decrease in surplus, inclusive of an increase of \$8.7M for the City's 2015 operating surplus
- \$527.1 million total revenues
  - \$189.1M taxation and levies
  - \$94.3M utility fees
  - \$61.8M contributed assets through development
  - \$34.2M sales of services
- \$373.6 million total expenses
  - \$148.0 million wages and benefits
  - \$59.2 million contract services, including RCMP
  - \$55.7 million supplies, materials and other
  - \$54.0 million amortization expense

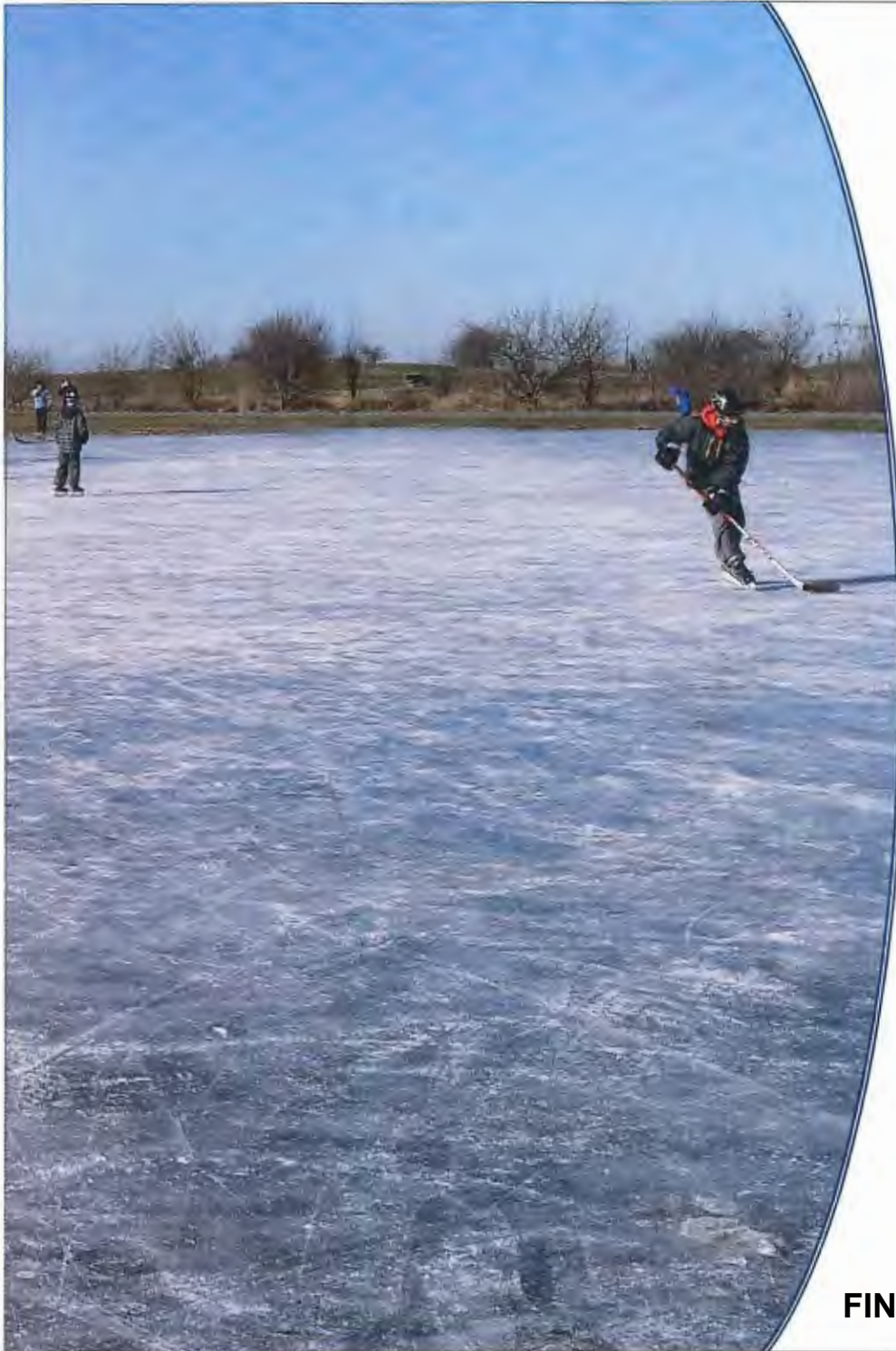
## **Conclusion**

The financial statements are legislated reporting requirements and staff recommend that they be approved. As noted in the Auditors' Report, it is the Auditors' opinion that these consolidated financial statements present fairly the consolidated financial position as of December 31, 2015, and its consolidated results of operations and changes in net consolidated financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.



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

- Att. 1: 2015 Financial Statement Discussion and Analysis  
2: 2015 City of Richmond Consolidated Financial Statements



2015 | City of Richmond

# **FINANCIAL STATEMENT DISCUSSION & ANALYSIS**



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# Introduction

The Community Charter requires that annual audited financial statements be prepared and presented to Council. The City's audited consolidated financial statements for 2015 have been prepared in accordance with the generally accepted accounting principles for local governments, as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The Financial Statement Discussion and Analysis (FSD&A) provides a detailed analysis of the Consolidated Financial Statements. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis has been prepared by management and is intended to be read in conjunction with the 2015 audited Consolidated Financial Statements.

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

The Consolidated Financial Statements include the following statements:

- **Consolidated statement of financial position** summarizes the assets (financial and non-financial), liabilities, net debt, and accumulated surplus as at December 31<sup>st</sup>, 2015 and 2014.
- **Consolidated statement of operations** outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, and reserve funds for the City and its consolidated entities, and provides the calculation of the City's accumulated surplus at year end.
- **Consolidated statement of changes in net financial assets** outlines the changes in net financial assets as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
- **Consolidated statement of cash flows** summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

# Consolidated Statement of Financial Position

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

The City maintained its strong financial position in 2015 allowing for flexibility and financial sustainability well into the future.

- Financial Assets increased by \$85.8M to \$1.0B
- Liabilities increased by \$24.4M to \$353.5M
- Net financial assets increased by \$61.4M to \$664.0M
- Non-financial assets increased by \$92.2M to \$2.1B
- Accumulated surplus increased by \$153.6M to \$2.7B

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

# Financial Assets

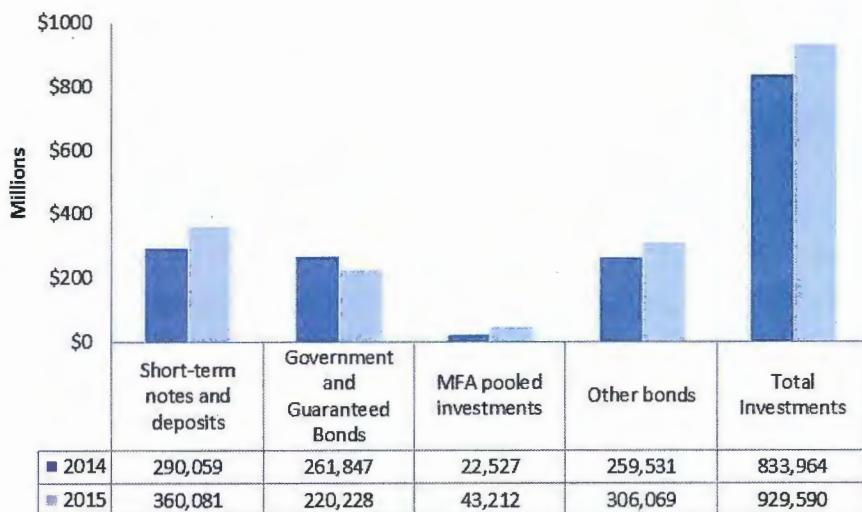
## Cash and cash equivalents

Cash and cash equivalents decreased by \$8.9M to \$21.8M mainly due to repositioning cash to the investment portfolio.

## Investments

Investments increased by \$95.6M to \$929.6M primarily due to the timing of capital expenditures. The increase is mainly attributed to an increase in reserves of \$84.6M and an increase in appropriated surplus of \$10.4M.

### Investment Portfolio by Type



## Accrued interest receivable

Accrued interest receivable increased by \$0.9M due to the increased investment balance and timing of the investments.

## Accounts receivable

Accounts receivable increased by \$2.1M to \$30.2M primarily due to an increase in other trade receivables of \$4.0M and offset by the net effect of the utilities, gaming and capital receivables.

Accounts Receivable (\$000's)	2015	2014	Change
Water and sewer utilities	\$11,381	\$10,358	\$1,023
Casino revenues	4,532	5,652	(1,120)
Gaming grant	2,482	4,279	(1,797)
Other trade receivables	11,767	7,761	4,006
Total	\$30,162	\$28,050	\$2,112

## Taxes receivable

Taxes receivable increased by \$0.5M to \$8.0M mainly due to the timing of collections.

## Development fees receivable

Development fees receivable decreased by \$4.2M to \$21.1M due to receipt of instalment payments and reduced use of the instalment option on current contributions. Development cost charges can be paid in instalments where equal instalments are paid at the originating date, and at the one and two year anniversary dates.

## Debt reserve fund

The debt reserve fund decreased by \$0.2M as a result of payments received from the Municipal Finance Authority (MFA) relating to the completion of the Terra Nova debt in the prior year.

## Liabilities

### Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased by \$0.6M to \$87.7M. The decrease is mainly attributable to wages payable due to the timing of year end payroll.

### Development cost charges

The development cost charge (DCC) balance of \$111.6M (2014 - \$83.0M) represents the total balance of unspent DCC's and includes amounts that have been allocated to capital projects but remain unspent as at December 31<sup>st</sup>, 2015. These amounts are restricted and may only be used on authorized capital expenditures.

Contributions of \$44.9M were received in 2015 which was an increase of \$31.6M from the previous year mainly due to increased development activity.

<b>Development Cost Charges (\$000's)</b>	<b>2015</b>	<b>2014</b>	<b>Change</b>
Balance, beginning of year	\$82,965	\$87,212	(\$4,247)
Contributions	44,934	13,313	31,621
Interest	1,510	1,205	305
Revenue recognized	(17,818)	(18,765)	947
Balance, end of year	\$111,591	\$82,965	\$28,626

The \$111.6M balance includes amounts that have been allocated to active capital projects but that remain unspent. At December 31<sup>st</sup>, 2015 there is \$30.9M (2014 - \$25.0M) committed to active capital projects. Additional DCC funding of \$26.9M was approved as part of the 2016 Capital Budget.

### Deposits and holdbacks

Deposits and holdbacks decreased by \$6.2M to \$58.9M primarily due to security deposits decreasing by \$8.1M. This decrease is largely a result of amounts that became DCC contributions. The remaining increase is for other deposits relating to general activities.

<b>Deposits and Holdbacks (\$000's)</b>	<b>2015</b>	<b>2014</b>	<b>Change</b>
Security deposits	\$40,317	\$48,377	(\$8,060)
Developer contribution	5,546	5,337	209
Contract holdbacks	2,809	1,968	841
Transit Oriented Development	1,523	1,523	-
Other	8,701	7,898	803
Total deposits and holdbacks	\$58,896	\$65,103	(\$6,207)

### Deferred revenue

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

Deferred revenues increased by \$6.9M mainly due to funds received for building permit and development applications of \$4.6M relating to increased development activity and taxes and utilities of \$2.7M. The remaining balance relates to offsetting activity in capital, Oval, business license, and other revenue recognition.

## Liabilities

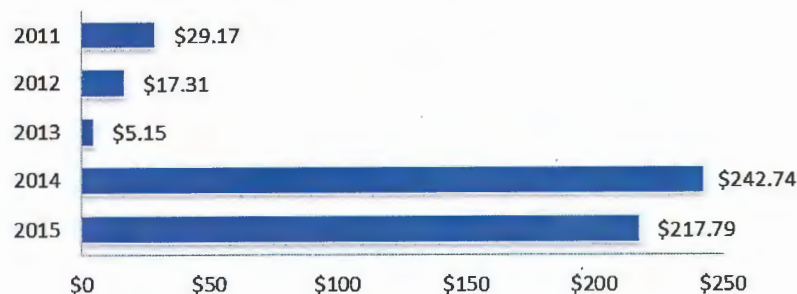
### Debt, net of MFA sinking fund deposits

Debt decreased by \$4.2M to \$46.6M (2014 - \$50.8M). During 2015, the first payments were made towards the borrowing in the amount of \$50.8M for the construction of the integrated older adult Minoru aquatic facility. The debt is for 10 years at a rate of 3.30% for the duration of the term.

The annual servicing cost on the debt is approximately \$5.9M and is funded by \$5.0M of the annual gaming revenue and the reallocation of tax revenues used for the debt servicing costs on the Terra Nova debt that expired in 2014.

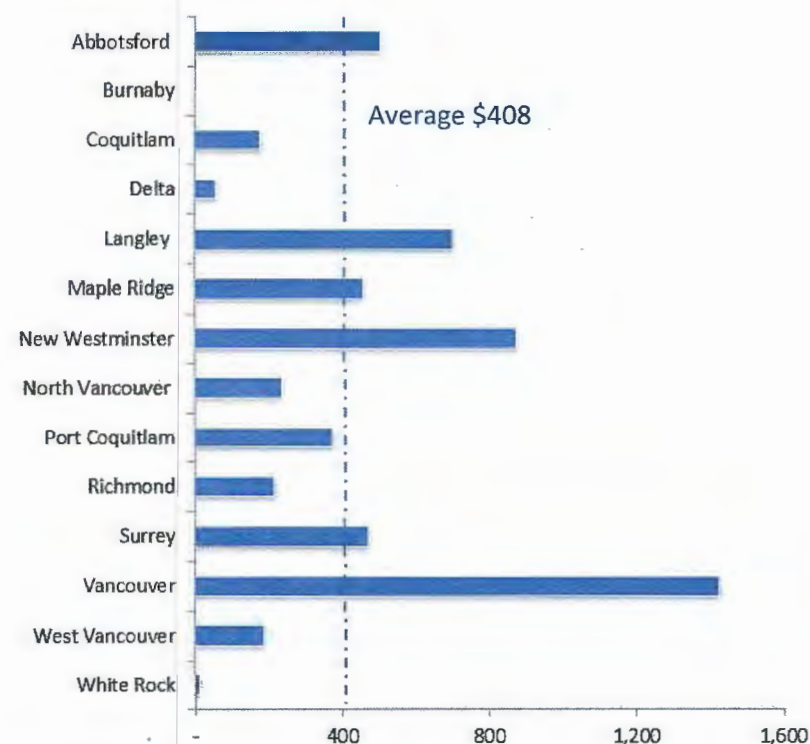
The debt per capita was down to \$5.15 per person in 2013 before new debt of \$50.8M was obtained in 2014. This new debt increased the debt per capita as at December 31, 2014 to \$242.74 and has subsequently decreased in 2015 to \$217.79 reflecting the principal payments and increase in population.

### City of Richmond Debt Per Capita 2011-2015



Richmond's 2015 debt per capita figure of approximately \$218 is well below the 2014 regional average of \$408. The 2014 values for the other municipalities are the most current figures available.

### Debt Per Capita by City



- Source data obtained from the Ministry of Community Sport & Cultural Development - 2014 Local Government Statistics
- Richmond figure adjusted to reflect 2015 net debt balance and the population statistics used are from Policy Planning

# Non-Financial Assets

## Tangible Capital Assets

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

TCA increased by \$92.3M to \$2.1B. The \$92.3M change is a result of \$148.7M of asset additions, less net disposal of \$2.5M and amortization of \$54.0M.

<b>Tangible Capital Assets (\$000's)</b>	<b>2015</b>	<b>2014</b>	<b>Change</b>
Land	\$803,645	\$747,290	\$56,355
Buildings and improvements	233,140	232,762	378
Infrastructure	916,089	885,358	30,731
Machinery and equipment	43,315	34,565	8,750
Library's collections, furniture and equipment	4,339	4,436	(97)
Assets under construction	62,367	66,223	(3,856)
<b>Total</b>	<b>\$2,062,895</b>	<b>\$1,970,634</b>	<b>\$92,261</b>

Land increased by \$56.4M mainly due to land received through development valued at \$50.6M, including \$18.5M of park received from former Steveston High School development site.

Buildings increased by \$0.4M due mainly to additions of \$14.1M, including \$6.1M for City Centre Community Centre, and offset by amortization expense of \$13.7M

Infrastructure increased by \$30.7M due to additions of \$63.9M including contributed assets of \$10.9M received through development, and offset by \$32.2M of amortization expense and net disposals of \$0.9M.

