



City of Richmond

Report to Committee

To: Finance Committee **Date:** May 15, 2010
From: Andrew Nazareth **File:**
General Manager, Business & Financial Services
Re: 2009 City of Richmond Audited Consolidated Financial Statements

Staff Recommendation

That the City's audited consolidated financial statements for the year ended December 31, 2009 be approved.

Andrew Nazareth
General Manager, Business & Financial Services
(4095)

Attach.

FOR ORIGINATING DIVISION USE ONLY		
CONCURRENCE OF GENERAL MANAGER 		
REVIEWED BY TAG	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
REVIEWED BY CAO DEPUTY	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

Staff Report

Origin

The purpose of this report is to present to Council the City's audited consolidated financial statements for the year ended December 31, 2009 as required by Section 167 of the Community Charter. These financial statements are the responsibility of the City of Richmond's management and have been prepared in accordance with generally accepted accounting principles as established by the Public Sector Accounting Board (PSAB).

Analysis

Effective January 1, 2009, the City has implemented new standards for the accounting of tangible capital assets, inventories, prepaid expenses and for financial reporting, as prescribed by the PSAB. As previously discussed in the Report to Committee on November 16, 2009, staff undertook a process which required a significant amount of time and effort in investigation, research, interpretation and discussions in preparing, compiling and analyzing the City's tangible capital assets. As a result, the financial statements of 2008 were re-stated for comparative purposes, with the net book value of the tangible capital assets increasing from \$1.36B (2008 original statements) to \$1.60B at the end of 2009, a significant increase of \$244.69M. This is also shown in the corresponding increase in the capital equity. The financial statements now reflect an updated inventory and amortization expense of the City's tangible capital assets and the City is in full compliance with PSAB.

The primary purpose of the City's financial statements is to provide relevant information to meet the needs of taxpayers, donors, members of Council and other users as well as to satisfy any external reporting requirements. The interests of the external users of financial statements include assessing the cost of services the City provides and its ability to continue to provide those services, how the City discharges its custodial and stewardship responsibilities and measuring the financial health of the City.

The consolidated financial statements include the City's General Revenue and Expenditures, General Capital and Loan, Waterworks, Sewerworks and Reserve funds, Richmond Public Library and Richmond Olympic Oval.

Following are the major changes to the financial statements as a result of amendments to accounting and reporting standards.

Statement of Financial Position:

➤ Non Financial Assets

These represent the net book value of the tangible capital assets, value of the inventory of supplies and prepaid expenses such as insurance.

Under the new standards, tangible capital assets are required to be recorded at net book value. This represents the historical cost (original cost) of the assets that the City owns less accumulated amortization to date. At the end of 2009, the net book value of the tangible capital assets is \$1.60B with comparative figure of \$1.55B in 2008.

➤ **Accumulated Surplus**

This is an indicator of the City's relative wealth, in other words, it reflects that the City owns more than it owes. It is the difference between the combined financial assets and non financial assets as compared to its liabilities. The accumulated surplus also represents the investments in tangible capital assets (capital equity), total reserves (restricted funds), appropriated surplus (internally appropriated funds/provisions) and general or unrestricted surplus. At the end of 2009, the accumulated surplus of the City is \$2.00B compared to 1.93B in 2008. The composition is as follows.

<u>(In billions)</u>	<u>2009</u>	<u>2008</u>
Investment in tangible capital assets	\$ 1.588	\$ 1.530
Reserves	0.273	0.273
Appropriated surplus	0.099	0.093
Surplus/Other equity	<u>0.045</u>	<u>0.037</u>
Total accumulated surplus	\$ <u>2.005</u>	\$ <u>1.933</u>

Statement of Operations:

➤ **Amortization expenses**

The City is now required to report the amortization expenses of tangible capital assets as part of its operating expenditures. The annual amortization expense is calculated by taking the total cost of an asset divided by its estimated useful life. The 2009 annual amortization expense is \$43.8M (2008 \$34.8M).

Statement of Changes in Net Financial Assets

This is a new statement that indicates that the City has added \$20.9M to its net financial assets. It also shows that the City is in a healthy financial condition as the financial assets are \$400.7M in excess of the financial liabilities.

Highlights

The City has continued to strengthen its financial position in 2009. The following are the highlights as at December 31, 2009 as compared to December 31, 2008:

- The City's cash and investments at \$534.1M have shown marginal decrease over 2008 largely due to release of deposits and holdbacks following the completion of the Oval construction, payments towards retirement of debt and significant real estate purchases.

