

Consolidated Financial Statements

The Corporation of the City of Richmond Hill

December 31, 2019

DRAFT

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Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the Corporation of the City of Richmond Hill

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Opinion

We have audited the consolidated financial statements of the Corporation of the City of Richmond Hill ("the City"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations, change in net financial assets and cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the financial position of the Corporation of the City of Richmond Hill as at December 31, 2019, and its results of operations, its changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the consolidated financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the City and the organizations it controls to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Markham, Canada
November XX, 2020

Chartered Professional Accountants
Licensed Public Accountants

The Corporation of the City of Richmond Hill

Consolidated Statement of Financial Position

For the Year Ended December 31

(\$000's)

2019

2018

Financial assets

Cash and cash equivalents	\$ 97,299	\$ 86,306
Investments (Note 2)	401,584	380,383
Taxes and payments-in-lieu receivable (Note 4)	30,336	26,417
Accounts receivable	45,859	43,922
	<u>575,078</u>	<u>537,028</u>

Liabilities

Accounts payable and accrued liabilities	92,218	66,215
Other liabilities	11,207	10,115
Deferred revenue (Note 5)	180,005	172,113
Employee future benefits liability (Note 6)	15,906	14,929
	<u>299,336</u>	<u>263,372</u>

Net financial assets

275,742 273,656

Non-financial assets

Tangible capital assets (Note 16)	950,625	898,025
Inventories	981	915
Prepaid expenses	1,733	2,004
	<u>953,339</u>	<u>900,944</u>

Accumulated surplus (Note 7) \$ 1,229,081 \$ 1,174,600

Commitments (Note 13)

Contingencies (Note 14)

Subsequent event (Note 17)

Approved by:

Director

Director

See accompanying notes to the financial statements.

The Corporation of the City of Richmond Hill

Consolidated Statement of Operations

For the Year Ended December 31

(\$000's)	2019	2019	2018
	<u>Budget</u> (Note 15)	<u>Actual</u>	<u>Actual</u>
Revenues			
Taxation (Note 8)	\$ 119,844	\$ 121,234	\$ 115,537
User charges	106,731	104,540	100,460
Grants (Note 9)	5,375	10,416	9,478
Permits, penalties, rents and other	19,162	20,660	19,173
Investment income	10,501	13,418	12,399
Revenue recognized on contributed tangible capital assets	12,564	18,236	6,975
Developer and other contributions earned	28,112	38,029	44,126
Total revenues	<u>302,289</u>	<u>326,533</u>	<u>308,148</u>
Expenses (Note 11)			
General government	58,891	43,252	37,306
Protection to persons and property	38,031	36,540	36,653
Transportation services	44,888	29,061	26,565
Environmental services	109,532	90,993	89,610
Recreation and cultural services	71,861	61,366	59,492
Planning and development	18,921	10,476	9,406
Health and social services	313	364	392
Total expenses	<u>342,437</u>	<u>272,052</u>	<u>259,424</u>
Annual (deficit) surplus	(40,148)	54,481	48,724
Accumulated surplus, beginning of year	<u>1,174,600</u>	<u>1,174,600</u>	<u>1,125,876</u>
Accumulated surplus, end of year	\$ <u>1,134,452</u>	\$ <u>1,229,081</u>	\$ <u>1,174,600</u>

See accompanying notes to the financial statements.

The Corporation of the City of Richmond Hill

Consolidated Statement of Change in Net Financial Assets

For the Year Ended December 31

(\$000's)	2019	2019	2018
	<u>Budget</u> (Note 15)	<u>Actual</u>	<u>Actual</u>
Annual (deficit) surplus	\$ (40,148)	\$ 54,481	\$ 48,724
Acquisition of tangible capital assets	(12,564)	(88,866)	(86,552)
Amortization of tangible capital assets	-	35,186	31,440
Loss on disposal of tangible capital assets	-	494	155
Proceeds from sale of tangible capital assets	-	586	811
Change in prepaid expenses	-	271	(93)
Change in inventory	-	(66)	(75)
Change in net financial assets	(52,712)	2,086	(5,590)
Net financial assets, beginning of year	<u>273,656</u>	<u>273,656</u>	<u>279,246</u>
Net financial assets, end of year	\$ <u>220,944</u>	\$ <u>275,742</u>	\$ <u>273,656</u>

See accompanying notes to the financial statements.