Machinery and equipment increased by \$8.8M due to net additions of \$15.1M, including \$2.1M for a ladder truck, pumper truck and a Fire and Life Safety Trailer, and other various additions of traffic signal, heavy and light duty equipment, parking equipment, and IT equipment less amortization expense of \$6.3M.

Library's collections, furniture and equipment decreased by \$0.1M mainly due to additions of \$1.6M offset by \$1.7M amortization expense.

Assets under construction decreased by \$3.9M due to the timing of project completion.

## Inventory of materials and supplies

Inventory decreased by less than \$0.1M.

## Prepaid expenses

Prepaid expenses decreased by less than \$0.1M due to the timing of utilization of expenses.

# Accumulated Surplus

Accumulated surplus is equivalent to the net worth of an organization. The accumulated surplus increased by \$153.6M to \$2.7B. The annual increase is presented on the Statement of Operations.

Accumulated Surplus (\$000's)	2015	2014	Change
Investment in TCA	\$2,055,479	\$1,968,651	\$86,828
Reserves	461,178	376,602	84,576
Appropriated Surplus	195,051	184,644	10,407
Surplus	17,264	45,410	(28,146)
Other equity	2,222	2,333	(111)
Total	\$2,731,194	\$2,577,640	\$153,554

## Investment in Tangible Capital Assets

Investment in TCA represents the equity held in assets. This balance is equal to the net book value of tangible capital assets less any outstanding debt relating to capital, restricted capital deferred revenue (Oval) and capital leases.

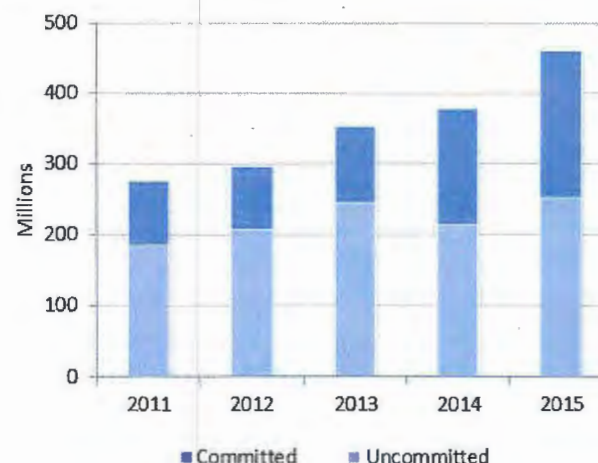
This balance is based on the historical cost of the asset net of accumulated amortization in accordance with accounting standards. This does not reflect market value or replacement value of the assets.

The investment in TCA balance increased by \$86.8M to \$2.1B. This is the net activity of asset additions of \$148.7M, amortization of \$54.0M, disposals and debt reduction.

## Reserves

Reserves are established by Bylaw for specific purposes, mainly capital expenditures. The balance of \$461.2M includes amounts that have been approved for expenditure but remain unspent as at December 31<sup>st</sup> as prescribed by accounting standards. The uncommitted reserve balance is \$250.5M (2014 - \$210.8M).

### Reserve Balance 2011-2015



The increase in the reserve balance is mainly attributable to the timing of capital expenditures. There are several facility construction projects approved including the Integrated aquatic and older adults centre and Fire Hall No. 1 that will have significant capital expenditures in 2016-2017.

From the available \$250.5M at December 31, 2015, \$61.5M has been approved for the City's 2016 Capital Budget.

# Accumulated Surplus

## Appropriated Surplus

Appropriated surplus is internally restricted for future commitments and potential liabilities. The balance increased by \$10.4M to \$195.1M mainly due to the transfer of 2014 general operating surplus to the rate stabilization account of \$5.7M, \$2.9M for the Water Fund rate stabilization, and gaming revenue surplus of \$1.5M.

## Surplus

The consolidated surplus decreased by \$28.1M to \$17.3M.

This decrease is mainly attributed to:

- (\$15.5M) for the land strategy.
- (\$10.5M) for the Alexandra district energy utility capital construction project phase 3
- (\$7.6M) for the Alexandra district energy utility capital construction project phase 4
- (\$5.7M) transfer of the City's 2014 operating surplus to the rate stabilization account
- \$8.7M City's 2015 operating surplus
- \$2.1M internal repayments from previously funded capital projects

## Surplus Distribution

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

Surplus (\$000's)	2015	2014	Change
General and Reserve Funds	\$9,566	\$19,133	(\$9,567)
Water Utility Fund	244	15,536	(15,292)
Sanitary Sewer Fund	6,200	9,290	(3,090)
Richmond Olympic Oval	502	1,313	(811)
Library	201	115	86
LIEC	551	23	528
Total	\$17,264	\$45,410	(\$28,146)

The 2015 Capital Budget included the allocation of \$10.5M of Water Utility Surplus towards funding Phase 3 and \$7.6M towards Phase 4 of the Alexandra District Energy Utility. These amounts will be repaid with interest through the customer rates.

## Other Equity

Other equity relates to equity in the City's inventory. The balance remains relatively unchanged at \$2.2M.

# Consolidated Statement of Operations

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

The 2015 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified 'cash requirement' basis and amounts recorded in these financial statements on a 'full accrual' basis.

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

## Revenues

### 2015 Budget to Actual Comparison

Total consolidated revenues were \$527.1M compared to the budgeted revenues of \$468.3M.

Revenues (\$000's)	2015 Budget	2015 Actual	Variance
Taxation and levies	\$189,796	\$189,136	(\$660)
Utility fees	95,963	94,290	(1,673)
Sales of services	29,664	34,186	4,522
Gaming revenue	18,030	19,555	1,525
Investment income	16,821	16,303	(518)
Payments-in-lieu of taxes	13,473	15,109	1,636
Provincial and federal grants	6,833	8,654	1,821
Licenses and permits	7,874	10,747	2,873
Other capital funding sources	57,155	72,575	15,420
Development cost charges	23,828	17,818	(6,010)
Other	8,904	48,755	39,851
<b>Total</b>	<b>\$468,341</b>	<b>\$527,128</b>	<b>\$58,787</b>

Taxation and levies had an unfavourable variance of \$0.7M due to appeals on assessment values.

Utility fees' unfavourable variance is mainly due to less than expected apartments selecting optional garbage and green waste and timing related to LIEC user fees.

Sales of service had favourable variance mainly due to increased Public Works receivable activity, rental and lease revenue and Oval memberships, admissions and program revenue.

Gaming revenue had a \$1.5M favourable variance to budget, however, gaming revenue decreased by \$1.5M from 2014.

The Investment income is consistent with budget.

Payments in lieu of taxes had a favourable variance due to conservative estimates for Port Metro and Canada Post.

Provincial and federal grants were favourable by \$1.8M mainly due to traffic fine sharing revenue, gas and carbon tax.

Licenses and permits had a favourable variance of \$2.9M mainly due to building permits, other permits and business licenses.

The other capital funding variance is the result of higher than anticipated amounts relating to contributed assets received through development at \$61.8M along with external grants for capital projects.

Development cost charges had an unfavourable variance of \$6.0M due to the timing of capital expenditures. DCC revenue is recognized when the amounts are spent, while the budget represents the 2015 allocation of DCC's towards capital projects that can be spent over multiple years.

Other revenue had a favourable variance of \$39.9M due to \$29.6M of developer community amenity contributions and \$5.9M gain on the disposal of land that are not budgeted.

# Revenues

## 2015 to 2014 Actual Comparison

Total 2015 consolidated revenues were \$527.1M compared to \$494.3M in 2014.

Revenues (\$000's)	2015 Actual	2014 Actual	Change
Taxation and levies	\$189,136	\$183,687	\$5,449
Utility fees	94,290	93,201	1,089
Sales of services	34,186	32,809	1,377
Gaming revenue	19,555	21,047	(1,492)
Investment income	16,303	16,568	(265)
Payments-in-lieu of taxes	15,109	14,546	563
Provincial and federal grants	8,654	7,480	1,174
Licenses and permits	10,747	9,819	928
Other capital funding sources	72,575	61,221	11,354
Development cost charges	17,818	18,765	(947)
Other	48,755	35,194	13,561
Total	\$527,128	\$494,337	\$32,791

Taxation and levies increased by \$5.4M due to the 1.89% tax rate increase and assessment growth offset by appeals.

Utility fees increased by \$1.1M mainly due to the addition of the recycling food scraps program.

Sales of services increased by \$1.4M mainly due receivable income.

Gaming revenue for the City decreased by \$1.5M due to decreased revenues at River Rock Casino.

Investment income decreased by \$0.3M mainly due to the low interest rate environment.

Payments-in-lieu of tax revenue was consistent with 2014.

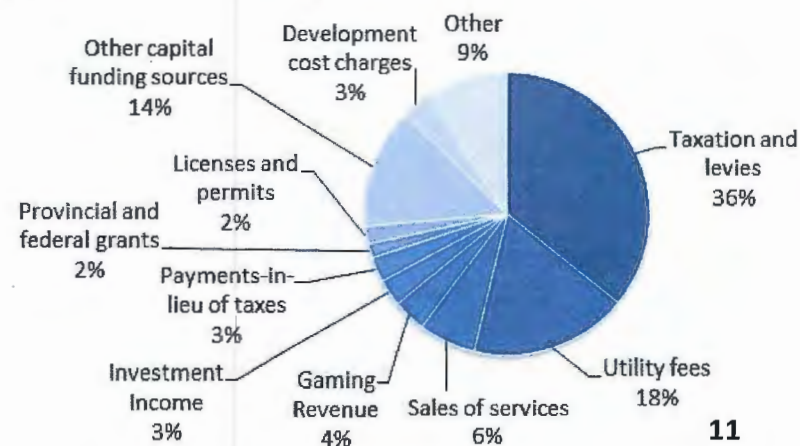
Licenses and permits increased by \$0.9M due to additional permit revenue.

Other capital funding sources increased by \$11.4M due to the timing of developer contributed assets.

Development cost charges decreased by \$0.9M due to the timing of capital expenditures. These revenues are recognized when capital expenditures are made and relate to approved capital budgets from previous years.

Other revenue increased by \$13.6M mainly due to \$29.6M of developer community amenity contributions (2014 - \$10.4M).

## 2015 Revenue Distribution



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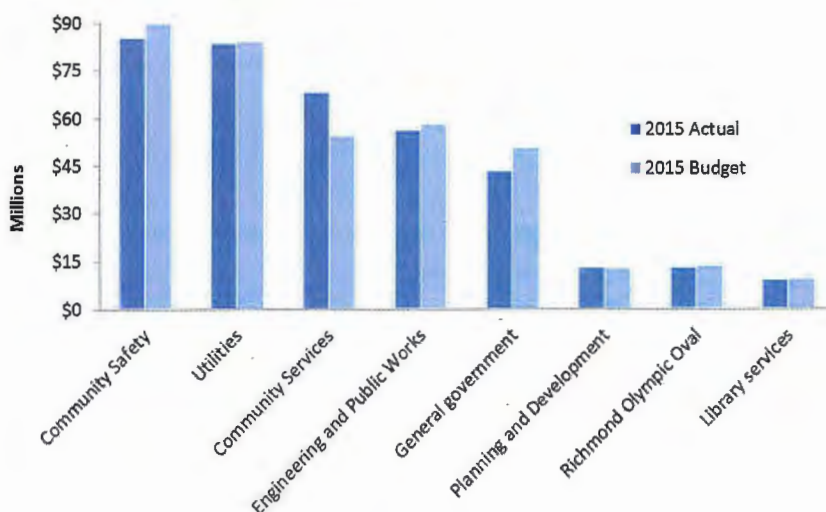
# Expenses

## 2015 Budget to Actual Comparison

Total consolidated expenses were \$373.6M compared to the budget of \$374.6M. The budget figure represents the original approved budget. During the year, the Financial Plan Bylaw was amended, however, these amounts are not included in the budget as presented on the financial statements.

Included in the \$373.6M actual expenses are \$19.3M of expenses that were budgeted in the Capital Budget that did not meet the capitalization eligibility criteria. This amount does not impact the operating surplus.

## 2015 Expenses by Function



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

Law and Community Safety had a favourable variance of \$4.6M mainly due to vacancies and RCMP contract savings from lower than budgeted complement and indirect costs.

Engineering and Public Works had a favourable variance of \$1.8M mainly due to vacancies and the timing of programs which are scheduled to be completed in 2016.

Community Services had an unfavourable variance of \$13.9M due to the re-classification of \$15.9M of expenses from capital, mainly \$12.3m related to affordable housing contributions including Kiwanis and Storeys developments.

General government had a favourable variance of \$7.1M for the year mainly due to vacancies.

Utilities had a favourable variance of \$0.7M due mainly to savings in water purchase costs.

Planning and Development had an unfavourable variance of less than \$0.1M.

Library had a favourable variance of \$0.3M due to vacancies.

Richmond Olympic Oval had a favourable variance of \$0.6M mainly due to general and administration expenses, amortization and salaries.

LIEC had an unfavourable variance of \$0.2M due to expenses accrued to the concession liability.

## Expenses

### 2015 to 2014 Actual Comparison

Total 2015 consolidated expenses were \$373.6.9M compared to \$360.9M in 2014.

<b>Expenses (\$000's)</b>	<b>2015 Actual</b>	<b>2014 Actual</b>	<b>Change</b>
Law and Community Safety	\$85,386	\$83,820	\$1,566
Utilities	83,650	79,552	4,098
Community Services	68,246	65,137	3,109
Engineering, Public Works and Project Development	56,294	55,899	395
General government	43,438	42,582	856
Planning and Development	13,211	13,301	(90)
Richmond Olympic Oval	13,395	11,065	2,330
Library services	9,463	9,563	(100)
Lulu Island Energy Company	491	8	483
<b>Total</b>	<b>\$373,574</b>	<b>\$360,927</b>	<b>\$12,647</b>

Law and Community Safety expenses increased by \$1.6M mainly due collective agreement increases.

Utilities expenses increased by \$4.1M mainly due to negotiated wage increases and transfers from capital.

Community Services increased by \$3.1M mainly due to filling vacancies, amortization expense and increased transfers from capital.

Engineering, Public Works and project development increase of \$0.4M is mainly due to amortization expense.

General government expenses increased by \$0.9M mainly due to filling of vacancies.

Planning and development costs decreased by less than \$0.1M mainly due to timing of programs to be completed in 2016.

The expenses for the Oval increased by \$2.3M mainly due to costs required to service several new initiatives in 2015 as well as to meet the growth in the Oval's memberships, admissions and programs revenue.

Library services decreased by \$0.1M due to lower salary costs and promotions expenses.

LIEC expenses for 2015 relate to commencement of energy delivery to the Riva 1 and Carrera developments in June and July respectively.

# Expenses

## Expenses by Object

Expenses (\$000's)	2015 Actual	2014 Actual	Change
Wages and Benefits	\$147,996	\$142,169	\$5,827
Contract Services	59,165	58,121	1,044
Supplies and Materials	55,658	53,749	1,909
Amortization of tangible capital assets	53,966	52,106	1,860
Interest and Finance	21,391	21,367	24
Transfer from (to) capital for tangible capital assets	19,349	18,192	1,157
PW Maintenance	15,294	14,548	746
Loss on disposal of tangible capital assets	755	675	80
Total	\$373,574	\$360,927	\$12,647

Wages and benefits increased by \$5.8M due to filling vacancies and other collective agreement increases.

Contract services increased by \$1.0M mainly due to the expanded organics program.

Supplies and materials increased by \$1.9M mainly due to the Oval's operations required to service several new initiatives.

Amortization of tangible capital assets increased by \$1.9M due to new asset additions.

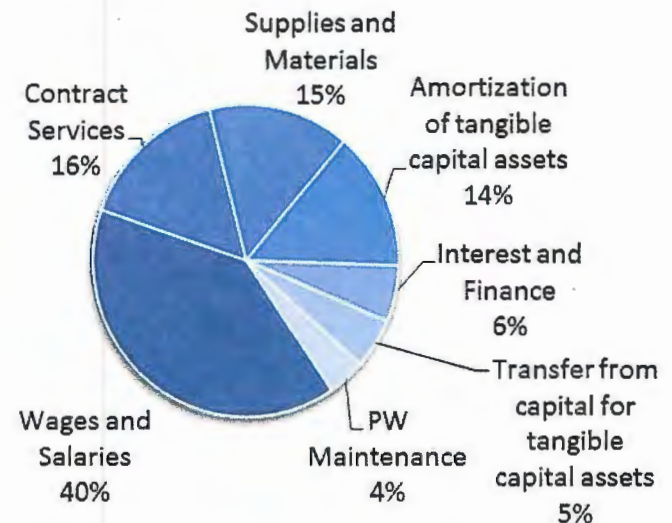
Interest and finance increased by less than \$0.1M.