- The net book value of the City's tangible capital assets at year end was \$1.60B, \$51.4M higher than 2008. During the year, net additions to tangible capital assets totalled \$95.2M while amortization expense was \$43.8M.
- Statutory reserves (total committed and uncommitted) at \$273.7M have remained at the same level as 2008.
- Net debt outstanding was reduced by \$6.5M (35.5%) to \$11.8M. It means that the debt reduction is accelerated with final repayment scheduled in 2014.
- The City ended the year with a consolidated surplus (after transfers to and from reserves) of \$2.2M or 1% of the total budget mainly due to the favourable variances in:
 - RCMP contract costs being lower than budget due to delayed replacements, approximately \$1.4M, and \$0.4M in Fire Rescue due to vacancies, lower than budgeted ECOMM levy costs and fuel costs.
 - Other items such as vacant positions, supplies, maintenance, investment income etc. of approximately \$0.4M.

Financial Impact

None.

Conclusion

The City's financial statements are in full compliance with PSAB. The financial results for 2009 were favourable and the City continues to maintain its strong financial position.



Hari Suvarna
Manager, Budgets and Accounting
(4365)

Consolidated Financial Statements of

CITY OF RICHMOND

Year ended December 31, 2009



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AUDITORS' REPORT

To the Mayor and Council
City of Richmond

We have audited the consolidated statement of financial position of the City of Richmond (the "City") as at December 31, 2009 and the consolidated statements of operations, changes in net financial assets and cash flows for the year then ended. These financial statements are the responsibility of the City's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Burnaby, Canada

April 16, 2010

KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

CITY OF RICHMOND

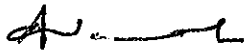
Consolidated Statement of Financial Position
(Expressed in thousands of dollars)

December 31, 2009, with comparative figures for 2008

	2009	2008 (restated - note 3)
Financial Assets		
Cash and cash equivalents	\$ 7,744	\$ 7,380
Investments (note 4)	526,303	550,138
Accrued interest receivable	4,381	4,052
Accounts receivable (note 5)	27,289	22,091
Taxes receivable	7,156	6,902
Development fees receivable	4,940	9,732
Debt reserve fund - deposits (note 6)	449	449
	578,262	600,744
Financial Liabilities		
Accounts payable and accrued liabilities (note 7)	67,676	75,935
Deposits and holdbacks (note 8)	23,432	41,701
Deferred revenue (note 9)	40,112	34,871
Development cost charges (note 10)	33,208	48,857
Obligations under capital leases (note 11)	1,315	1,201
Long-term debt, net of MFA sinking fund deposits (note 12)	11,808	18,317
	177,551	220,882
Net financial assets	400,711	379,862
Non-Financial Assets		
Tangible capital assets (note 13)	1,600,691	1,549,299
Inventory of materials and supplies	2,253	2,412
Prepaid expenses	1,594	1,390
	1,604,538	1,553,101
Accumulated surplus (note 14)	\$ 2,005,249	\$ 1,932,963

Commitments and contingencies (note 18)

See accompanying notes to consolidated financial statements.



General Manager Business & Financial Services

CITY OF RICHMOND

Consolidated Statement of Operations
(Expressed in thousands of dollars)

Year ended December 31, 2009, with comparative figures for 2008

	Budget 2009 (unaudited - notes 2(m) and 22)	Actual 2009	Actual 2008 (restated - note 3)
Revenue:			
Taxation and levies	\$ 147,875	\$ 148,503	\$ 139,475
User fees	64,411	63,150	57,027
Sales of services	33,977	33,528	31,714
Development cost charges	13,646	22,932	9,506
Provincial and federal grants	4,727	6,397	5,717
Other capital funding sources	13,349	26,878	45,036
Payments-in-lieu of taxes	10,550	13,018	11,526
Other revenues:			
Gaming revenue	11,034	11,857	12,239
Investment income	12,032	22,147	25,011
Licenses and permits	6,905	5,844	7,833
Other	19,393	14,673	15,995
	337,899	368,927	361,079
Expenses:			
Community safety	69,587	68,294	65,155
Engineering and public works	28,354	56,451	53,910
Parks, recreation and cultural services	35,087	41,474	36,977
General government	33,345	39,295	42,906
Utilities:			
Sanitation and recycling services	8,127	7,896	7,393
Water supply and distribution	26,835	29,087	25,406
Sewerage collection and disposal	23,269	22,315	21,663
Planning and development	10,177	9,898	9,649
Library services	7,081	7,742	7,297
Interest and finance charges	7,299	7,182	6,987
Richmond Olympic Oval	8,304	7,007	2,640
	257,465	296,641	279,983
Annual surplus	80,434	72,286	81,096
Accumulated surplus, beginning of year	1,932,963	1,932,963	1,851,867
Accumulated surplus, end of year	\$ 2,013,397	\$ 2,005,249	\$ 1,932,963