The Corporation of the City of Richmond Hill

Consolidated Statement of Cash Flows

For the Year Ended December 31
(\$000's)

	2019	2018
Operating activities		
Annual surplus	\$ 54,481	\$ 48,724
Items not involving cash:		
Amortization of tangible capital assets	35,186	31,440
Revenue recognized on contributed capital assets	(18,236)	(6,975)
Loss on disposal of tangible capital assets	494	155
Change in non-cash assets and liabilities		
Change in taxes and payments-in-lieu receivable	(3,919)	(3,684)
Change in inventories	(66)	(75)
Change in prepaid expenses	271	(93)
Change in accounts receivable	(1,937)	6,076
Change in accounts payable and accrued liabilities	26,003	14,166
Change in other liabilities	1,092	624
Change in deferred revenue	7,892	(9,824)
Change in employee future benefits liability	977	1,156
	<u>102,238</u>	<u>81,690</u>
Capital activities		
Acquisition of tangible capital assets	(70,630)	(79,577)
Proceeds from sale of tangible capital assets	586	811
	<u>(70,044)</u>	<u>(78,766)</u>
Investing activities		
Purchase of investments	(153,854)	(44,453)
Proceeds from maturity of investments	132,653	73,722
	<u>(21,201)</u>	<u>29,269</u>
Net change in cash and cash equivalents during the year	10,993	32,193
Cash and cash equivalents, beginning of year	86,306	54,113
Cash and cash equivalents, end of year	\$ <u>97,299</u>	\$ <u>86,306</u>

See accompanying notes to the financial statements.

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2019
(\$000's)

1. Summary of significant accounting policies

The consolidated financial statements of The Corporation of The City of Richmond Hill (the "City") are the representations of management prepared in accordance with local government accounting standards, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

Significant accounting policies adopted include:

(a) *i) Reporting entity*

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the reporting entity. The reporting entity is comprised of all organizations, local boards and committees controlled by the City, including the following:

Richmond Hill Public Library
Village of Richmond Hill Business Improvement Area

All material inter-entity and interfund transactions and balances are eliminated on consolidation.

ii) Accounting for region and school board

The taxation, other revenues, expenditures, assets, and liabilities with respect to the operations of The York Region District School Board, The York Catholic District School Board, and The Region of York are not reflected in the municipal fund balances of these consolidated financial statements.

iii) Trust Funds

Trust funds and their related operations administered by the City are not included in the financial statements but are reported separately on the Trust Funds Statement of Revenue, Expenditure and Fund Balance.

(b) *Basis of accounting*

i) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits and bankers acceptances, all of which are highly liquid, subject to insignificant risk of changes in value and have a short-term maturity of less than 90 days.

ii) Investments

Investments are recorded at cost.

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2019
(\$000's)

1. Summary of significant accounting policies (continued)

(b) Basis of accounting (continued)

iii) Revenues and expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred when they are earned and measurable; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

iii) Non-financial assets

Non-financial assets are not available to discharge existing liabilities unless they are sold and are held for use in the provision of services. They have lives extending beyond the current year and are not intended for sale in the ordinary course of operations. Tangible capital and other non-financial assets are accounted for as assets by the City because they can be used to provide services in future periods.

iv.) Tangible capital assets

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

<u>Asset Category</u>	<u>Asset Sub Category</u>	<u>Useful Life</u> (in years)
<u>General assets</u>		
Land		Indefinite
Land improvements	Parks & Parkettes	10 - 40
	Parking Lots	15
Buildings	Structural & Architectural Comp	40
	Mechanical	25
	Electrical	20
Vehicles	Vehicles	3 – 10
Machinery & Equipment	Fire equipment	5 – 15
	Arena & Fitness Equipment	4 – 20
	Hardware & Software	4 – 15
Other	Library Material	7

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2019
(\$000's)

1. Summary of significant accounting policies (continued)

(b) Basis of accounting (continued)

Infrastructure Assets

Roads network	Travelled roads	20
	Sidewalk & walkways	40 – 80
	Bridges & culverts	30 – 100
Water network	Water main	50 – 100
	Valves	35
	Water meter	20
Waste water network	Sanitary sewers	75 – 100
	Pump & Lift station	10 – 50
Storm Water network	Storm sewer	30 - 100

iv) Tangible capital assets (continued)

Amortization

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Contribution of tangible capital assets

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

Intangible assets

Intangible assets are not recognized as assets in the financial statements.

Interest capitalization

The City's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of tangible capital assets.

v) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

vi) Deferred revenue

Deferred revenues represent government transfers, user charges, development charges and other fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2019
(\$000's)

1. Summary of significant accounting policies (continued)

(b) *Basis of accounting (continued)*

vii) Employee future benefits

The present value of the cost of providing employees with future benefits programs is expensed as employees earn these entitlements through service. The cost of the benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of retirement ages of employees and expected health care and dental costs.