Transfer from (to) capital for tangible capital assets increased by \$1.2M mainly due to the Kiwanis and Storeys affordable housing contributions.

Public works maintenance increased by \$0.7.

Loss on the disposal of tangible capital assets increased by less than \$0.1M.

## 2015 Expenses by Object



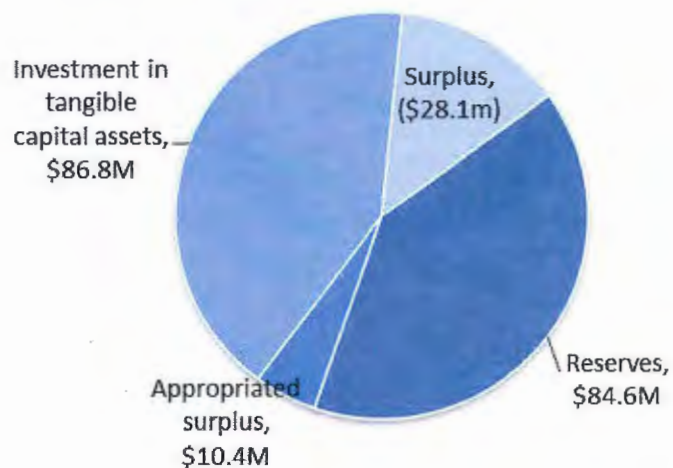
## Annual Surplus

The 2015 consolidated annual surplus of \$153.6M 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 City's 2015 operating surplus of \$8.7M is one component of the 2015 annual surplus of \$153.6M. The remaining portion of the annual surplus relates to transactions that impact the capital equity, reserves, appropriated surplus and other accumulated surplus items.

The following chart details the distribution of the items that comprise the annual surplus. These amounts represent the changes during the year.

### Annual Surplus Distribution



The largest driver of the \$153.6M annual surplus is the change in investment in capital assets of \$86.8M. This amount is the net activity of asset additions \$148.7M offset by amortization expense of \$54.0M, disposals and debt reduction.

Appropriated surplus increased by \$10.4M relating to future commitments and potential liabilities.

Reserves increased by \$84.6M due to the timing of capital expenditures. Included in the total reserve balance is \$210.7M committed towards active capital projects.

Surplus decreased by \$28.1M due to allocation towards capital projects.

## Consolidated Statement of Changes in Net Financial Assets

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

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

The City's net financial assets as at December 31, 2015 increased by \$61.4M to \$664.0M (2014 - \$602.6M). This increase is primarily due to the \$95.6M increase in investments offset by the \$28.6M increase in DCC's and \$6.9M liability increase for deferred revenue.

# Consolidated Statement of Cash Flows

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

The City's cash and cash equivalents decreased by \$8.9M to \$21.8M while investments increased by \$95.6M to \$929.6M. The increase in investments largely reflects the increases in capital and operating reserves.

In 2015, cash provided by operating activities was \$170.2M, compared to \$124.8M in 2014.

Cash used in capital activities was \$79.3M, compared to \$64.3M in 2014.

Cash used in investing activities was \$95.6M, compared to \$126.5M in 2014.

Cash used in financing activities was \$4.2M, compared to cash provided of \$49.7M in 2014. The 2014 activity includes:

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

# Ratio Analysis

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

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

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

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

The following table presents the ratio analysis for the three-year period 2013-2015:

<b>Sustainability ratios:</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Assets to liabilities (times)	8.7	8.8	10.4
Financial assets to liabilities (times)	2.9	2.8	3.1
Net debt to total revenues	8.8%	10.2%	0.2%
Net debt to the total assessment	0.1%	0.1%	0.0%
Expenses to the total assessment	0.6%	0.6%	0.6%
<b>Flexibility ratios:</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Debt charges to revenues	0.3%	0.3%	0.2%
Net book value of capital assets to cost	68.7%	68.7%	68.7%
Net book value of capital assets (excluding land) to cost	57.2%	57.7%	58.5%
Own source revenue to the assessment	0.7%	0.8%	0.7%
<b>Vulnerability ratios:</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Government transfers to total revenues	5.4%	5.8%	5.5%
Government transfers (excluding gaming revenue) to total revenues	1.6%	1.5%	1.6%

An explanation of each of the ratios is provided below.

#### Assessment of sustainability

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

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

#### Assessment of flexibility

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

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

- Net book value of capital assets to cost, indicates the estimated useful life of the capital assets to provide services. A higher ratio indicates a newer asset inventory.
- Net book value of capital assets (excluding land) to cost, indicates the estimated useful life remaining of depreciable capital assets. Land is not a depreciable asset and its inclusion can distort the net book value to cost ratio. A higher ratio indicates a newer asset inventory.
- Own source revenue to assessment, indicates the degree to which represents the percentage of taxes taken from its own tax base. A lower ratio indicates a lesser proportion of existing revenues from own sources on the current assessment base.

#### **Assessment of vulnerability**

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



# Environmental Analysis

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

The following section highlights:

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

## Term Goals

Council decisions guide and influence the City's social and physical development, the quality of life and lifestyle choices available to residents, the relative safety and protection of residents and businesses, and the role the City plays within the region. To help Council manage this important agenda, a "Term Goal Setting" process is undertaken at the start of each new term of office to determine Council's desired focus and priorities in order to ensure City work programs are appropriately aligned. This process forms an integral part of City operations, and helps to ensure a focused and productive workforce that makes the most effective use of public resources. In alphabetical order, the nine goal areas for the 2014-2018 term of Council include:

### **1. A Safe Community**

Maintain emphasis on community safety to ensure Richmond continues to be a safe community.

### **2. A Vibrant, Active, and Connected City**

Continue the development and implementation of an excellent and accessible system of programs, services, and public spaces that reflect Richmond's demographics, rich heritage, diverse needs, and unique opportunities, and that facilitate active, caring, and connected communities.

### **3. A Well-Planned Community**

Adhere to effective planning and growth management practices to maintain and enhance the livability, sustainability and desirability of our City and its neighbourhoods, and to ensure the results match the intentions of our policies and bylaws.

### **4. Leadership in Sustainability**

Continue advancement of the City's sustainability framework and initiatives to improve the short and long term livability of our City, and that maintain Richmond's position as a leader in sustainable programs, practices and innovations.

### **5. Partnerships and Collaboration**

Continue development and utilization of collaborative approaches and partnerships with intergovernmental and other agencies to help meet the needs of the Richmond community.



## Term Goals

### **6. Quality Infrastructure Networks**

Continue diligence towards the development of infrastructure networks that are safe, sustainable, and address the challenges associated with aging systems, population growth, and environmental impact.

### **7. Strong Financial Stewardship**

Maintain the City's strong financial position through effective budget processes, the efficient and effective use of financial resources, and the prudent leveraging of economic and financial opportunities to increase current and long-term financial sustainability.

### **8. Supportive Economic Development Environment**

Review, develop and implement plans, policies, programs and practices to increase business and visitor appeal and promote local economic growth and resiliency.

### **9. Well-Informed Citizenry**

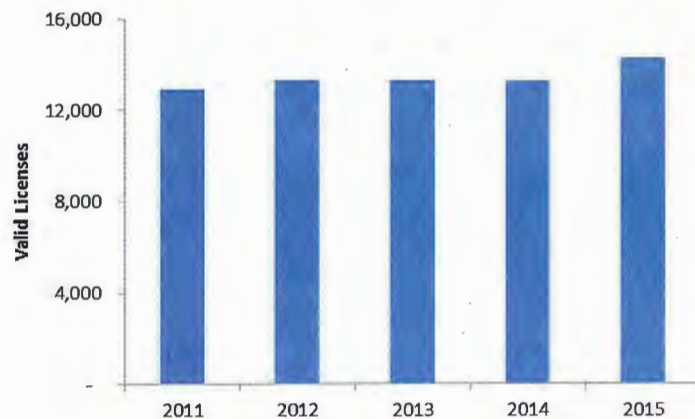
Continue to develop and provide programs and services that ensure the Richmond community is well-informed and engaged on City business and decision making.

# Environment

## Business Licenses

The total number of business licenses issued increased, with 14,351 and 13,322 licenses issued in 2015 and 2014 respectively.

### Business Licenses 2011-2015



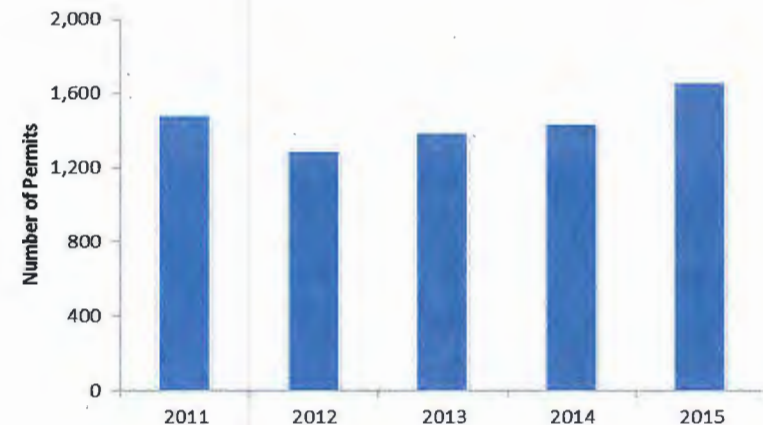
## Housing Activity

Richmond house prices increased 29.7%, with a 2015 detached median house price of \$1,680,000. The total number of sales increased year-over-year by 35.7% to 5,786.

In 2015, the total number of building permits issued was 1,656 which was a 19.3% increase from 2014. Overall, the building permit fees collected increased by 86.6% a sign of increasing

development activity in Richmond compared to the previous year. The actual permit fees collected for 2015 was \$11.0M.

### Building Permits 2011-2015



The construction value of permits issued in 2015 was \$998.0M, which was a record year and is an increase of approximately 107.1% from 2014.

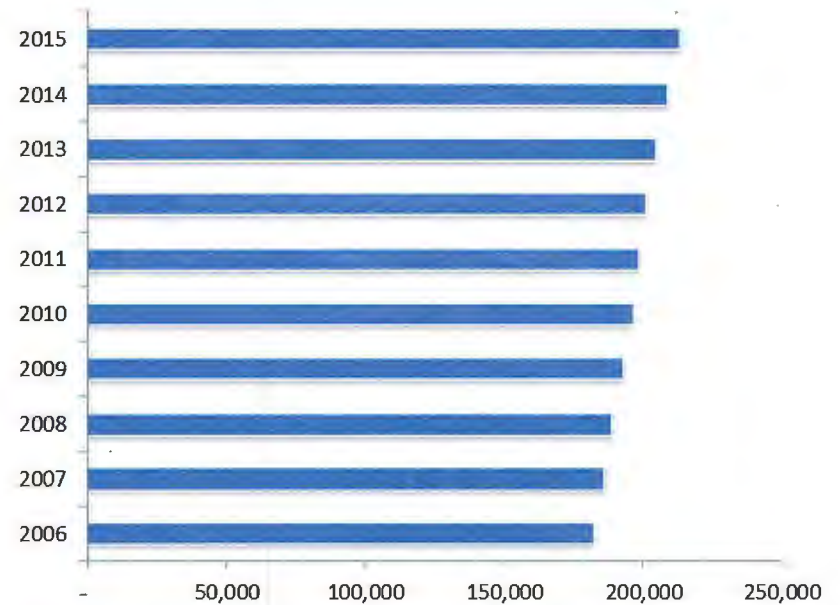
The number of development applications received in 2015 increased by 22.1% from 2014 to 243 from 199 applications. Total fees collected in 2015 increased by 83.0% compared to 2014.



## Population

Richmond's current population is estimated at 213,891<sup>1</sup>, which is a 2.17% increase from 2014. Richmond is the fourth most populous municipality in the Greater Vancouver region.

### Richmond Population 2006-2015



<sup>1</sup>City of Richmond Policy Planning

## Services

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

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

These services are provided through the use of funds as approved by Council in the 2015 operating, capital and utility budgets.

	2013	2014	2015
Population Growth (per annum)	1.82%	2.05%	2.17%
Capital construction costs (\$mil) <sup>1</sup>	\$71.77	\$193.23	\$159.55
City Grants Program	\$738,845	\$760,735	\$763,586
Other Grants <sup>2</sup>	\$1,395,307	\$1,524,799	\$1,597,959
Registration in Recreation Programs	126,410	141,175	134,786
RCMP Calls for Services	68,484	67,118	67,276
Fire Rescue Responses	9,710	9,643	10,326

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

<sup>2</sup> Other grants are in addition to the City Grant Program and include contributions towards Gateway Theatre, Richmond Center for Disability, Richmond Therapeutic Equestrian Society and various youth grants.

## Conclusion

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

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

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

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

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

The 2016 – 2020 Five Year Financial Plan combines the Operating, Utility and Capital Budgets. It provides details on the services provided, anticipated revenues and expenses, and planned capital projects.

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

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

Consolidated Financial Statements of

**CITY OF RICHMOND**

Year ended December 31, 2015

## 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, 2015 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, 2015, 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 Professional Accountants

Date  
Burnaby, Canada

DRAFT - May 4, 2016

# CITY OF RICHMOND

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

December 31, 2015, with comparative figures for 2014

	2015	2014 (recast - note 3)
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 21,800	\$ 30,731
Investments (note 4)	929,590	833,964
Accrued interest receivable	6,287	5,363
Accounts receivable (note 5)	30,162	28,050
Taxes receivable	8,010	7,481
Development fees receivable	21,135	25,360
Debt reserve fund - deposits (note 6)	508	708
	<u>1,017,492</u>	<u>931,657</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 7)	87,701	88,331
Development cost charges (note 8)	111,591	82,965
Deposits and holdbacks (note 9)	58,896	65,103
Deferred revenue (note 10)	48,711	41,823
Debt, net of MFA sinking fund deposits (note 11)	46,583	50,815
	<u>353,482</u>	<u>329,037</u>
Net financial assets	664,010	602,620
<b>Non-Financial Assets</b>		
Tangible capital assets (note 12)	2,062,895	1,970,634
Inventory of materials and supplies	2,359	2,415
Prepaid expenses	1,930	1,971
	<u>2,067,184</u>	<u>1,975,020</u>
Accumulated surplus (note 13)	<u>\$ 2,731,194</u>	<u>\$ 2,577,640</u>

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, 2015, with comparative figures for 2014

	2015 Budget (notes 2(m) and 23)	2015	2014 (recast - note 3)
Revenue:			
Taxation and levies	\$ 189,796	\$ 189,136	\$ 183,687
Utility fees	95,963	94,290	93,201
Sales of services	29,664	34,186	32,809
Payments-in-lieu of taxes	13,473	15,109	14,546
Provincial and federal grants	6,833	8,654	7,480
Development cost charges	23,828	17,818	18,765
Other capital funding sources	57,155	72,575	63,221
Other revenues:			
Investment income	16,821	16,303	16,568
Gaming revenue	18,030	19,555	21,047
Licenses and permits	7,874	10,747	9,819
Other (note 20)	8,904	48,755	35,194
	468,341	527,128	496,337
Expenses:			
Law and community safety	89,959	85,386	83,820
Utilities: water, sewer and sanitation	84,352	83,650	79,552
Engineering, public works and project development	58,128	56,294	55,899
Community services	54,370	68,246	65,137
General government	50,552	43,438	42,582
Planning and development	13,120	13,211	13,301
Richmond Olympic Oval	14,029	13,395	11,065
Library services	9,793	9,463	9,563
Lulu Island Energy Company	249	491	8
	374,552	373,574	360,927
Annual surplus	93,789	153,554	135,410
Accumulated surplus, beginning of year	2,577,640	2,577,640	2,442,230
Accumulated surplus, end of year	\$ 2,671,429	\$ 2,731,194	\$ 2,577,640

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, 2015, with comparative figures for 2014

	2015 Budget (notes 2(m) and 23)	2015	2014 (recast - note 3)
Surplus for the year	\$ 93,789	\$ 153,554	\$ 135,410
Acquisition of tangible capital assets	(93,041)	(86,941)	(78,947)
Acquired tangible capital assets from developers	(55,000)	(61,807)	(55,388)
Amortization of tangible capital assets	50,997	53,966	52,106
Gain on disposal of tangible capital assets	-	(5,157)	(13,744)
Proceeds on sale of tangible capital assets	-	7,678	14,615
	(3,255)	61,293	54,052
Acquisition of inventories of supplies	-	(2,359)	(2,415)
Acquisition of prepaid expenses	-	(1,930)	(1,971)
Consumption of inventories of supplies	-	2,415	2,363
Use of prepaid expenses	-	1,971	1,594
Change in net financial assets	(3,255)	61,390	53,623
Net financial assets, beginning of year	602,620	602,620	548,997
Net financial assets, end of year	\$ 599,365	\$ 664,010	\$ 602,620

See accompanying notes to consolidated financial statements.