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, 2009, with comparative figures for 2008

	2009 budget (unaudited - notes 2(m) and 22)	2009	2008
Surplus for the year	\$ 80,434	\$ 72,286	\$ 81,096
Acquisition of tangible capital assets in cash and financed by capital lease	(80,434)	(88,620)	(111,315)
Acquired tangible capital assets from developers	-	(9,668)	(9,076)
Amortization of tangible capital assets	-	43,823	34,824
Loss on disposal of tangible capital assets	-	947	96
Proceeds on sale of tangible capital assets	-	2,126	617
	-	20,894	(3,758)
Acquisition of inventories of supplies	-	(2,253)	(2,412)
Acquisition of prepaid expenses	-	(1,594)	(1,390)
Consumption of inventories of supplies	-	2,412	2,467
Use of prepaid expenses	-	1,390	989
Change in net financial assets	-	20,849	(4,104)
Net financial assets, beginning of year	379,862	379,862	383,966
Net financial assets, end of year	\$ 379,862	\$ 400,711	\$ 379,862

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
		(restated - note 3)
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 72,286	\$ 81,096
Items not involving cash:		
Amortization	43,823	34,824
Loss on disposal of tangible capital assets	947	96
Developer contributions of tangible capital assets	(9,668)	(9,076)
Change in non-cash operating working capital:		
Decrease (increase) in accrued interest receivable	(329)	10,321
Increase in accounts receivable	(5,198)	(8,800)
Increase in taxes receivable	(254)	(192)
Decrease in development fees receivable	4,792	4,163
Increase in prepaid expenses	(204)	(401)
Decrease in inventories of supplies	159	55
Increase (decrease) in accounts payable and accrued liabilities	(8,259)	827
Increase (decrease) in deposits and holdbacks	(18,269)	15,272
Increase (decrease) in deferred revenue	5,241	(5,385)
Increase (decrease) in development cost charges	(15,649)	4,304
Net change in cash from operating activities	69,418	127,104
Capital activities:		
Cash used to acquire tangible capital assets	(87,892)	(110,389)
Proceeds on disposal of tangible capital assets	2,126	617
Net change in cash from capital activities	(85,766)	(109,772)
Financing activities:		
Principal payments on debt	(6,509)	(2,866)
Principal payments on obligations under capital leases	(614)	(291)
Net change in cash from financing activities	(7,123)	(3,157)
Investing activities:		
Change in investments	23,835	(29,455)
Net change in cash and cash equivalents	364	(15,280)
Cash and cash equivalents, beginning of year	7,380	22,660
Cash and cash equivalents, end of year	\$ 7,744	\$ 7,380
Supplementary Information:		
Non-cash transactions:		
Tangible capital assets financed by capital lease	\$ 728	\$ 926

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, 2009

1. Operations:

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

2. Significant accounting policies:

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

(a) Basis of consolidation:

The consolidated financial statements reflect a combination of the City's General Revenue, General Capital and Loan, Water works and Sewer works and Reserve Funds consolidated with the Richmond Public Library (the "Library") and 0827805 B.C. Ltd. (doing business as the Richmond Olympic Oval) (the "Oval"). The Library is consolidated as the Library Board is appointed by the City. The Oval is consolidated as it is a wholly owned municipal corporation of the City and operates as a government business type organization. Interfund transactions, fund balances and activities have been eliminated on consolidation.

(i) General Revenue Fund:

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

(ii) General Capital and Loan Fund:

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

(iii) Water works and Sewer works Funds:

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

(iv) Reserve Funds:

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

CITY OF RICHMOND

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

Year ended December 31, 2009

2. Significant accounting policies (continued):

(b) Basis of accounting:

The City follows the accrual method of accounting for revenues and expenses. Revenues are normally 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:

Government transfers are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

(d) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(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 within the next year.

(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, 2009

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 - 10

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.

CITY OF RICHMOND

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

Year ended December 31, 2009

2. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(vi) Leased tangible capital assets:

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

(vii) Inventory of materials and supplies:

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

(j) Deferred revenue:

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

Development cost charges, collected to pay for capital costs due to development, are recorded as deferred revenue upon receipt. Development cost charges are recognized as revenue when the related development capital costs 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) Long-term debt:

Long-term debt is recorded net of related sinking fund balances.