# CITY OF RICHMOND

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

Year ended December 31, 2015, with comparative figures for 2014

	2015	2014
		(recast - note 3)
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 153,554	\$ 135,410
Items not involving cash:		
Amortization	53,966	52,106
Gain on disposal of tangible capital assets	(5,157)	(13,744)
Contributions of tangible capital assets	(61,807)	(55,388)
Change in non-cash operating working capital:		
Accrued interest receivable	(924)	(2,139)
Accounts receivable	(2,112)	(8,628)
Taxes receivable	(529)	1,966
Development fees receivable	4,225	(3,955)
Debt reserve fund - deposits	200	(508)
Prepaid expenses	41	(377)
Inventories of materials and supplies	56	(52)
Accounts payable and accrued liabilities	(608)	5,157
Deposits and holdbacks	(6,207)	13,262
Deferred revenue	6,888	5,953
Development cost charges	28,626	(4,247)
Net change in cash from operating activities	170,212	124,816
Capital activities:		
Acquisition of tangible capital assets	(86,941)	(78,947)
Proceeds on disposal of tangible capital assets	7,678	14,615
Net change in cash from capital activities	(79,263)	(64,332)
Financing activities:		
Increase (decrease) in debt	(4,232)	49,759
Principal payments on obligations under capital leases	(22)	(30)
Net change in cash from financing activities	(4,254)	49,729
Investing activities:		
Net increase in investments	(95,626)	(126,528)
Net change in cash and cash equivalents	(8,931)	(16,315)
Cash and cash equivalents, beginning of year	30,731	47,046
Cash and cash equivalents, end of year	\$ 21,800	\$ 30,731

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, 2015

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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:

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

### (a) Basis of consolidation:

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

#### (i) General Revenue Fund:

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

#### (ii) General Capital and Loan Fund:

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

#### (iii) Waterworks and Sewerworks Funds:

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

#### (iv) Reserve Funds:

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

# CITY OF RICHMOND

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

Year ended December 31, 2015

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

### (d) Cash and cash equivalents:

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

### (e) Investments:

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

### (f) Accounts receivable:

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

### (g) Development cost charges:

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

### (h) Post-employment benefits:

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

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

# CITY OF RICHMOND

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

Year ended December 31, 2015

## 2. Significant accounting policies (continued):

### (i) Non-financial assets:

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

### (i) Tangible capital assets:

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

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

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

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

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

### (iii) Natural resources:

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

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

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

### (v) Interest capitalization:

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

### (vi) Labour capitalization:

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

# CITY OF RICHMOND

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

Year ended December 31, 2015

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## 2. Significant accounting policies (continued):

### (i) Non-financial assets (continued):

#### (vii) Leased tangible capital assets:

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

#### (viii) Impairment of tangible capital assets:

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

#### (ix) Inventory of materials and supplies:

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

### (j) Revenue recognition:

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

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

### (k) Deferred revenue:

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

### (k) Deposits:

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

### (l) Debt:

Debt is recorded net of related sinking fund balances.

# CITY OF RICHMOND

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

Year ended December 31, 2015

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## 2. Significant accounting policies (continued):

### (m) Budget information:

Budget information, presented on a basis consistent with that used for actual results, was included in the City of Richmond's Five Year Financial Plan and was originally adopted through Bylaw No. 9220 on April 13, 2015.

### (n) Contaminated Sites:

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

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

- (i) An environmental standard exists;
- (ii) Contamination exceeds the environmental standards;
- (iii) The City is directly responsible or accepts responsibility;
- (iv) It is expected that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

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

### (o) Adoption of new accounting policy:

On January 1, 2015, the City adopted PS 3260 Liability for Contaminated Sites. The standard was applied on a prospective basis and resulted in the recognition of a liability of \$650,000 which has been included in accounts payable and accrued liabilities at December 31, 2015 and a corresponding increase in expenses for the year ending December 31, 2015.

### (p) Use of accounting estimates:

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

# CITY OF RICHMOND

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

Year ended December 31, 2015

## 2. Significant accounting policies (continued):

### (q) Segment disclosures:

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. The City of Richmond has provided definitions of segments used by the City as well as presented financial information in segment format (note 22).

### (r) Public-private partnership projects:

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

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

## 3. Recast of prior year comparative figures:

### (a) Tangible capital assets:

During the year, the City determined that certain net tangible capital assets had been omitted from its asset registers.

The impact of these immaterial errors has been recorded retrospectively and prior periods have been recast as follows:

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#### Accumulated surplus at January 1, 2014:

Accumulated surplus, as previously reported	\$ 2,430,252
Net book value of tangible capital assets not previously recorded	11,978
Accumulated surplus, as recast	\$ 2,442,230

#### Annual surplus for 2014:

Annual surplus, as previously reported	\$ 123,856
Developer contributions received in 2014, not previously recorded	11,554
Annual surplus, as recast	\$ 135,410

# CITY OF RICHMOND

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

Year ended December 31, 2015

## 3. Recast of prior year comparative figures (continued):

### (a) Tangible capital assets (continued):

#### Tangible capital assets at December 31, 2014:

Tangible capital assets, as previously reported	\$ 1,947,102
Net book value of tangible capital assets not previously recorded	23,532
<b>Tangible capital assets, as recast</b>	<b>\$ 1,970,634</b>

### (b) Cash equivalents:

During the year, the City determined that an adjustment was required to correct the classification of certain guaranteed investment certificates due to their highly liquid nature with a term to maturity of three months or less at the date of purchase.

The impact of these immaterial errors has been recorded retrospectively and prior periods have been recast as follows:

#### Cash and cash equivalents at December 31, 2014:

Cash and cash equivalents, as previously reported	\$ 22,053
Reclassification from investments to cash and cash equivalents	8,678
<b>Cash and cash equivalents, as recast</b>	<b>\$ 30,731</b>

#### Investments at December 31, 2014:

Investments, as previously reported	\$ 842,642
Reclassification from investments to cash and cash equivalents	(8,678)
<b>Investments, as recast</b>	<b>\$ 833,964</b>

## 4. Investments:

	2015		2014 (recast - note 3)	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 360,081	\$ 360,081	\$ 290,059	\$ 290,090
Government and government guaranteed bonds	220,228	227,567	261,847	265,941
Municipal Finance Authority Pooled Investment	43,212	43,212	22,527	22,527
Other Bonds	306,069	307,385	259,531	261,176
	<b>\$ 929,590</b>	<b>\$ 938,245</b>	<b>\$ 833,964</b>	<b>\$ 839,734</b>

# CITY OF RICHMOND

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

Year ended December 31, 2015

## 5. Accounts receivable:

	2015	2014
Water and sewer utilities	\$ 11,381	\$ 10,358
Casino revenues	4,532	5,652
Capital grant	2,482	4,279
Other trade receivables	11,767	7,761
	\$ 30,162	\$ 28,050

## 6. Debt reserve fund deposits and contingent demand notes:

The City issues its debt instruments through the Municipal Finance Authority (the "MFA"). As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA in a Debt Reserve Fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the MFA. These demand notes are contingent in nature and are not reflected in the City's accounts. The details of the cash deposits and contingent demand notes at December 31, 2015 are as follows:

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

## 7. Accounts payable and accrued liabilities:

	2015	2014
Trade and other liabilities	\$ 55,995	\$ 57,576
Post-employment benefits (note 15)	31,706	30,755
	\$ 87,701	\$ 88,331

## 8. Development cost charges:

	2015	2014
Balance, beginning of year	\$ 82,965	\$ 87,212
Contributions	44,934	13,313
Interest	1,510	1,205
Revenue recognized	(17,818)	(18,765)
Balance, end of year	\$ 111,591	\$ 82,965

# CITY OF RICHMOND

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

Year ended December 31, 2015

## 9. Deposits and holdbacks:

	Balance December 31, 2014	Deposit contributions	Refund expenditures	Balance December 31, 2015
Security deposits	\$ 48,377	\$ 16,662	\$ 24,722	\$ 40,317
Developer contribution	5,337	294	85	5,546
Contract holdbacks	1,968	4,114	3,273	2,809
Transit Oriented Development Fund	1,523	-	-	1,523
Other	7,898	22,638	21,835	8,701
	\$ 65,103	\$ 43,708	\$ 49,915	\$ 58,896

## 10. Deferred revenue:

Deferred revenue represents revenues that are collected but not earned as of December 31, 2015. These revenues will be recognized in future periods as they are earned. Deferred revenue also represents funds received from external parties for specified purposes. These revenues are recognized in the period in which the related expenses are incurred.

	Balance December 31, 2014	External restricted inflows	Revenue earned	Balance December 31, 2015
Taxes and Utilities	\$ 16,645	\$ 19,370	\$ 16,645	\$ 19,370
Building permits/development	7,481	8,018	3,414	12,085
Oval	4,316	11,170	9,888	5,598
Capital grants	3,472	11,443	10,319	4,596
Business licenses	2,403	2,071	1,965	2,509
Parking easement/leased land	2,413	48	44	2,417
Other	5,093	3,353	6,310	2,136
	\$ 41,823	\$ 55,473	\$ 48,585	\$ 48,711

# CITY OF RICHMOND

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

Year ended December 31, 2015

## 11. Debt:

The interest rate for the year ended December 31, 2015 on the principal amount of the MFA debentures was 3.30% per annum.

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

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

	Gross amount borrowed	Repayments and actuarial adjustments	Net debt 2015	Net debt 2014
General Fund	\$ 50,815	\$ 4,232	\$ 46,583	\$ 50,815

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

	Total
2016	\$ 4,402
2017	4,578
2018	4,761
2019	4,951
2020	5,149
Thereafter	22,742
	\$ 46,583

# CITY OF RICHMOND

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

Year ended December 31, 2015

## 12. Tangible capital assets:

Cost	Balance at December 31, 2014 (recast - note 3)	Additions and transfers	Disposals	Balance at December 31, 2015
Land	\$ 747,290	\$ 57,844	\$ (1,489)	\$ 803,645
Buildings and building improvements	360,966	14,141	(287)	374,820
Infrastructure	1,585,726	63,885	(5,405)	1,644,206
Vehicles, machinery and equipment	98,059	15,116	(3,055)	110,120
Library's collections, furniture and equipment	9,259	1,618	(1,207)	9,670
Assets under construction	66,223	(3,856)	-	62,367
	\$ 2,867,523	\$ 148,748	\$ (11,443)	\$ 3,004,828

Accumulated amortization	Balance at December 31, 2014 (recast - note 3)	Disposals	Amortization expense	Balance at December 31, 2015
Buildings and building improvements	\$ 128,204	\$ (264)	\$ 13,740	\$ 141,680
Infrastructure	700,368	(4,471)	32,220	728,117
Vehicles, machinery and equipment	63,494	(3,028)	6,339	66,805
Library's collections, furniture and equipment	4,823	(1,159)	1,667	5,331
	\$ 896,889	\$ (8,922)	\$ 53,966	\$ 941,933

	Net book value December 31, 2015	Net book value December 31, 2014 (recast - note 3)
Land	\$ 803,645	\$ 747,290
Buildings and building improvements	233,140	232,762
Infrastructure	916,089	885,358
Vehicles, machinery and equipment	43,315	34,565
Library's collection, furniture and equipment	4,339	4,436
Assets under construction (a)	62,367	66,223
Balance, end of year	\$ 2,062,895	\$ 1,970,634

# CITY OF RICHMOND

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

Year ended December 31, 2015

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## 12. Tangible capital assets (continued):

### (a) Assets under construction:

Assets under construction having a value of approximately \$62,367,664 (2014 - \$66,223,263) have not been amortized. Amortization of these assets will commence when the asset is put into service.

### (b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is \$61,806,695 (2014 - \$55,388,435) comprised of infrastructure in the amount of \$10,874,576 (2014 - \$18,937,542), land in the amount of \$50,606,219 (2014 - \$36,450,893), and other assets in the amount of \$325,900 (2014 - nil).

### (c) Tangible capital assets disclosed at nominal values:

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

### (d) Works of Art and Historical Treasures:

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

### (e) Write-down of tangible capital assets:

There were no write-downs of tangible capital assets during the year (2014 - nil).

# CITY OF RICHMOND

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

Year ended December 31, 2015

## 13. Accumulated surplus:

	General Funds and Reserve	Water Utility Fund	Sanitary Sewer Utility Fund	Richmond Olympic Oval	Library Services	Lulu Island Energy Co	2015 Total	2014 Total (recast - note 3)
Investment in tangible capital assets	\$ 2,041,691	\$ -	\$ -	\$ 9,447	\$ 4,341	\$ -	\$ 2,055,479	\$ 1,968,651
Reserves (note 14)	457,987	-	-	3,191	-	-	461,178	376,602
Appropriated Surplus	151,031	27,813	15,013	890	303	-	195,050	184,644
Surplus	9,567	244	6,200	502	201	551	17,265	45,410
Other equity	2,222	-	-	-	-	-	2,222	2,333
Balance, end of year	\$ 2,662,498	\$ 28,057	\$ 21,213	\$ 14,030	\$ 4,845	\$ 551	\$ 2,731,194	\$ 2,577,640

# CITY OF RICHMOND

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

Year ended December 31, 2015

## 14. Reserves:

	2014	Change during year	2015
Reserve funds:			
Affordable housing	\$ 12,551	\$ 12,383	\$ 24,934
Arts, culture and heritage	4,362	87	4,449
Capital building and infrastructure	55,651	4,761	60,412
Capital reserve	103,806	53,972	157,778
Capstan station	8,241	1,267	9,508
Child care development	2,201	134	2,335
Community legacy and land replacement	16,720	274	16,994
Drainage improvement	44,505	8,417	52,922
Equipment replacement	17,241	(359)	16,882
Leisure facilities	3,621	1,654	5,275
Local improvements	6,643	124	6,767
Neighborhood improvement	6,724	251	6,975
Public art program	2,554	502	3,056
Sanitary sewer	39,504	2,183	41,687
Steveston off-street parking	293	6	299
Steveston road ends	623	(165)	458
Waterfront improvement	659	(17)	642
Watermain replacement	46,375	239	46,614
Oval	4,328	(1,137)	3,191
	\$ 376,602	\$ 84,576	\$ 461,178

## 15. Post-employment benefits:

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

	2015	2014
Balance, beginning of year	\$ 30,755	\$ 30,042
Current service cost	1,924	1,791
Interest cost	912	1,054
Amortization of actuarial loss	93	430
Benefits paid	(1,978)	(2,562)
Balance, end of year	\$ 31,706	\$ 30,755

# CITY OF RICHMOND

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

Year ended December 31, 2015

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

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2013 and the results are extrapolated to December 31, 2015. The difference between the actuarially determined accrued benefit obligation of approximately \$28,657,000 and the liability of approximately \$31,706,000 as at December 31, 2015 is an unamortized net actuarial gain of \$3,049,000. This actuarial gain is being amortized over a period equal to the employees' average remaining service lifetime of 10 years.

	2015	2014
Actuarial benefit obligation:		
Liability, end of year	\$ 31,706	\$ 30,755
Unamortized actuarial loss (gain)	(3,049)	(1,554)
Balance, end of year	\$ 28,657	\$ 29,201

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

	2015	2014
Discount rate	3.10%	3.10%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary range increases	2.50%	2.50%

## 16. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2014, the plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 37,000 contributors from local governments.

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

# CITY OF RICHMOND

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

Year ended December 31, 2015

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## 16. Pension plan (continued):

The most recent valuation for the Municipal Pension Plan as at December 31, 2012, indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis.

The next valuation will be as at December 31, 2015, with results available in 2016.

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

The City paid \$11,766,393 (2014 - \$10,649,936) for employer contributions while employees contributed \$9,736,747 (2014 - \$8,780,321) to the plan in fiscal 2015.

## 17. Commitments and contingencies:

### (a) Joint and several liabilities:

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

### (b) Lease payments:

In addition to the obligations under capital leases, at December 31, 2015, the City was committed to operating lease payments for premises and equipment in the following approximate amounts:

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2016	\$ 5,016
2017	4,484
2018	4,243
2019	3,601
2020 and thereafter	19,704

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### (c) Litigation:

As at December 31, 2015, there were a number of claims or risk exposures in various stages of resolution. The City has made no specific provision for those where the outcome is presently not determinable.

# CITY OF RICHMOND

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

Year ended December 31, 2015

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## 17. Commitments and contingencies:

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

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

### (e) Contractual obligation:

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

On October 30, 2014, Lulu Island Energy Company Ltd. ("LIEC") and Corix Utilities Inc. ("Corix") entered into a 30 year Concession Agreement (the "Agreement"), where Corix will design, construct, finance, operate, and maintain the infrastructure for the district energy utility at the Oval Village community. As part of the agreement, the infrastructure will be owned by the Corporation.

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

The City is a shareholder of the Emergency Communications for Southwest British Columbia Incorporated ("E-Comm") whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City has 2 Class A shares and 1 Class B share (of a total of 28 Class A and 23 Class B shares issued and outstanding as at December 31, 2015). As a Class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.

### (g) Community Associations:

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

# CITY OF RICHMOND

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

Year ended December 31, 2015

## 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.

	2015	2014
Richmond Community Associations	\$ 1,248	\$ 1,127

## 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:

	2015	2014
Province of British Columbia - Schools	\$ 146,405	\$ 134,272
Greater Vancouver Regional District and others	41,772	41,131
	\$ 188,177	\$ 175,403

## 20. Other revenue:

	2015	2014
Developer contributions	\$ 29,648	\$ 10,382
Tangible capital assets net gain on land	5,912	14,419
Taxes and fines	3,350	2,844
Parking program	2,108	1,932
Other	7,737	5,617
	\$ 48,755	\$ 35,194

# CITY OF RICHMOND

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

Year ended December 31, 2015

## 21. Government Transfers:

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

	2015	2014
Operating		
Province of BC	\$ 24,553	\$ 25,161
TransLink	2,329	2,200
Government of Canada	1,327	1,166
Capital		
Government of Canada	3,098	2,742
TransLink	76	1,292
Province of BC	474	459
	<b>\$ 31,857</b>	<b>\$ 33,020</b>

## 22. Segmented reporting:

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

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

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

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

# CITY OF RICHMOND

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

Year ended December 31, 2015

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## 22. Segmented reporting (continued):

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

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

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

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

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

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

# CITY OF RICHMOND

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

Year ended December 31, 2015

## 22. Segmented reporting (continued):

	Law and Community Safety	Utilities	Engineering, public works and project development	Community services	General government	Planning and development	Total City
Revenues:							
Taxation and levies	\$ -	\$ -	\$ -	\$ -	\$ 189,136	\$ -	\$ 189,136
Utility fees	-	82,628	11,484	-	-	-	94,112
Sales of services	5,408	3,138	3,212	9,213	3,921	1,511	26,403
Payments-in-lieu of taxes	-	-	-	-	15,109	-	15,109
Provincial and federal grants	96	16	2,506	91	3,057	13	5,779
Development cost charges	-	938	4,927	6,084	5,173	696	17,818
Other capital funding sources	-	828	15,739	1,623	53,057	508	71,755
Other revenue from own sources:							
Investment income	-	592	-	-	15,711	-	16,303
Gaming revenue	642	-	-	-	18,913	-	19,555
Licenses and permits	299	-	101	-	3,770	6,556	10,726
Other	2,534	2,559	338	502	40,295	65	46,293
	8,979	90,699	38,307	17,513	348,142	9,349	512,989
Expenses:							
Wages and salaries	40,163	12,452	20,894	29,047	20,849	10,147	133,552
PW maintenance	30	6,268	8,156	2,079	(1,330)	89	15,292
Contract services	40,096	8,188	2,277	2,885	3,738	1,099	58,283
Supplies and materials	2,469	27,442	633	11,788	6,975	523	49,830
Interest and finance	40	19,064	-	1	2,243	-	21,348
Transfer from(to) capital for tangible capital assets	9	2,025	976	15,946	339	260	19,555
Amortization of tangible capital assets	2,571	7,661	23,436	6,258	10,623	1,076	51,625
Loss on disposal of tangible capital assets	8	550	(78)	242	1	17	740
	85,386	83,650	56,294	68,246	43,438	13,211	350,225
Annual surplus (deficit)	\$ (76,407)	\$ 7,049	\$ (17,987)	\$ (50,733)	\$ 304,704	\$ (3,862)	\$ 162,764

# CITY OF RICHMOND

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

Year ended December 31, 2015

## 22. Segmented reporting (continued):

	Total City (from above)	Richmond Olympic Oval	Richmond Public Library	Lulu Island Energy Company	2015 Consolidated	2014 Consolidated (recast - note 3)
Revenues:						
Taxation and levies	\$ 189,136	\$ -	\$ -	\$ -	\$ 189,136	\$ 183,687
Utility fees	94,112	-	-	178	94,290	93,201
Sales of services	26,403	7,643	140	-	34,186	32,809
Payments-in-lieu of taxes	15,109	-	-	-	15,109	14,546
Provincial and federal grants	5,779	2,464	411	-	8,654	7,480
Development cost charges	17,818	-	-	-	17,818	18,765
Other capital funding sources	71,755	-	-	820	72,575	63,221
Other revenue from own sources:					-	
Investment income	16,303	-	-	-	16,303	16,568
Gaming revenue	19,555	-	-	-	19,555	21,047
Licenses and permits	10,726	-	-	21	10,747	9,819
Other	46,293	2,223	239	-	48,755	35,194
	512,989	12,330	790	1,019	527,128	496,337
Expenses:						
Wages and salaries	133,552	7,868	6,576	-	147,996	142,169
PW maintenance	15,292	-	2	-	15,294	14,548
Contract services	58,283	112	425	345	59,165	58,121
Supplies and materials	49,830	4,809	971	48	55,658	53,749
Interest and finance	21,348	-	13	30	21,391	21,367
Transfer from(to) capital for tangible capital assets	19,555	-	(206)	-	19,349	18,192
Amortization of tangible capital assets	51,625	606	1,667	68	53,966	52,106
Loss on disposal of tangible capital assets	740	-	15	-	755	675
	350,225	13,395	9,463	491	373,574	360,927
Annual surplus (deficit)	\$ 162,764	\$ (1,065)	\$ (8,673)	\$ 528	\$ 153,554	\$ 135,410

# CITY OF RICHMOND

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

Year ended December 31, 2015

## 23. Budget data:

The audited budget data presented in these consolidated financial statements is based on the 2015 operating and capital budgets approved by Council on April 13, 2015 and approved budget for Richmond Public Library, Richmond Olympic Oval and Lulu Island Energy Company. Below is the reconciliation of the approved budget to the budget amount reported in these financial statements.

	Budget Amount
Revenues:	
Approved Operating and Utility Budget	\$ 438,331
Approved Capital Budget	407,216
Approved Oval Budget	14,811
Approved Library Budget	9,600
Approved LIEC Budget	1,268
Less:	
Transfer from other funds	64,645
Intercity recoveries	-
Intercompany recoveries	12,007
Capital Transfer from Other Funds and Reserves	67,058
Carried forward capital expenditures	259,175
Total revenue	468,341
Expenses:	
Approved Operating and Utility Budget	438,331
Approved Capital Budget	408,204
Approved Oval Budget	14,029
Approved Library Budget	9,793
Approved LIEC Budget	249
Less:	
Transfer to other funds	71,611
Intercity payments	-
Intercompany payments	12,007
Capital expenditures	93,041
Capital expenditures - Developer contributed assets	55,988
Debt principal payments	4,232
Carried forward capital expenditures	259,175
Total expenses	374,552
Annual surplus per statement of operations	\$ 93,789



# City of Richmond

## Report to Committee

**To:** Finance Committee

**Date:** April 18, 2016

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

**File:** 01-0060-20-  
LIEC1/2016-Vol 01

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

**Re:** 2015 Financial Statements for the Lulu Island Energy Company

### Staff Recommendation

That the Lulu Island Energy Company audited financial statements for the year ended December 31, 2015, in the report titled, "2015 Financial Statements for the Lulu Island Energy Company," dated April 18, 2016 from the Chief Executive Officer and Chief Financial Officer, Lulu Island Energy Company be received for information.

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

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

Att. 1

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

## Report

---

**DATE:** April 18, 2016

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

Jerry Chong  
Chief Financial Officer, Lulu Island Energy Company

**FROM:** Alen Postolka, Manager District Energy  
Cindy Gilfillan, Manager, Financial Reporting

**Re: 2015 Financial Statements for the Lulu Island Energy Company**

---

### Origin

The audited 2015 financial statements of the Lulu Island Energy Company (LIEC) have been prepared by management in accordance with the generally accepted accounting principles, as prescribed by the Public Sector Accounting Board (PSAB).

### Background

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

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

In October 2014, the LIEC and Corix Utilities executed a Concession Agreement whereby the LIEC would own the Oval Village District Energy Utility (OVDEU) and its infrastructure, and Corix would design, construct, finance, operate and maintain the OVDEU, subject to the City, as shareholder of the LIEC, setting rates for customers.

## Analysis

Financial statements provide information about the financial position, performance and changes in the financial position of the company. The financial statements demonstrate accountability by providing information about the company's resources, obligations and financial affairs. A summary of the financial results is included in **Attachment 1**.

### Statement of Financial Position

Table 1: Summary of Financial Position

	<b>2015</b>	<b>2014</b>	<b>Change</b>
Financial Assets	\$93,677	\$31,327	\$62,350
Liabilities <sup>1</sup>	(3,928,549)	(283,569)	(3,644,980)
Subtotal: Net Debt	(3,834,872)	(252,242)	(3,582,630)
Tangible Capital Assets <sup>2</sup>	4,385,619	275,310	4,110,309
<b>Accumulated Surplus</b>	<b>\$550,747</b>	<b>\$23,068</b>	<b>\$527,679</b>

<sup>1</sup> Represents investment made by Corix

<sup>2</sup> Represents assets created for LIEC

The 2015 audited financial statements have an accumulated surplus of \$550,747 (2014 - \$23,068). This balance is equivalent to the net worth of an organization.

#### *Financial Assets*

The due from the City of Richmond increased by \$62,350 to \$93,677 and is comprised of funds held by the City of Richmond on behalf of LIEC.

#### *Liabilities*

The 2015 liabilities increased by \$3,644,980 to \$3,928,549 due mainly to the OVDEU concession liability. The concession liability is mainly related to tangible capital assets that are constructed and financed on behalf of LIEC and is payable to Corix inclusive of interest.

The tangible capital assets increased by \$4,110,309 to \$4,385,619 (2014 – \$275,310).

### Statement of Operations

Table 2: Summary of Operating Results

	<b>2015</b>	<b>2014</b>	<b>Change</b>
Revenue	\$1,018,950	\$31,326	\$987,624
Expenses	(491,271)	(8,259)	(483,012)
<b>Annual Surplus</b>	<b>\$527,679</b>	<b>\$23,067</b>	<b>\$504,612</b>

The 2015 audited financial statements have an annual surplus of \$527,679 with \$1,018,950 in revenues and \$491,271 in expenses.

*Revenues*

The 2015 revenues increased by \$987,624 to \$1,018,950 (2014 – \$31,326) due to \$820,179 (2014 – \$nil) in developer contributions for service connection fees relating to energy transfer stations that form part of the tangible capital assets and \$177,584 (2014 – \$nil) from user fees.

The user fee revenues reflect energy sales to the first customers who connected in June 2015 (Riva 1 by Onni) and July 2015 (Carrera by Polygon). The user fee revenues are lower than budget due to slower than projected development completion of Riva 1 and Carrera and the deferred development (to 2016) of Cadence by Cressey.

*Expenses*

The increase in expenses of \$483,012 to \$491,271 (2014 – \$8,259) is due to the commencement of operations for the supply of energy to the Riva 1 and Carrera developments. The variance to budget of \$242,739 is due to the format of the budget being a cash based budget which is consistent with the *Community Charter* requirement for a balanced budget. The budget amount represents the anticipated cash disbursements while the actual expenses represent the amounts incurred to operate the OVDEU. These expenses are mainly amounts payable to Corix and form part of the concession liability on the Statement of Financial Position.

It is expected that the initial years of the OVDEU will result in higher operating costs than revenues mainly due to the timing of start-up costs, amortization etc. The 30-year financial model that forms part of the agreement with Corix projected the operating costs for 2015 to be \$517,000 (comprised of utilities, interest and contract services (operating and maintenance, general and administration costs)). The comparable actual expenses recorded are \$417,615 (comprised of utilities \$42,381, contract services \$345,436, and interest \$29,798) and are in line with the expected figures. The favourable variance of \$99,385 is due to the delayed completion of the Riva 1 and Carrera developments as mentioned above.

The difference in actual payments made to Corix and the expenses that Corix has incurred on LIEC's behalf, including capital assets, forms the concession liability and is payable over the term of the agreement.

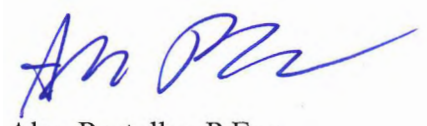
The financial statements are included in **Attachment 2**.

**Financial Impact**

None.

## Conclusion

The financial statements are a legislated reporting requirement and it is recommended that they be approved. As noted in the Auditors' Report, it is the Auditor's opinion that these financial statements present fairly, in all material respects, the financial position of Lulu Island Energy Company Ltd. as at December 31, 2015 and its results of operations, and its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Alen Postolka, P.Eng.  
Manager, District Energy  
City of Richmond  
(604-276-4283)



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

Att. 1: Summary of Financial Results (unaudited)  
Att. 2: LIEC Financial Statements

**Attachment 1 – Summary of Financial Results (unaudited)****Financial Position**

	2015	2014	Change
Financial Assets	\$93,677	\$31,327	\$62,350
Liabilities <sup>1</sup>	(3,928,549)	(283,569)	(3,644,980)
Subtotal: Net Debt	(3,834,872)	(252,242)	(3,582,630)
Tangible Capital Assets <sup>2</sup>	4,385,619	275,310	4,110,309
<b>Accumulated Surplus</b>	<b>\$550,747</b>	<b>\$23,068</b>	<b>\$527,679</b>

<sup>1</sup> Represents investment made by Corix<sup>2</sup> Represents assets created for LIEC**Operating Activity - Year over Year actual comparison**

	2015	2014	Change
Revenue	\$1,018,950	\$31,326	\$987,624
Expenses	(491,271)	(8,259)	(483,012)
<b>Annual Surplus</b>	<b>\$527,679</b>	<b>\$23,067</b>	<b>\$504,612</b>

**Expense Reconciliation**

	Budget - Cash Based	Actual - Cash Based	Actual - Accrual Based*
Contract services	\$230,832	\$133,166	\$345,436
Legal, accounting and marketing	17,700	5,464	5,464
Amortization	-	-	68,192
Interest	-	-	29,798
Utilities	-	-	42,381
	<b>\$248,532</b>	<b>\$138,630</b>	<b>\$491,271</b>

\*The actuals recorded under the accrual basis include amounts incurred by Corix that are not payable during 2015 as stipulated in the concession agreement and these amounts form part of the concession liability included in the statement of financial position. The cash based payments under contract services include amounts for amortization, interest and utilities.

**Operating Activity - 2015 Budget to actual comparison**

	2015 Budget <sup>1</sup>	2015 Actual	Variance
Revenue	\$1,267,907	\$1,018,950	\$248,957
Expenses	(248,532)	(491,271)	242,739
<b>Annual Surplus</b>	<b>\$1,019,375</b>	<b>\$527,679</b>	<b>\$491,696</b>

**<sup>1</sup> Budget Reconciliation**

Annual Surplus per Statement of Operating Activity	\$1,019,375
Add back: Capital expenditure for Energy Transfer Stations*	(988,000)
<b>Approved Net Budget by Board</b>	<b>\$31,375</b>

\*Capital expenditures are not included in the Operating Activity sections

Financial Statements of

**LULU ISLAND ENERGY  
COMPANY LTD.**

Year ended December 31, 2015

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Lulu Island Energy Company Ltd.

We have audited the accompanying financial statements of Lulu Island Energy Company Ltd., which comprise the statement of financial position as at December 31, 2015 and the statements of operations, changes in net debt, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lulu Island Energy Company Ltd. as at December 31, 2015, and its results of operations, and its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

Date

Burnaby, Canada

# LULU ISLAND ENERGY COMPANY LTD.

## Statement of Financial Position

December 31, 2015, with comparative figures for 2014

	2015	2014
<b>Financial Assets</b>		
Due from City of Richmond (note 4)	\$ 93,677	\$ 31,327
	93,677	31,327
<b>Liabilities</b>		
GST payable	2,208	-
Oval Village District Energy Utility ("OVDEU") concession agreement liability (note 5(a))	3,888,284	275,310
Accrued interest on OVDEU concession agreement liability (note 5(a))	38,057	8,259
	3,928,549	283,569
Net debt	(3,834,872)	(252,242)
<b>Non-Financial Assets</b>		
Tangible capital assets (note 7)	4,385,619	275,310
Accumulated surplus	\$ 550,747	\$ 23,068

Commitments and contingencies (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# LULU ISLAND ENERGY COMPANY LTD.