(m) Budget information:

Unaudited budget information, presented on a basis consistent with that used for actual results, was included in the City of Richmond's Five Year Financial Plan and was adopted through Bylaw #8490 on April 27, 2009.

CITY OF RICHMOND

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

Year ended December 31, 2009

2. Significant accounting policies (continued):

(n) Use of accounting estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the determination of provisions for accrued liabilities and in performing actuarial valuation of employee future benefits, allowance for doubtful accounts receivable 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.

In addition, the City's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets. Actual results could differ from these estimates.

3. Change in accounting policies:

The City has implemented PSAB Sections 1200, *Financial Statement Presentation*, and 3150, *Tangible Capital Assets*. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

Methods used for determining the cost of each major category of tangible capital assets

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The City applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, depending on the type of tangible capital asset, the Engineering News Record and Consumer Price Index were used as a resource for determining appropriate indices in order to deflate the replacement or reproduction cost to an estimated historical cost at the year of acquisition.

CITY OF RICHMOND

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

Year ended December 31, 2009

3. Change in accounting policies (continued):

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior year as follows:

Accumulated surplus at January 1, 2008:

Financial equity	\$	405,715
Capital equity		1,227,598
Other equity		2,467
<hr/>		
Accumulated surplus, as previously reported		1,635,780
Less: capital assets previously recorded		(1,249,347)
Add:		
Net book value of tangible capital assets recorded		1,464,445
Prepaid expenses recorded		989
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Accumulated surplus, as restated	\$	1,851,867

Annual surplus for 2008:

Net revenues, as previously reported	\$	(3,586)
Developer contribution of tangible capital assets		9,076
Assets capitalized but previously expensed		111,315
Amortization expense not previously recorded		(34,824)
Loss on disposal of tangible capital assets		(96)
Proceeds on disposal previously reported as revenue		(617)
Change in deferred revenue relating to change in prepaid expenses		(244)
Change in obligations under capital leases relating to change in tangible capital assets		(274)
Change in non-financial assets not previously recorded as expense		346
<hr/>		
Annual surplus, as restated	\$	81,096

CITY OF RICHMOND

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

Year ended December 31, 2009

4. Investments:

	2009		2008	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 124,543	\$ 124,543	\$ 176,440	\$ 176,440
Government and government guaranteed bonds	381,523	388,714	373,698	382,698
Municipal Finance Authority Pooled Investment	20,237	20,237	-	-
	\$ 526,303	\$ 533,494	\$ 550,138	\$ 559,138

5. Accounts receivable:

	2009	2008
Water and sewer utilities	\$ 5,642	\$ 4,750
Casino revenues	3,091	2,653
Capital grant	13,661	9,797
Other trade receivables	4,895	4,891
	\$ 27,289	\$ 22,091

6. Debt reserve fund deposits and 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 as 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 accounts. The details of the cash deposits and contingent demand notes at December 31, 2009 are as follows:

	Cash deposits	Demand notes	Total
General Revenue Fund	\$ 439	\$ 2,007	\$ 2,446
Sewerworks Revenue Fund	10	48	58
Total	\$ 449	\$ 2,055	\$ 2,504

CITY OF RICHMOND

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

Year ended December 31, 2009

7. Accounts payable and accrued liabilities:

	2009	2008
Trade and other liabilities	\$ 44,413	\$ 53,930
Post-employment benefits (note 16)	23,263	22,005
	<u>\$ 67,676</u>	<u>\$ 75,935</u>

8. Deposits and Holdbacks:

	Balance December 31, 2008	Deposits contributions	Refunds expenditures	Balance December 31, 2009
Security deposits	\$ 24,326	\$ 3,698	\$ (16,702)	\$ 11,322
Contract holdbacks	7,897	5,132	(9,556)	3,473
Developer contribution	5,170	570	(1,009)	4,731
Transit Oriented Development Fund	1,523	-	-	1,523
Other	2,785	2,743	(3,145)	2,383
	<u>\$ 41,701</u>	<u>\$ 12,143</u>	<u>\$ (30,412)</u>	<u>\$ 23,432</u>

9. Deferred revenue:

Deferred revenue represents revenues that 1) are collected but not earned as of December 31, 2009. These revenues will be recognized in future periods as they are earned. 2) Funds received from external parties for specified purposes. These revenues are recognized in the period in which the related expenses are incurred.

	2009	2008
Parking easement and leased land revenues	\$ 14,121	\$ 13,801
Prepaid taxes	11,671	11,710
Capital grants	7,134	10
Business license revenues	1,696	1,667
Firm price billing revenues	2,174	1,568
Other	3,316	6,115
Balance, end of year	<u>\$ 40,112</u>	<u>\$ 34,871</u>

CITY OF RICHMOND

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

Year ended December 31, 2009

10. Development cost charges:

	2009	2008
Balance, beginning of year	\$ 48,857	\$ 44,552
Contributions	6,649	12,748
Interest	635	1,063
Revenue recognized	(22,933)	(9,506)
Balance, end of year	\$ 33,208	\$ 48,857

11. Obligations under capital leases:

During the year, the City has entered into capital lease agreements to finance certain equipment at an estimated cost of borrowing ranging from 1.2% to 4.9% per year.

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

Year ending December 31:

2010	\$ 474
2011	398
2012	331
2013	112
2014 and thereafter	47
Total future minimum lease payments	1,362
Less amount representing interest	(47)
Present value of capital lease payments	\$ 1,315

CITY OF RICHMOND

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

Year ended December 31, 2009

12. Long-term debt, net of MFA sinking fund deposits:

The rates of interest on the principal amount of the MFA debentures vary between 5.99% and 8.50% per annum. The average rate of interest for the year ended December 31, 2009 approximates 7.01%.

The City issues debt instruments through the MFA pursuant to security issuing bylaws under authority of the Community Charter to finance certain capital expenditures. Sinking fund balances managed by the MFA are netted against related long-term debt.

Gross amount for the debt and the amount for the sinking funds assets available to retire the debt are as follows:

	Gross long-term debt	Sinking fund asset	Net long- term debt 2009	Net long- term debt 2008
General Fund	\$ 46,025	\$ 34,501	\$ 11,524	\$ 17,970
Sewerworks Fund	1,035	751	284	347
	\$ 47,060	\$ 35,252	\$ 11,808	\$ 18,317

Repayments of long-term debt required in the next five years and thereafter are as follows:

	General	Sewerworks	Total
2010	\$ 2,468	\$ 66	\$ 2,534
2011	2,588	69	2,657
2012	2,713	73	2,785
2013	2,699	76	2,776
2014	1,056	-	1,056
	\$ 11,524	\$ 284	\$ 11,808

CITY OF RICHMOND

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

Year ended December 31, 2009

13. Tangible capital assets:

Cost	Balance at December 31, 2008	Additions	Disposals	Balance at December 31, 2009
Land	\$ 429,532	\$ 18,423	\$ 9	\$ 447,946
Buildings and building improvements	276,858	29,304	374	305,788
Infrastructure	1,390,347	42,193	8,211	1,424,329
Vehicles, machinery and equipment	72,186	7,997	2,961	77,222
Library's collections, furniture and equipment	8,502	1,352	1,860	7,994
Assets under construction	19,858	(981)		18,877
	\$ 2,197,283	\$ 98,288	\$ 13,415	\$ 2,282,156

Accumulated amortization	Balance at December 31, 2008	Disposals	Amortization expense	Balance at December 31, 2009
Buildings and building improvements	\$ 58,759	\$ 374	\$ 10,718	\$ 69,103
Infrastructure	542,481	5,680	27,178	563,979
Vehicles, machinery and equipment	40,693	2,428	4,919	43,184
Library's collections, furniture and equipment	6,051	1,860	1,008	5,199
	\$ 647,984	\$ 10,342	\$ 43,823	\$ 681,465

	Net book value December 31, 2008	Net book value December 31, 2009
Land	\$ 429,532	\$ 447,946
Buildings and building improvements	218,099	236,685
Infrastructure	847,866	860,350
Vehicles, machinery and equipment	31,493	34,038
Library's collection, furniture and equipment	2,451	2,795
Assets under construction	19,858	18,877
Balance, end of year	\$ 1,549,299	\$ 1,600,691

CITY OF RICHMOND

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

Year ended December 31, 2009

13. Tangible capital assets (continued):

Cost	Balance at December 31, 2007	Additions	Disposals	Balance at December 31, 2008
Land	\$ 428,795	\$ 737	\$ -	\$ 429,532
Buildings	108,082	168,806	30	276,858
Infrastructure	1,358,135	36,778	4,566	1,390,347
Equipment	66,849	5,839	502	72,186
Library's collections, furniture and equipment	9,050	1,525	2,073	8,502
Assets under construction	113,152	(93,294)	-	19,858
	\$ 2,084,063	\$ 120,391	\$ 7,171	\$ 2,197,283