## Statement of Operations

Year ended December 31, 2015, with comparative figures for 2014

	Budget 2015	2015	2014
	(note 2(a))		
Revenue:			
Contribution from City of Richmond (note 4)	\$ 27,000	\$ 21,187	\$ 31,326
User fees	252,907	177,584	-
Developer contribution	988,000	820,179	-
	1,267,907	1,018,950	31,326
Expenses:			
Amortization	-	68,192	-
Contract services (note 5(b))	230,832	345,436	-
Interest	-	29,798	8,259
Legal and accounting	16,500	5,464	-
Marketing	1,200	-	-
Utilities (note 5(b))	-	42,381	-
	248,532	491,271	8,259
Annual surplus	1,019,375	527,679	23,067
Accumulated surplus, beginning of year	23,068	23,068	1
Accumulated surplus, end of year	\$ 1,042,443	\$ 550,747	\$ 23,068

See accompanying notes to financial statements.

# LULU ISLAND ENERGY COMPANY LTD.

## Statement of Changes in Net Debt

Year ended December 31, 2015, with comparative figures for 2014

	Budget 2015 (note 2(a))	2015	2014
Annual surplus for the year	\$ 1,019,375	\$ 527,679	\$ 23,067
Acquisition of tangible capital assets	(988,000)	(4,178,501)	(275,310)
Amortization of tangible capital assets	-	68,192	-
Change in net debt	31,375	(3,582,630)	(252,243)
Net debt, beginning of year	(252,242)	(252,242)	1
Net debt, end of year	\$ (220,867)	\$ (3,834,872)	\$ (252,242)

See accompanying notes to financial statements.

# LULU ISLAND ENERGY COMPANY LTD.

## Statement of Cash Flows

Year ended December 31, 2015, with comparative figures for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 527,679	\$ 23,067
Amortization of tangible capital assets	68,192	-
Change in non-cash working capital:		
GST payable	2,208	-
Due from City of Richmond	(62,350)	(31,326)
OVDEU concession agreement liability	3,612,974	275,310
Accrued interest on OVDEU concession agreement liability	29,798	8,259
Net change in cash from operating activities	4,178,501	275,310
Capital activities:		
Acquisition of tangible capital assets	(4,178,501)	(275,310)
Net change in cash from capital activities	(4,178,501)	(275,310)
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

See accompanying notes to financial statements.

# LULU ISLAND ENERGY COMPANY LTD.

## Notes to Financial Statements

For the year ended December 31, 2015

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### 1. Incorporation and nature of business:

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

### 2. Significant accounting policies:

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

#### (a) Budget data:

The budget data presented in these financial statements is based upon the 2015 budget submission approved by the Board on February 19, 2015. Note 9 reconciles the approved budget to the budget figures reported in these financial statements.

#### (b) Use of estimates:

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

#### (c) Income taxes:

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

#### (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.

# LULU ISLAND ENERGY COMPANY LTD.

## Notes to Financial Statements

For the years ended December 31, 2015

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

#### (d) Non-financial assets (continued):

##### (i) Tangible capital assets:

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

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

Asset	Useful life - years
Mechanical	33
Distribution piping system	50

##### (ii) Interest capitalization:

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

##### (iii) Impairment of tangible capital assets:

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

#### (e) Revenue recognition:

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

#### (f) Public-private partnership project:

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

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

# LULU ISLAND ENERGY COMPANY LTD.

## Notes to Financial Statements

For the years ended December 31, 2015

### 3. Share capital:

Authorized: 10,000 common shares without par value.

Issued: 100 common shares for \$1.

### 4. Due from City of Richmond:

Due from City of Richmond is comprised of share capital and funds held by the City of Richmond on behalf of the Corporation. The balance is non-interest bearing and is due on demand.

	2014	2014
Share capital (note 3)	\$ 1	\$ 1
Contribution from City of Richmond	93,676	31,326
	<u>\$ 93,677</u>	<u>\$ 31,327</u>

### 5. Oval Village (formerly "River Green") District Energy Utility Concession Agreement:

On October 30, 2014, the Corporation and Corix Utilities Inc. ("Corix") entered into a 30 year Concession Agreement (the "Agreement"), which is a public-private partnership project, where Corix will design, construct, finance, operate, and maintain the infrastructure for the district energy utility at the Oval Village community. The total estimated concession liability to finance the construction of the OVDEU at full build out is \$30,909,000 and will be accrued over time.

#### (a) OVDEU concession agreement liability:

	2015	2014
OVDEU, 30 year contract to October 31, 2044 with Corix, payable in monthly payments, including annual interest of 2.27%, in accordance with the concession agreement terms. Required principal repayments on P3 debt for the years ending December 31 are disclosed with public-private partnership commitments in note 10	\$ 3,888,284	\$ 275,310
Interest	38,057	8,259
	<u>\$ 3,926,341</u>	<u>\$ 283,569</u>

#### (b) Contract services and utilities expenses:

Contract services expense is comprised of maintenance, operating labour, selling, and general and administrative expense. Utilities expense is comprised of electricity and natural gas.

# LULU ISLAND ENERGY COMPANY LTD.

## Notes to Financial Statements

For the years ended December 31, 2015

### 6. Corix and City of Richmond Limited Guarantee Agreement:

On October 30, 2014, Corix and the City of Richmond entered into a Limited Guarantee Agreement. The City of Richmond is the Guarantor and guarantees the performance of some of the Corporation's obligations under the Concession Agreement to a maximum of \$18.2 million.

### 7. Tangible capital assets:

Cost	Balance, December 31, 2014	Additions and transfers	Disposals	Balance, December 31, 2015
Work-in-progress	\$ 275,310	\$ (275,310)	\$ -	\$ -
Mechanical	-	2,913,291	-	2,913,291
Distribution piping system	-	1,540,520	-	1,540,520
	\$ 275,310	\$ 4,178,501	\$ -	\$ 4,453,811

Accumulated amortization	Balance, December 31, 2014	Disposals	Amortization	Balance, December 31, 2015
Work-in-progress	\$ -	\$ -	\$ -	\$ -
Mechanical	-	-	50,233	50,233
Distribution piping system	-	-	17,959	17,959
	\$ -	\$ -	\$ 68,192	\$ 68,192

Net book value	Balance, December 31, 2014	Balance, December 31, 2015
Work-in-progress	\$ 275,310	\$ -
Mechanical	-	2,863,058
Distribution piping system	-	1,522,561
	\$ 275,310	\$ 4,385,619

# LULU ISLAND ENERGY COMPANY LTD.

## Notes to Financial Statements

For the years ended December 31, 2015

### 8. Accumulated surplus:

	2015	2014
General surplus	\$ (257,584)	\$ 23,067
Invested in tangible capital assets	808,330	-
Share capital	1	1
	\$ 550,747	\$ 23,068

### 9. Budget data:

The budget data presented in these financial statements is based upon the 2015 budget approved by the Board on February 19, 2015. 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	\$ 1,267,907
Expenses:	
Operating	248,532
Acquisition of tangible capital assets	988,000
	1,236,532
Annual surplus per approved budget	31,375
Reconciling adjustments:	
Add: Acquisition of tangible capital assets	988,000
Annual surplus per statement of operations	\$ 1,019,375

### 10. Commitments and contingencies:

#### (a) Public-private partnership commitments:

Payments to Corix under the agreement are based on Corix's Annual Revenue Requirement, which is based on the utility cost of service rate-setting principles in British Columbia utilizing forward test years. The Annual Revenue Requirement is a combination of Capital and Operating charges. Capital charge is comprised of capital expenditures and depreciation, and Operating charge is comprised of services costs, financing costs, income and other taxes, and return on equity.

# LULU ISLAND ENERGY COMPANY LTD.

## Notes to Financial Statements

For the years ended December 31, 2015

### 10. Commitments and contingencies:

#### (a) Public-private partnership commitments (continued):

The information presented below shows the anticipated cash outflow for future obligations under the Agreement for the capital and operating costs of the assets. As construction progresses, the asset values are recorded as tangible capital assets and the corresponding liabilities are recorded as concession agreement liabilities as disclosed in note 5.

	Capital Charge	Operating Charge	Total Charge
2016	\$ 70,290	\$ 461,710	\$ 532,000
2017	131,690	810,310	942,000
2018	181,470	1,235,530	1,417,000
2019	204,780	1,659,220	1,864,000
2020	220,890	1,718,110	1,939,000
2021 and thereafter	30,099,880	107,040,480	137,140,360
	\$ 30,909,000	\$ 112,925,360	\$143,834,360



**Richmond  
Public Library**

**REPORT TO COMMITTEE**

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To: Finance Committee

Date: April 21, 2016

From: Greg Buss  
Chief Librarian

Re: 2015 Financial Statements of the Richmond Public Library Board

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**Recommendation**

That the 2015 Financial Statements of the Richmond Public Library Board be received for information.

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

**Attachment:**

Financial Statements of Richmond Public Library Board Year Ended December 31, 2015

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**2015 Financial Statements of the Richmond Public Library**

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**Origin**

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

This report deals with the 2015 financial statements of the Richmond Public Library Board.

**Analysis**

Please see the attached Financial Statements of the Richmond Public Library Board for the year ended December 31, 2015. The library's financial statements are prepared in accordance with Canadian public sector accounting standards.

In conducting the audit, KPMG noted that there were no corrected or uncorrected audit misstatements, no omissions or errors in presentation. In addition they did not identify any control deficiencies that they consider to be significant deficiencies in internal control for financial reporting; nor did they find or observe any other internal control deficiencies.

The Library Board will be reviewing the statements and voting on approval at its regular board meeting on Wednesday, April 27, 2016.

**Statement of Financial Position***Financial Assets*

The amount due from the City of Richmond (\$1,456k) and accounts receivable (\$121k) arose in the normal course of business.

*Liabilities*

Accounts payable and accrued liabilities as of December 31, 2015 were \$1,030k and primarily included accrued payroll liabilities and post-employment benefits. Deferred revenue of \$64k is the amount of restricted donations received. Donation revenue is recognized in the year in which the related expenses are incurred.

*Non-Financial Assets*

As of December 31, 2015 the Library had \$4,341k in tangible capital assets, which includes the library's collections, computer hardware and software and equipment and furniture. Note 5 in the financial statements contains a breakdown of cost, accumulated depreciation and net book value. The 2015 net book value of tangible capital assets declined by \$97k due to a decline in the collection's net book value as a result of amortization and collection discards exceeding additions. The decline in collection net book value was partially offset by additions to furniture and fixtures as well as equipment.

Prepaid expense for \$21k is the payment of the January 1, 2016 rent for the Cambie and Ironwood branches.

*Accumulated Surplus*

The accumulated surplus at December 31, 2015 was \$4,845k and consists of tangible capital assets of \$4,341k, appropriated surplus of \$303k and surplus of \$201k. Appropriated surplus included the addition of a \$115k provision for the "Launchpad Project" due to be completed in

2016. Surplus increased \$87k from 2014 as a result of the excess of revenues over expenses during 2015.

### **Statement of Operations**

#### Revenue

The Library received \$8,768k in contributions from the City, \$411k from grants and \$296k from fines and miscellaneous charges. Book fines and revenues related to circulation have declined as online services increase and other libraries improve their collections causing InterLINK revenues to fall.

Donation revenue matches the donations expenses incurred during 2015. The 2015 figure of \$83k is an increase of \$15k over the previous year.

#### Expenses

Salaries and benefits decreased by \$35k in 2015 due to a number of time gaps between positions becoming vacant and being filled.

Amortization of tangible capital assets is on a straight-line basis with library collections over 4 to 20 years, furniture and fixtures over 10 to 20 years and equipment over 5 to 10 years and amounted to \$1,667k.

Supplies and equipment services expense is a consolidation of many expense items including cataloguing, supplies, subscriptions, printing and equipment purchases and maintenance. The total of the expenses is up \$5k from last year but it is \$57k under budget.

Building, leases and maintenance expenses were lower than budget and last year by \$12k and \$26k respectively. Public works expenses, included in this category, accounted for most of the decrease from 2014.

General and administration expenses were \$12k lower than last year and \$2k lower than budget. Janitorial contract expenses were \$13k lower than last year and photocopier expenses were also \$5k lower. An increase in contracts – maintenance expenses of \$35k from 2014 was offset by the \$39k in consulting expenses in 2014 relating to the strategic plan that were not repeated in 2015.

Overall, 2015 expenses were \$101k lower than 2014 and were \$328k under budget.

### **Library Board Approval**

The Library Board will be reviewing these statements at its regular board meeting on Wednesday, April 27<sup>th</sup>, 2016 and it is anticipated that they will be approved at that time.



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

Financial Statements of

# **RICHMOND PUBLIC LIBRARY BOARD**

Year ended December 31, 2015

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

We have audited the accompanying financial statements of Richmond Public Library Board, which comprise the statement of financial position as at December 31, 2015, 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 Board as at December 31, 2015 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Professional Accountants

Date  
Burnaby, Canada

# **RICHMOND PUBLIC LIBRARY BOARD**

## **Statement of Financial Position**

December 31, 2015, with comparative information for 2014

	2015	2014
<b>Financial Assets</b>		
Due from City of Richmond (note 3)	\$ 1,456,100	\$ 1,323,283
Accounts receivable	120,751	122,942
	<u>1,576,851</u>	<u>1,446,225</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	1,029,987	1,042,254
Deferred revenue	63,653	88,572
	<u>1,093,640</u>	<u>1,130,826</u>
Net financial assets	483,211	315,399
<b>Non-Financial Assets</b>		
Tangible capital assets (note 5)	4,340,837	4,437,707
Prepaid expenses	21,210	-
	<u>4,362,047</u>	<u>4,437,707</u>
Commitments (note 12)		
Accumulated surplus (note 7)	<u>\$ 4,845,258</u>	<u>\$ 4,753,106</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, 2015 with comparative information for 2014

	Budget 2015 (notes 2(a) and 13)	2015	2014
Revenue:			
Municipal contribution	\$ 8,767,700	\$ 8,767,700	\$ 8,250,800
Grants (note 8)	409,700	411,089	411,607
Fines and miscellaneous (note 9)	422,500	295,530	344,818
Other capital funding	-	-	89,234
Donations (note 10)	-	83,029	67,735
	9,599,900	9,557,348	9,164,194
Expenses:			
Salaries and employee benefits	6,907,300	6,570,413	6,605,340
Amortization	1,581,300	1,666,999	1,693,915
Supplies and equipment services	485,400	428,808	423,513
General and administration	429,700	427,436	439,065
Building, leases and maintenance	248,600	236,258	262,088
Utilities	140,400	120,130	133,911
Loss on disposal of tangible capital assets	-	15,152	8,436
	9,792,700	9,465,196	9,566,268
Annual surplus (deficit)	(192,800)	92,152	(402,074)
Accumulated surplus, beginning of year	4,753,106	4,753,106	5,155,180
Accumulated surplus, end of year	\$ 4,560,306	\$ 4,845,258	\$ 4,753,106

See accompanying notes to financial statements.

# RICHMOND PUBLIC LIBRARY BOARD

## Statement of Changes in Net Financial Assets

Year ended December 31, 2015, with comparative information for 2014

	Budget 2015 (notes 2(a) and 13)	2015	2014
Annual surplus (deficit)	(192,800)	\$ 92,152	\$ (402,074)
Acquisition of tangible capital assets	(1,388,500)	(1,618,197)	(1,320,170)
Amortization of tangible capital assets	1,581,300	1,666,999	1,693,915
Loss on disposal of tangible capital assets	-	15,152	8,436
Proceeds on disposal of tangible capital assets	-	32,916	17,586
	-	189,022	(2,307)
Increase in prepaid expenses	-	(21,210)	-
Change in net financial assets	-	167,812	(2,307)
Net financial assets, beginning of year	315,399	315,399	317,706
Net financial assets, end of year	\$ 315,399	\$ 483,211	\$ 315,399

See accompanying notes to financial statements.

# RICHMOND PUBLIC LIBRARY BOARD

## Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Annual surplus (deficit)	\$ 92,152	\$ (402,074)
Items not involving cash:		
Amortization	1,666,999	1,693,915
Loss on disposal of tangible capital assets	15,152	8,436
Change in non-cash working capital:		
Due from City of Richmond	(132,817)	141,077
Accounts receivable	2,191	40,372
Prepaid expenses	(21,210)	-
Accounts payable and accrued liabilities	(12,267)	(97,880)
Deferred revenue	(24,919)	(81,262)
Net change in cash from operating activities	1,585,281	1,302,584
Capital activities:		
Proceeds on disposal of tangible capital assets	32,916	17,586
Acquisition of tangible capital assets	(1,618,197)	(1,320,170)
Net change in cash from capital activities	(1,585,281)	(1,302,584)
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, 2015

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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 Chartered Professional Accountants of Canada and include the following specific policies:

#### **(a) Budget data:**

The budget data presented in these financial statements is based on the 2015 budget approved by the Board on January 28, 2015. Note 13 reconciles the approved budget to the budget figures reported in these financial statements.

#### **(b) Use of estimates:**

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

#### **(c) Deferred revenue:**

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

#### **(d) Non-financial assets:**

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

# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

## 2. Significant accounting policies (continued):

### (e) Tangible capital assets:

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

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

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

### (f) Donations of tangible capital assets:

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

### (g) Functional and object reporting:

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

### (h) Employee future benefits:

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

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

### (i) Government transfers:

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

# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

## 3. Due from City of Richmond:

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

## 4. Accounts payable and accrued liabilities:

	2015	2014
Accounts payable	\$ 288,292	\$ 121,073
Accrued liabilities	7,786	18,215
Accrued payroll liabilities	208,209	354,166
Post-employment benefits (note 6)	525,700	548,800
	<u>\$ 1,029,987</u>	<u>\$ 1,042,254</u>

## 5. Tangible capital assets:

Cost	Balance December 31, 2014	Additions	Disposals	Balance December 31, 2015
Library collections	\$ 6,852,673	\$ 1,466,331	\$ (1,207,209)	\$ 7,111,795
Furniture and fixture	1,029,332	76,176	-	1,105,508
Equipment	1,377,752	75,690	-	1,453,442
	<u>\$ 9,259,757</u>	<u>\$ 1,618,197</u>	<u>\$ (1,207,209)</u>	<u>\$ 9,670,745</u>

Accumulated amortization	Balance December 31, 2014	Amortization	Disposals	Balance December 31, 2015
Library collections	\$ 3,034,904	\$ 1,521,761	\$ (1,159,141)	\$ 3,397,524
Furniture and fixture	712,294	45,597	-	757,891
Equipment	1,074,852	99,641	-	1,174,493
	<u>\$ 4,822,050</u>	<u>\$ 1,666,999</u>	<u>\$ (1,159,141)</u>	<u>\$ 5,329,908</u>

Net book value	Balance December 31, 2014	Balance December 31, 2015
Library collections	\$ 3,817,769	\$ 3,714,271
Furniture and fixture	317,038	347,617
Equipment	302,900	278,949
	<u>\$ 4,437,707</u>	<u>\$ 4,340,837</u>

# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

## 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:

	2015	2014
Balance, beginning of year	\$ 548,800	\$ 580,800
Current service cost	32,600	30,600
Interest cost	15,300	18,200
Amortization of actuarial gain	(33,500)	(24,300)
Benefits paid	(37,500)	(56,500)
Balance, end of year	\$ 525,700	\$ 548,800

An actuarial valuation for these benefits was performed to determine the Library's accrued benefit obligation as at December 31, 2013 and the results are extrapolated to December 31, 2015. The difference between the actuarially determined accrued benefit obligation of \$483,400 and the accrued benefit liability of \$525,700 as at December 31, 2015 is an unamortized net actuarial gain of \$42,300. This actuarial gain is being amortized over the period equal to the employees' average remaining service life of 10 years. The employee future benefit liability is included in accounts payable and accrued liabilities on the statement of financial position.

	2015	2014
Actuarial benefit obligation:		
Accrued liability, end of year	\$ 525,700	\$ 548,800
Unamortized net actuarial gain	(42,300)	(59,400)
Balance, end of year	\$ 483,400	\$ 489,400

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

	2015	2014
Discount rate	3.10%	3.10%
Expected future inflation rate	2.00%	2.00%
Expected wage and salary increases	2.50%	2.50%

# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

## 7. Accumulated surplus:

	2015	2014
Operating:		
Appropriated Surplus	\$ 303,275	\$ 200,847
Surplus	201,146	114,552
Invested in tangible capital assets	4,340,837	4,437,707
	\$ 4,845,258	\$ 4,753,106

Appropriated surplus includes \$25,542 for approved capital expenditures, \$194,730 for future capital acquisitions and \$83,003 for future salary and benefit obligations.

## 8. Grants:

	2015	2014
Provincial Revenue Sharing Grant (a)	\$ 358,319	\$ 355,909
One Card Grant (b)	40,873	46,146
British Columbia Equity Grant (c)	4,500	4,500
Writers in Library Grant (d)	4,566	1,905
Resource Sharing Grants (e)	2,831	3,147
	\$ 411,089	\$ 411,607

- (a) The Provincial Revenue Sharing Grant is funded by the Libraries Branch of the Ministry of Education.
- (b) The One Card Grant is provided by the Libraries Branch of the 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.
- (c) The British Columbia Equity Grant is awarded by the Libraries Branch of the 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).
- (d) 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.
- (e) Resource Sharing Grants are annual grants provided to BC public libraries to encourage their participation in the province-wide inter library loan system.

# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

## 9. Fines and miscellaneous:

	2015	2014
Book fines	\$ 144,871	\$ 159,267
InterLINK revenue	91,711	113,112
Photocopy and printer revenue	48,278	39,214
Miscellaneous	10,670	33,225
	<u>\$ 295,530</u>	<u>\$ 344,818</u>

## 10. Donations:

Donations revenue is a combination of unrestricted donations received in the year and the recognition of restricted donations relating to expenses incurred in the year.

	2015	2014
Friends of the Library	\$ 33,505	\$ 21,575
Ozone Showcase Donations	556	19,861
Collection Donations	170	3,238
Law Matters	1,552	2,774
McDonald Estate	13,162	-
Celebrate with Books	-	1,168
Vancouver Foundation Interest	13,467	-
Other	20,617	19,119
	<u>\$ 83,029</u>	<u>\$ 67,735</u>

## 11. Pension plan:

The Library 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 administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2014, the plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 37,000 contributors from local governments.

# **RICHMOND PUBLIC LIBRARY BOARD**

Notes to Financial Statements (continued)

Year ended December 31, 2015

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## **11. Pension plan (continued):**

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

The most recent valuation for the Municipal Pension Plan as at December 31, 2012, indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis.

The next valuation will be as at December 31, 2015, with results available in 2016.

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

The Library paid \$492,018 (2014 - \$477,519) for employer contributions while employees contributed \$427,316 (2014 - \$409,330) to the plan in fiscal 2015.

## **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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2016	\$ 262,422
2017	251,947
2018	249,221
2019	241,253
2020 and thereafter	751,737

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# RICHMOND PUBLIC LIBRARY BOARD

Notes to Financial Statements (continued)

Year ended December 31, 2015

## 13. Budget data:

The budget data presented in these financial statements is based on the 2015 budget approved by the Board on January 28, 2015. The chart below reconciles the approved budget to the budget figures reported in these financial statements.

	Budget Amount
Revenue:	
Operating budget	\$ 9,599,900
Expenses:	
Operating	8,211,400
Acquisition of tangible capital assets	1,388,500
Annual deficit per approved budget	-
Reconciling adjustments:	
Add: Acquisition of tangible capital assets	1,388,500
Less: Amortization of tangible capital assets	(1,581,300)
Annual deficit per statement of operations	\$ (192,800)

## 14. Comparative Figures:

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

# RICHMOND PUBLIC LIBRARY BOARD

## Schedule 1 - Statement of Operations by Fund

Year ended December 31, 2015, with comparative information for 2014

	2015			2014		
	Operating	Capital	Total	Operating	Capital	Total
Revenue:						
Municipal contribution	\$ 7,379,200	\$ 1,388,500	\$ 8,767,700	\$ 7,089,300	\$ 1,161,500	\$ 8,250,800
Grants	411,089	-	411,089	411,607	-	411,607
Fines and miscellaneous	295,530	-	295,530	344,818	-	344,818
Other capital funding	-	-	-	-	89,234	89,234
Donations	83,029	-	83,029	67,735	-	67,735
	8,168,848	1,388,500	9,557,348	7,913,460	1,250,734	9,164,194
Expenses:						
Salaries and employee benefits	6,570,413	-	6,570,413	6,605,340	-	6,605,340
Amortization	-	1,666,999	1,666,999	-	1,693,915	1,693,915
Supplies and equipment services	428,808	-	428,808	598,566	-	598,566
General and administration	427,436	-	427,436	264,012	-	264,012
Building, leases and maintenance	236,258	-	236,258	262,088	-	262,088
Utilities	120,130	-	120,130	133,911	-	133,911
Loss on disposal of tangible capital assets	-	15,152	15,152	-	8,436	8,436
	7,783,045	1,682,151	9,465,196	7,863,917	1,702,351	9,566,268
Annual surplus	385,803	(293,651)	92,152	49,543	(451,617)	(402,074)
Accumulated surplus, beginning of year	367,249	4,385,857	4,753,106	317,706	4,837,474	5,155,180
Accumulated surplus, end of year	\$ 753,052	\$ 4,092,206	\$ 4,845,258	\$ 367,249	\$ 4,385,857	\$ 4,753,106



# City of Richmond

## Report to Committee

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**To:** Finance Committee

**Date:** April 25, 2016

**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:** 2015 Financial Statements and 2015 Q4- Oval

---

### Staff Recommendation

That the report on 2015 Financial Statements and 2015 fourth quarter ended December 31, 2015 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 28, 2016

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

Andrew Nazareth  
Chief Financial Officer, Richmond Olympic Oval Corporation

John Mills  
Chief Operating Officer, Richmond Olympic Oval Corporation

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

**Re:** **Richmond Olympic Oval Corporation 2015 audited financial statements and Q4 2015**

---

**Origin**

This staff report deals with the Richmond Olympic Oval Corporation's (the "Corporation") 2015 audited financial statements and the Q4 – 2015 statement of operations (shown on page 3) which were unanimously approved by the Corporation's Board of Directors ("BOD").

**Analysis**

Please see the attachment 1 for the consolidated audited financial statements of the Corporation for the year ended December 31, 2015. The comments below refer to figures included in the audited financial statements which are prepared in accordance with Public Sector Accounting Standards.

**Statement of Operations**

The 2015 audited financial statements have a net income of \$2.31M before transfers to reserves/provisions with revenues of \$16.15M and expenses of \$13.83M.

**Revenues**

The City applies for and receives funding from the Games Operating Trust ("GOT") Fund. GOT revenue of \$2.46M was received and recognized in 2015. The Corporation also received \$3.81M from a contribution from the City, of which \$0.58M represented the portion of Post Games Legacy Funding that was approved for the Corporation's Richmond Olympic Experience project. With respect to memberships, admissions, events and programs, the Oval's revenue was \$7.64M for 2015.

Other revenue of \$2.22M was recognized in 2015 for items such as parking, space leasing, sponsorship and interest income.

### Expenses

Total salaries and benefits for 2015 was \$7.87M. There were 68 full-time and 210 part-time, seasonal and auxiliary employees on the payroll as of December 31, 2015.

Other costs of \$5.96M primarily included the following: utilities costs of \$1.01M related to the heat, light and power for the Oval, \$0.61M of amortization costs, \$0.91M of supply and equipment costs associated with supplies for operating the facilities including general building maintenance costs, \$0.35M of costs for property and liability insurance, \$0.80M of administration costs related to accounting, information technology and office supplies, \$0.44M capital contribution to the retail store, which is a City asset, \$0.67M of costs related to marketing which included advertising, promotion, and printing costs for the Corporation's programs, camps, membership sales, as well as those costs pertaining to marketing the Corporation's new initiatives such as the ROX, the retail store and Yoga, \$1.06M of costs pertained to programs as well as the sport hosting function out of the Oval and \$0.11M of professional fees related to legal, consulting and audit fees.

### Statement of Financial Position

#### Financial Assets

The total Financial Assets of the Corporation were \$10.15M as of December 31, 2015, which primarily included cash equivalents of \$8.63M which represent the Corporation's investments invested through the City, a cash balance of \$0.91M, and an accounts receivable balance of \$0.47M.

#### Financial Liabilities

The total Financial Assets of the Corporation were \$8.56M as of December 31, 2015, which primarily included accounts payable and accrued liabilities of \$2.77M such as payroll accruals and trade payables for heat, light, power, legal, the Richmond Olympic Experience ("ROX") project, and audit fees, deferred revenue of \$5.60M which includes unspent funding pertaining to the Sport Hosting function, sponsorship fees, unrealized revenue pertaining to the ROX project and the pro rata portion of fees received in 2015 for membership and programs to be delivered in 2016.

#### Non-Financial Assets

The total Non-Financial Assets of the Corporation were \$12.44M as of December 31, 2015, which primarily included \$11.76M of tangible capital assets which included the ROX project, Mezzanine project, Yoga studios, athletic equipment, computer software and equipment, facility equipment, etc., and \$0.56M of prepaid expenses that mainly consisted of unamortized portions of the premiums on the Corporation's insurance policies, prepaid information technology licences, and equipment maintenance.



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

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

**RICHMOND OLYMPIC OVAL CORPORATION**

**Statement of Operations**

**For the quarter ended December 31, 2015**

**Unaudited, prepared by management**

	QTR 4 2015		\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	QTR 4 2014	Year ended Dec 31, 2015		\$ Variance Fav/(Unfav)	% Variance Fav/(Unfav)	Year ended Dec 31, 2014
	BUDGET	ACTUAL			ACTUAL	BUDGET	ACTUAL			ACTUAL
<b>REVENUES</b>										
2010 Games Operating Trust Fund	575,000	657,014	82,014	14%	580,386	2,300,000	2,464,029	164,029	7%	2,270,900
Contribution from City of Richmond (COR) (Note 1)	809,925	1,384,925	575,000	71%	801,900	3,239,700	3,814,700	575,000	18%	3,207,600
Memberships, admissions and programs	1,982,588	1,916,211	(66,376)	-3%	1,717,165	7,490,238	7,642,707	152,469	2%	6,877,930
Other	513,913	762,693	248,780	48%	405,320	1,780,650	2,222,353	441,703	25%	1,412,253
	3,881,426	4,720,844	839,418	22%	3,504,771	14,810,588	16,143,789	1,333,201	9%	13,768,684
<b>EXPENSES</b>										
Memberships, admissions, and program services	1,492,550	1,429,907	62,643	4%	1,002,214	5,358,190	5,141,290	216,899	4%	4,231,982
Facility Operations	1,083,215	1,225,983	(142,768)	-13%	1,024,936	4,337,346	4,369,469	(32,123)	-1%	3,982,275
Marketing	254,599	429,348	(174,749)	-69%	95,673	989,947	869,020	120,927	12%	354,334
Contribution to capital (Note 2)	-	76,970	(76,970)	0%	-	-	437,017	(437,017)	0%	24,505
Admin/Finance	819,871	779,787	40,084	5%	774,397	3,343,531	2,892,143	451,388	14%	2,434,461
	3,650,235	3,941,995	(291,759)	-8%	2,897,219	14,029,013	13,708,939	320,074	2%	11,027,557
<b>Income (loss) before transfers to reserves/provisions</b>	231,190	778,849	547,659		607,552	781,575	2,434,850	1,653,275		2,741,127
Transfers to reserves/provisions (Note 3)	175,000	702,122	527,122		327,123	525,000	2,308,487	1,783,487		2,804,600
<b>Net after transfers to reserves/provisions</b>	56,190	76,727	20,537		280,429	256,575	126,364	(130,211)		(63,473)

**Note 1** - The \$575,000 favorable variance pertains to City Council approved legacy funding pertaining to the Richmond Olympic Experience project.

**Note 2** - This amount pertains to the Oval's capital contribution to the retail store. The Oval Corporation committed capital reserve funding to complete the retail store which is a City asset.

**Note 3** - In Q4, \$702,000 was transferred into reserves/provisions. The total transfers to capital reserves vary from quarter to quarter and have been finalized by the Capital Works Committee in accordance with the operating agreement.

Numbers may be off due to rounding.