Accumulated amortization	Balance at December 31, 2007	Disposals	Amortization expense	Balance at December 31, 2008
Buildings	\$ 55,542	\$ 30	\$ 3,247	\$ 58,759
Infrastructure	519,910	3,889	26,460	542,481
Equipment	36,846	466	4,313	40,693
Library's collections, furniture and equipment	7,320	2,073	804	6,051
	\$ 619,618	\$ 6,458	\$ 34,824	\$ 647,984

	Net book value December 31, 2007	Net book value December 31, 2008
Land	\$ 428,795	\$ 429,532
Buildings	52,540	218,099
Infrastructure	838,225	847,866
Equipment	30,003	31,493
Library's collections, furniture and equipment	1,730	2,451
Assets under construction	113,152	19,858
Balance, end of year	\$ 1,464,445	\$ 1,549,299

CITY OF RICHMOND

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

Year ended December 31, 2009

13. Tangible capital assets (continued):

(a) Assets under construction:

Assets under construction having a value of approximately \$18,877,000 (2008 \$19,858,000) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is approximately \$9,668,000 (2008 \$9,077,000) comprised of infrastructure in the amount of approximately \$6,468,000 (2008 \$8,597,000) and building and building improvements in the amount of approximately \$3,200,000 (2008 \$480,000).

(c) Tangible capital assets disclosed at nominal values:

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

(d) Works of Art and Historical Treasures:

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

(e) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$nil (2008 \$nil).

CITY OF RICHMOND

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

Year ended December 31, 2009

14. Accumulated surplus:

	General fund	Water utility fund	Sanitary sewer utility fund	Capital and loan fund	Reserves fund	Library services	Richmond Olympic Oval	2009	2008
Investment in tangible capital assets	\$ -	\$ -	\$ -	\$ 1,584,307	\$ -	\$ 2,795	\$ 466	\$ 1,587,568	\$ 1,529,781
Reserves	-	-	-	-	273,664	-	-	273,664	273,339
Appropriated surplus	78,007	11,996	3,408	5,461	-	-	-	98,872	93,028
Obligations to be funded	-	-	-	-	-	(147)	-	(147)	(182)
Surplus	17,614	15,024	9,151	-	-	462	790	43,041	34,585
Other equity	2,251	-	-	-	-	-	-	2,251	2,412
Balance, end of year	\$ 97,872	\$ 27,020	\$ 12,559	\$ 1,589,768	\$ 273,664	\$ 3,110	\$ 1,256	\$ 2,005,249	\$ 1,932,963

CITY OF RICHMOND

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

Year ended December 31, 2009

15. Reserves:

	2008	Change during year	2009
Reserve funds:			
Affordable housing	\$ 10,121	\$ 416	\$ 10,537
Capital building and infrastructure	18,519	4,136	22,655
Capital reserve	68,171	2,628	70,799
Child care development	541	313	854
Community legacy and land replacement	68,962	(11,664)	57,298
Drainage improvement	11,269	2,224	13,493
Equipment replacement	12,667	1,156	13,823
Leisure facilities	2,114	205	2,319
Local improvements	5,433	317	5,750
Neighbourhood improvement	5,939	337	6,276
Public art program	1,088	17	1,105
Sanitary sewer	21,647	2,685	24,332
Steveston off-street parking	248	8	256
Steveston road ends	293	(89)	204
Waterfront improvement	3,051	(1,707)	1,344
Watermain replacement	43,276	(657)	42,619
	\$ 273,339	\$ 325	\$ 273,664

16. Post employment future benefits:

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

	2009	2008
Balance, beginning of year	\$ 22,005	\$ 21,233
Current service cost	1,372	1,250
Interest cost	1,267	1,180
Amortization of actuarial loss	358	478
Benefits paid	(1,739)	(2,136)
Balance, end of year	\$ 23,263	\$ 22,005

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2009. The difference between the actuarially determined accrued benefit obligation of \$26.7 million and the liability of \$23.3 million as at December 31, 2009 is an unamortized actuarial loss of \$3.4 million. This actuarial loss is being amortized over a period equal to the employees' average remaining service life of 9 years.