Consolidated Financial Statements of

**RICHMOND OLYMPIC OVAL  
CORPORATION**

Year ended December 31, 2015



KPMG LLP  
Metro Tower I  
4710 Kingsway, Suite 2400  
Burnaby BC V5H 4M2  
Canada  
Telephone (604) 527-3600  
Fax (604) 527-3636

## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Richmond Olympic Oval Corporation

We have audited the accompanying consolidated financial statements of Richmond Olympic Oval Corporation, which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of operations, consolidated changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Richmond Olympic Oval Corporation as at December 31, 2015 and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

Chartered Professional Accountants

April 28, 2016  
Burnaby, Canada

# **RICHMOND OLYMPIC OVAL CORPORATION**

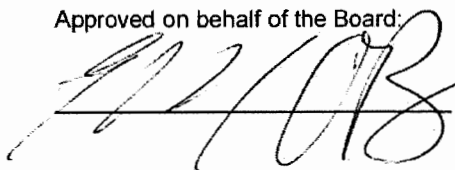
## **Consolidated Statement of Financial Position**

December 31, 2015, with comparative information for 2014

	2015	2014
		(recast – note 3)
<b>Financial Assets</b>		
Cash	\$ 910,373	\$ 1,616,338
Cash equivalents (note 4)	8,631,723	8,677,855
Accounts receivable	473,132	319,102
Inventories held for resale	136,308	81,535
	<u>10,151,536</u>	<u>10,694,830</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	2,767,926	2,587,430
Deferred revenue (note 7)	5,598,459	4,316,354
Due to City of Richmond (note 8)	187,753	166,413
Rental deposits	9,263	9,263
	<u>8,563,401</u>	<u>7,079,460</u>
<b>Net financial assets</b>	<b>1,588,135</b>	<b>3,615,370</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (note 9)	11,755,988	7,075,748
Deferred lease costs (note 10)	127,712	155,250
Prepaid expenses and other deposits	558,926	872,002
	<u>12,442,626</u>	<u>8,103,000</u>
<b>Economic dependence (note 16)</b>		
<b>Accumulated surplus (note 11)</b>	<b>\$ 14,030,761</b>	<b>\$ 11,718,370</b>

See accompanying notes to financial statements.

Approved on behalf of the Board:

 Director

 Director

# RICHMOND OLYMPIC OVAL CORPORATION

## Consolidated Statement of Operations

For the year ended December 31, 2015

	2015 Budget (note 2(k))	2015	2014
Revenue:			
2010 Games Operating Trust Fund (note 6)	\$ 2,300,000	\$ 2,464,029	\$ 2,270,900
Contribution from City of Richmond (note 13(i))	3,239,700	3,814,700	3,207,600
Memberships, admissions and programs	7,490,238	7,643,069	6,879,478
Other	1,780,650	2,223,421	1,411,374
	14,810,588	16,145,219	13,769,352
Expenses:			
Salaries and benefits	8,129,661	7,867,871	6,939,941
Utilities	1,050,000	1,009,384	900,555
Amortization	850,144	606,294	372,635
Supplies and equipment	697,500	913,096	794,399
Insurance	365,000	347,453	337,034
General and administration	1,032,009	802,134	546,804
Capital contribution to City of Richmond (note 13(i))	-	437,017	24,505
Marketing	769,450	672,993	197,708
Program services	1,017,160	1,064,664	849,149
Professional fees	118,090	111,922	125,924
	14,029,014	13,832,828	11,088,654
Annual surplus	781,574	2,312,391	2,680,698
Accumulated surplus, beginning of year	11,718,370	11,718,370	9,037,672
Accumulated surplus, end of year	\$ 12,499,944	14,030,761	\$ 11,718,370

See accompanying notes to financial statements.

# **RICHMOND OLYMPIC OVAL CORPORATION**

## **Consolidated Statements of Changes in Net Financial Assets**

For the year ended December 31, 2015

	2015 Budget (note 2(k))	2015	2014
Annual surplus for the year	\$ 781,574	\$ 2,312,391	\$ 2,680,698
Acquisition of tangible capital assets	(3,150,555)	(5,286,534)	(4,784,739)
Amortization of tangible capital assets	850,144	606,294	372,635
	(2,300,411)	(4,680,240)	(4,412,104)
Amortization of deferred lease costs	-	27,538	17,932
Increase in prepaid expenses	-	(358,625)	(1,331,578)
Use of prepaid expenses and other deposits	-	671,701	885,827
Additions of deferred leasing costs	-	-	(31,517)
Change in net financial assets	(1,518,837)	(2,027,235)	(2,190,742)
Net financial assets, beginning of year	3,615,370	3,615,370	5,806,112
Net financial assets, end of year	\$ 2,096,533	\$ 1,588,135	\$ 3,615,370

See accompanying notes to financial statements.

# RICHMOND OLYMPIC OVAL CORPORATION

## Consolidated Statements of Cash Flows

For the year ended December 31, 2015 and 2014

	2015	2014
		(recast – note 3)
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 2,312,391	\$ 2,680,698
Items not involving cash:		
Amortization of tangible capital assets	606,294	372,635
Amortization of deferred lease costs	27,538	17,932
Changes in non-cash operating working capital:		
Accounts receivable	(154,030)	(96,072)
Deferred lease costs	-	(31,517)
Inventories held for resale	(54,773)	(79,780)
Prepaid expenses and other deposits	313,076	(445,751)
Accounts payable and accrued liabilities	180,496	894,938
Deferred revenue	1,282,105	1,492,136
Due to the City of Richmond	21,340	(366,002)
	4,534,437	4,439,217
Capital activities:		
Acquisition of tangible capital assets	(5,286,534)	(4,784,739)
Decrease in cash and cash equivalents	(752,097)	(345,522)
Cash and cash equivalents, beginning of year	10,294,193	10,639,715
Cash and cash equivalents, end of year	\$ 9,542,096	\$ 10,294,193

See accompanying notes to financial statements.

# **RICHMOND OLYMPIC OVAL CORPORATION**

## Notes to Financial Statements

For the year ended December 31, 2015

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

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

#### **(b) Investment in government partnership**

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

#### **(c) Revenue recognition:**

Memberships, admissions and programs fees are recorded as revenue in the period that the services are rendered, with any unearned portion recorded as deferred revenue. Annual distributable amounts and trust income amounts are recognized as revenue when the amounts are approved by 2010 Games Operating Trust (note 6) and when the related operating expenses and capital maintenance costs of the Oval are incurred.

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

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

#### **(d) Cash equivalents:**

Cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

## 2. Significant accounting policies (continued):

### (e) Financial instruments:

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

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

### (f) 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.

### (g) Capital assets:

#### (i) Tangible capital assets:

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

Assets	Rate
Athletic equipment	5 years
Automobile	5 years
Building improvements	5 years
Computer software and equipment	3 years
Facility equipment	3 years
Infrastructure	40 years
Simulators and exhibit fabrication	10 years
Tenant improvements	Term of the lease
Uniforms, ice skates and helmets	3 years
Signage	3 years

#### (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.

# **RICHMOND OLYMPIC OVAL CORPORATION**

Notes to Financial Statements (continued)

For the year ended December 31, 2015

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

### **(g) Capital assets (continued):**

#### **(iii) Deferred lease costs:**

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

### **(h) 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.

### **(i) Income Taxes:**

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

### **(j) Functional and object reporting:**

The operations of the Corporation are comprised of a single function, which includes sports, fitness, and recreation. As a result, the expenses of the Corporation are presented by object in the statement of operations.

### **(k) Budget data:**

The budget data presented in these financial statements is based upon the 2015 budget approved by the Board of Directors on February 25, 2015.

### **(l) 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.

### **(m) Government transfers:**

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

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

### 3. Recast of comparative figures:

During the year, the Corporation determined that an adjustment was required to correct the classification of certain financial instruments in its comparative figures. This adjustment is immaterial to the financial statements as a whole. Certain guaranteed investment certificates were reclassified from Investments to Cash equivalents as these instruments are considered highly liquid investments with a term to maturity of three months or less at the date of purchase. This resulted in an immaterial reclassification of \$8,677,855 between investments and cash equivalents as at December 31, 2014.

### 4. Cash equivalents

Cash equivalents represent term deposits as follows:

Purchase Date	Maturity Date	2015	2014
November 24, 2014	February 23, 2015	-	3,251,297
November 25, 2014	February 23, 2015	-	3,821,881
December 22, 2014	March 23, 2015	-	1,604,677
October 13, 2015	January 11, 2016	4,631,723	-
November 23, 2015	February 22, 2016	4,000,000	-
Total		\$ 8,631,723	\$ 8,677,855

The interest rate of the term deposits range from 1.30% to 1.50%.

### 5. 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.

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

## 6. 2010 Games Operating Trust Fund:

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

Effective December 31, 2007:

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

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

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

Revenue from GOT is comprised of:

	2015	2014
2014 annual distributable amount approved and received in 2015	\$ 2,464,029	\$ -
2013 annual distributable amount approved and received in 2014	\$	\$ 2,270,900
	\$ 2,464,029	\$ 2,270,900

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

## 7. Deferred revenue:

	2015	2014
Balance, beginning of year	\$ 4,316,354	\$ 2,824,218
Add: additions	11,148,595	9,782,988
Less: revenue recognized	(9,866,490)	(8,290,852)
Balance, end of year	\$ 5,598,459	\$ 4,316,354

Deferred revenue comprises of:

	2015	2014
Memberships and programs	\$ 960,680	\$ 993,972
Sponsorship fees	1,759,946	1,087,500
Sport Hosting funding (note 13(ii))	569,320	554,706
Richmond Olympic Experience (note 13(ii))	2,308,513	1,680,176
	\$ 5,598,459	\$ 4,316,354

## 8. Due to the City of Richmond:

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

## 9. Tangible capital assets:

Cost	Balance at December 31, 2014	Additions	Balance at December 31, 2015
Athletic equipment	\$ 1,087,903	\$ 1,120,015	\$ 2,207,918
Automobile	23,158	-	23,158
Building improvements	288,106	76,823	364,929
Computer software and equipment	1,355,097	603,477	1,958,574
Facility equipment	314,675	337,116	651,791
Infrastructure	-	5,831,069	5,831,069
Signage	52,579	29,488	82,067
Simulators and exhibit fabrication	-	3,368,067	3,368,067
Tenant improvements	65,729	-	65,729
Uniforms, ice skates, and helmets	153,656	38,601	192,257
Work in progress	6,118,122	(6,118,122)	-
	\$ 9,459,025	\$ 5,286,534	\$ 14,745,559

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

## 9. Tangible capital assets (continued):

Accumulated Amortization	Balance at Dec 31, 2014	Amortization Expense	Balance at Dec 31, 2015
Athletic equipment	\$ 751,710	\$ 190,413	\$ 942,123
Automobile	20,457	2,701	23,158
Building improvements	68,893	69,187	138,080
Computer software and equipment	1,191,411	142,585	1,333,996
Facility equipment	144,905	120,753	265,658
Infrastructure	-	9,750	9,750
Signage	44,248	7,913	52,161
Simulators and exhibit fabrication	-	20,807	20,807
Tenant improvements	23,573	29,452	53,025
Uniforms, ice skates, and helmets	138,080	12,733	150,813
	<b>\$ 2,383,277</b>	<b>\$ 606,294</b>	<b>\$ 2,989,571</b>

	Net book value December 31, 2015	Net book value December 31, 2014
Athletic equipment	\$ 1,265,795	\$ 336,193
Automobile	-	2,701
Building improvements	226,849	219,213
Computer software and equipment	624,578	163,686
Facility equipment	386,133	169,770
Infrastructure	5,821,319	-
Signage	29,906	8,331
Simulators and exhibit fabrication	3,347,260	-
Tenant improvements	12,704	42,156
Uniforms, ice skates, and helmets	41,444	15,576
Work in progress	-	6,118,122
	<b>\$ 11,755,988</b>	<b>\$ 7,075,748</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.

### (a) Work in progress

Work in progress items from the prior year are now in service and the amortization of these assets has commenced in 2015.

### (b) Write-down of tangible capital assets

There was no write-down of tangible capital assets during the year (2014 - nil).

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

## 10. Deferred lease costs:

	2015	2014
Balance, beginning of year	\$ 155,250	\$ 141,665
Add: additions	-	31,518
Less: amortization	(27,538)	(17,933)
Balance, end of year	\$ 127,712	\$ 155,250

## 11. Accumulated surplus:

Accumulated surplus is comprised of:

	2015	2014
Share capital	\$ 1	\$ 1
Capital reserve	3,191,222	4,327,834
Other reserves/provisions	890,195	681,709
Operating surplus	501,868	1,313,254
Invested in tangible capital assets	9,447,475	5,395,572
	\$ 14,030,761	\$ 11,718,370

## 12. Financial risk management:

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

### (a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Corporation consisting of cash equivalents and account receivables. The Corporation assesses these financial assets on a continuous basis for any amounts that are not collectible or realizable.

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

# **RICHMOND OLYMPIC OVAL CORPORATION**

Notes to Financial Statements (continued)

For the year ended December 31, 2015

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## **12. Financial risk management (continued):**

### **(b) Market and interest rate risk**

Market risk is the risk that changes in market prices, such as interest rates, will affect the Corporation's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return of risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rate.

It is management's opinion that the Corporation is not exposed to significant market or interest rate risk from its financial instruments.

### **(c) Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity risks by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

It is management's opinion that the Corporation is not exposed to significant liquidity risk.

## **13. Related party transactions:**

### **(i) Contribution from/to City of Richmond:**

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

Included in general and administration expenses are fees of \$192,880 (2014 - \$132,788) to the City for the provision of City staff time.

In 2015, \$nil (2014 - \$70,000) of salaries and benefits expenses were charged to the City relating to the costs of the Corporation's staff time for services performed.

In accordance with the Agreement, the City will provide, for the first fifteen years of the term, financial support as agreed between the City and the Corporation from time to time; for the years 2010, 2011 and 2012 the annual financial support shall not be less than \$1.5 million per year indexed at the City of Vancouver's Consumer Price Index. After fifteen years, any financial assistance from the City will be determined by the City in its sole discretion.

During 2015, the Corporation received a contribution from the City of \$3,814,700 (2014 - \$3,207,600). Included in the contribution received in 2015 was \$575,000 related to the Richmond Olympic Experience project that was funded from the City's Legacy Fund.

During 2015, the Corporation spent \$437,017 (2014 - \$24,505) from its capital reserve funding towards the construction of the "ROX Shop" retail store, which is a City asset.

# RICHMOND OLYMPIC OVAL CORPORATION

Notes to Financial Statements (continued)

For the year ended December 31, 2015

## 13. Related party transactions (continued):

### (ii) Sport Hosting Function:

Effective July 1, 2011, the Sport Hosting function of the City was transferred to the Corporation. This function is fully funded by the hotel tax. In 2015, \$400,000 (2014 - \$400,000) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2015, \$569,320 (2014 - \$554,706) was included in deferred revenue (note 7) and \$385,386 (2014 - \$397,936) was recognized in memberships, admissions, and programs on the statement of operations.

The Corporation also received \$500,000 from the hotel tax funding in 2015 (2014 - \$500,000) to be used to purchase capital assets related to the Richmond Olympic Experience project. In order to retain this funding, the Oval must maintain and operate the capital assets purchased with these funds over the life of the capital assets. On an annual basis, the Oval must provide a report to the City as to the use of the funds and the maintenance and operation of these capital assets. In addition, the Corporation received \$450,000 (2014 - \$250,000) of grant funding from a third party that is also to go towards the purchase of capital assets related to the Richmond Olympic Experience project. As at year-end, \$2,308,513 (2014 - \$1,680,176) of the funds restricted for the purchase of capital assets for the Richmond Olympic Experience remains in deferred revenue and the revenue will be recognized over the life of the underlying assets.

## 14. Government partnership:

VROX is a government partnership established to develop, manufacture and sell sport simulators to the Corporation and third party customers. The Corporation has a 50% partnership interest in VROX, which is accounted for using the proportionate consolidation method. The financial results of VROX are as follows:

	2015	2014
<u>Financial Position</u>		
Total assets	\$ 323,339	\$ 502,972
Total liabilities	(359,454)	(609,966)
Deficit	\$ (36,115)	\$ (106,994)
<u>Results of Operations</u>		
Total revenues	\$ 868,880	\$ 1,336
Total expenses	(798,001)	(108,430)
Net Income (loss)	\$ 70,879	\$ (107,094)

# **RICHMOND OLYMPIC OVAL CORPORATION**

Notes to Financial Statements (continued)

For the year ended December 31, 2015

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## **14. Government partnership (continued):**

VROX's revenues during the year were primarily from sales to the Corporation. This transaction is in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the Corporation and VROX.

## **15. 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 administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2014, the plan has about 185,000 active members and approximately 80,000 retired members. Active members include approximately 37,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and adequacy of Plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the Plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the Plan. This rate is then adjusted to the extent there is amortization of any funding deficit. The most recent valuation for the Plan as of December 31, 2012, indicated a \$1,370 million funding deficit for basic pension benefits on a going concern basis.

The next valuation will be as at December 31, 2015, with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the Plan.

The 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. The Corporation paid \$398,948 (2014 - \$338,471) for employer contributions to the Plan in fiscal 2015.

## **16. Economic dependence:**

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

## **17. Comparative figures:**

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