CITY OF RICHMOND

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

Year ended December 31, 2009

16. Post employment future benefits (continued):

	2009	2008
Actuarial benefit obligation:		
Liability, end of year	\$ 23,263	\$ 22,005
Unamortized actuarial loss	3,395	1,887
Balance, end of year	\$ 26,658	\$ 23,892

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

	2009	2008
Discount rate	5.00%	5.25%
Expected future inflation rate	2.50%	2.50%
Expected wage and salary range increases	3.50%	3.50%

17. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including the investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The Plan has about 158,000 active members and approximately 57,000 retired members. Active members include approximately 33,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The most recent valuation as at December 31, 2006 indicated a surplus of \$438 million for basic pension benefits. The next actuarial valuation will be performed as at December 31, 2009 with results available in 2010. The actuary does not attribute portions of the unfunded liability to individual employers. The City paid \$8,240,819 (2008 - \$7,407,294) for employer contributions to the Plan in fiscal 2009. Employees paid \$6,750,671 (2008 - \$5,977,090) for employee contributions to the Plan in fiscal 2009.

18. Commitments and contingencies:

(a) Joint and several liabilities:

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

CITY OF RICHMOND

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

Year ended December 31, 2009

18. Commitments and contingencies (continued):

(b) Lease payments:

In addition to the obligations under capital leases, at December 31, 2009, the City was committed to operating lease payments for premises and equipment in the following approximate amounts:

2010	\$ 4,334
2011	4,174
2012	4,025
2013	3,983
2014 and thereafter	36,140

(c) Litigation:

As at December 31, 2009, there were a number of legal claims in various stages of litigation. The City has made no specific provision for those where the outcome is presently not determinable.

(d) Municipal Insurance Association of British Columbia:

The City is a participant in the Municipal Insurance Association of British Columbia (the "Association"). Should the Association pay out claims in excess of premiums received, it is possible that the City, along with other participants, would be required to contribute towards the deficit.

(e) Contractual obligation:

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

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

The City is a shareholder of the Emergency Communications for Southwest British Columbia Incorporated (E-Comm) whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City has 2 Class A shares and 1 Class B share (of a total of 24 Class A and 24 Class B shares issued and outstanding as at December 31, 2009). As a Class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.

CITY OF RICHMOND

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

Year ended December 31, 2009

19. Trust funds:

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

	2009	2008
Richmond Community Associations	\$ 1,195	\$ 1,163

20. Collections for other governments:

The City is obligated to collect and transmit 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:

	2009	2008
Province of British Columbia - Schools	\$ 115,122	\$ 117,124
Greater Vancouver Regional District and others	34,340	32,689
	\$ 149,462	\$ 149,813

21. Segmented reporting:

The City of Richmond provides 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.

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

Community Safety Department 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 and protection of life and properties.

CITY OF RICHMOND

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

Year ended December 31, 2009

21. Segmented reporting (continued):

Parks, Recreation and Cultural Services Department consists of Parks Division and Recreation and Cultural Services Division. This department ensures Recreation and Cultural opportunities in Richmond by maintaining a variety of facilities such as Arenas, Community Centres, Pools, Museum, etc. It also designs, constructs and maintains parks and sports fields to ensure adequate open green space and sports fields are available for Richmond residents.

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

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

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

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

Richmond Olympic Oval is formed as a wholly owned subsidiary of the City to use the Richmond Olympic Oval facility as a venue for a wide range of sports, business and community activities, including, but not limited to, the long-track speed skating venue for the 2010 Olympic and Paralympic Winter Games.

CITY OF RICHMOND

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

Year ended December 31, 2009

21. Segmented reporting (continued):

	Community safety	Engineering and public works	Parks, Recreation & Cultural Services	General Government	Utilities	Planning and development	Library services	Richmond Olympic Oval	2009
Revenues:									
Taxation and levies	\$ -	\$ -	\$ -	\$ 148,503	\$ -	\$ -	\$ -	\$ -	\$ 148,503
User fees	-	5,619	-	-	57,531	-	-	-	63,150
Sales of services	4,147	1,676	7,692	7,837	9,329	1,021	328	1,498	33,528
Development cost charges	-	3,343	13,767	4,063	1,208	551	-	-	22,932
Provincial and federal grants	105	1,942	43	3,813	-	31	463	-	6,397
Other Capital Funding Sources	524	14,982	1,503	7,716	2,132	21	-	-	26,878
Payments-in-lieu of taxes	-	-	-	13,018	-	-	-	-	13,018
Other revenues:									
Gaming revenue	505	1,400	-	9,952	-	-	-	-	11,857
Investment income	-	-	-	21,480	636	-	-	31	22,147
Licenses and permits	149	28	29	3,126	-	2,512	-	-	5,844
Other	1,474	965	10	5,877	454	50	306	5,537	14,873
	6,904	29,955	23,044	225,385	71,290	4,186	1,097	7,066	368,927
Expenses:									
Wages and salaries	31,720	18,218	20,986	20,051	7,852	7,958	5,841	3,354	115,980
PW maintenance	25	4,572	2,183	113	3,747	56	1	-	10,697
Contract services	32,534	5,982	1,081	3,608	3,214	262	83	230	46,994
Supplies and materials	3,008	-	10,662	7,226	36,357	1,103	2,173	3,021	63,550
Interest and finance	-	-	-	3,676	3,497	-	9	-	7,182
Transfer from/(to) capital for tangible capital assets	(139)	5,411	515	1,553	1,488	-	(1,352)	-	7,476
Amortization of tangible capital assets	1,147	20,024	6,031	8,809	6,376	26	1,008	402	43,823
Loss/(gain) on disposal of tangible capital assets	(1)	2,244	16	(2,065)	264	493	(12)	-	939
	68,294	56,451	41,474	42,971	62,795	9,898	7,751	7,007	296,641
Annual surplus (deficit)	\$ (61,390)	\$ (26,496)	\$ (18,430)	\$ 182,414	\$ 8,495	\$ (5,712)	\$ (6,654)	\$ 59	\$ 72,286

CITY OF RICHMOND

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

Year ended December 31, 2009

21. Segmented reporting (continued):

	Community safety	Engineering and public works	Parks, Recreation & Cultural Services	General Government	Utilities	Planning and development	Library services	Richmond Olympic Oval	2008
Revenues:									
Taxation and levies	\$ -	\$ -	\$ -	\$ 139,475	\$ -	\$ -	\$ -	\$ -	\$ 139,475
User fees	-	4,800	-	-	52,227	-	-	-	57,027
Sales of services	4,003	1,448	7,856	7,747	9,334	1,014	312	-	31,714
Development cost charges	-	-	-	9,506	-	-	-	-	9,506
Provincial and federal grants	130	1,854	97	2,933	188	14	501	-	5,717
Other Capital Funding Sources	-	6,467	184	35,960	2,024	401	-	-	45,036
Payments-in-lieu of taxes	-	-	-	11,526	-	-	-	-	11,526
Other revenues:									
Gaming revenues	499	1,400	-	10,340	-	-	-	-	12,239
Investment Income	-	-	-	24,221	612	-	-	178	25,011
Licenses and permits	151	27	40	3,007	-	4,608	-	-	7,833
Other	1,559	458	3	9,859	1,108	6	303	-	15,995
	6,342	16,454	8,180	254,574	65,493	6,043	1,116	2,877	361,079
Expenses:									
Wages and salaries	29,965	16,760	19,462	17,844	8,075	8,181	5,496	1,073	106,856
PW maintenance	51	6,317	2,310	117	3,612	60	-	-	12,467
Contract services	31,036	6,686	1,126	6,899	3,163	319	80	214	49,523
Supplies and materials	3,190	(1,541)	10,681	7,364	32,676	1,087	955	1,353	55,766
Interest and finance	-	-	-	3,787	3,200	-	-	-	6,987
Transfer from/(to) capital for tangible capital assets	(118)	4,737	(138)	8,389	633	-	(38)	-	13,464
Amortization of tangible capital assets	1,032	20,324	3,532	2,901	6,229	2	804	-	34,824
Loss/(gain) on disposal of tangible capital assets	-	627	4	(608)	73	-	-	-	97
	65,156	53,910	36,977	46,693	57,661	9,649	7,297	2,640	279,983
Annual surplus (deficit)	\$ (58,814)	\$ (37,456)	\$ (28,797)	\$ 207,881	\$ 7,832	\$ (3,606)	\$ (6,181)	\$ 237	\$ 81,096

CITY OF RICHMOND

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

Year ended December 31, 2009

22. Budget data:

The unaudited budget data presented in these consolidated financial statements is based on the 2009 operating and capital budgets approved by Council on April 27, 2009 and approved budget for Richmond Olympic Oval. Amortization of tangible capital assets was not included in the budget. Below is the reconciliation of the approved budget to the budget amount reported in these financial statements.

	Budget Amount
Revenues:	
Approved operating budget	\$ 326,797
Approved capital budget	177,328
Approved Oval budget	7,135
Less:	
Transfer from other funds	57,411
Intercity recoveries	11,420
Carried forward capital expenditures	104,530
Total revenue	337,899
Expenses:	
Approved operating budget	326,797
Approved capital budget	177,328
Approved Oval budget	7,455
Less:	
Transfer to other funds	62,359
Inter-company payments	11,420
Capital expenditures	72,797
Debt principal payments	3,009
Carried forward capital expenditures	104,530
Total expenses	257,465
Annual surplus per statement of operations	\$ 80,434

23. Comparative figures:

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