Actuarial gains or losses are amortized on a straight-line basis over the expected average remaining service life of all employees covered.

viii) Investment income

Investment income earned is reported as revenue in the period earned. Investment income earned on development charges and parkland obligatory reserve funds is added to the obligatory reserve fund balance and forms part of the respective deferred revenue balances.

ix) Contaminated sites

Contaminated sites are the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceed an environmental standard. A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met: a) an environmental standard exists; b) contamination exceeds the environmental standard; c) the organization is directly responsible or accepts responsibility for the liability; d) future economic benefits will be given up; and e) a reasonable estimate of the liability can be made. Changes in this estimate are recorded in the City's statement of operations.

x) Government transfers

Government transfers are recognized in the financial statements as revenue in the financial period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be determined.

ix) Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenditures during the period. Actual results could differ from these amounts. Significant estimates include employee future benefits and useful lives of tangible capital assets.

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2019
(\$000's)

2. Investments

Investments in the consolidated statement of financial position are reported at cost. Investments had a market value of \$407,690 (2018 - \$379,344) at the end of the year. They consist of investments pursuant to provisions of the City's investment policy and comprise government and corporate bonds, debentures and long-term instruments of various financial institutions.

3. Trust Funds

Trust funds administrated by the City amount to \$16 (2018 - \$11). As the City holds these funds in trust for the benefit of others, they are not presented as part of the City's financial position or financial activities.

4. Taxes and payments-in-lieu receivable

The balance in taxes and payments-in-lieu receivable, including penalties and interest, is comprised of the following:

	<u>2019</u>	2018
Current year	\$ 18,578	\$ 16,871
Previous years	8,961	7,546
Penalties and interest	<u>2,797</u>	<u>2,000</u>
	<u>\$ 30,336</u>	<u>\$ 26,417</u>

5. Deferred revenue

Deferred revenue represents government transfers, user charges and fees which have been collected but for which the related services have yet to be performed. Obligatory Reserve Funds are funds set aside and legally restricted by provincial legislation, a municipal by-law, or agreement. The funds are raised for specific purpose and cannot be used for any other purpose. The main obligatory reserve funds are the Development Charges Reserve Funds that are regulated by the Development Charges Act. These amounts will be recognized as revenues in the fiscal year the services are performed. The following is the current status of the deferred revenues:

	<u>2019</u>	<u>2018</u>
Obligatory Reserve Funds		
Development charges	\$ 100,127	\$ 95,217
Parkland	44,419	45,732
Government transfers	23,166	20,131
Other	5,142	4,086
Deferred revenue - general	<u>7,151</u>	<u>6,947</u>
Total	<u>\$ 180,005</u>	<u>\$ 172,113</u>

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2019
(\$000's)

5. Deferred revenue (continued)

Continuity of deferred revenue is as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ <u>172,113</u>	\$ 181,937
Developer and other contributions collected	22,712	19,390
Cash in lieu – Parkland collected	9,228	3,647
General deferred revenues collected	7,152	6,947
Federal Gas Tax Grant collected	11,936	5,910
Other Government transfers	82	50
Other	946	647
Interest earned	<u>2,468</u>	<u>2,238</u>
	<u>54,524</u>	<u>38,829</u>
Less		
Developer and other contributions used in capital operations	18,733	17,844
Cash in lieu – Parkland used in operations	11,331	15,866
Federal Gas Tax Grant used in operations	7,811	6,482
Other Government Transfers	1,309	1,775
Developer and other contributions used in current operations	501	171
General deferred revenues used	<u>6,947</u>	<u>6,515</u>
	<u>46,632</u>	<u>48,653</u>
Balance, end of year	\$ <u>180,005</u>	\$ <u>172,113</u>

6. Employee future benefits

(a) Employee future benefits

Health and dental benefits

Employee future benefits include health and dental benefits that the City pays on behalf of its current and retired employees. The City recognizes these post-retirement costs as they are earned during the employees' tenure of service.

Vested sick leave benefit

Under the sick leave benefit plan available only to the City's firefighters, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the City's employment, provided they have ten years of service.

The benefit liability at December 31, 2019 of \$11,488 (2018 - \$11,035) was determined by actuarial valuation. The accrued benefit liability and the expense for the year ended December 31, 2019 were based on assumptions used for the December 31, 2019 actuarial valuation.

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2019
(\$000's)

6. Employee future benefits (continued)

(a) Employee future benefits (continued)

An actuarial loss is being amortized on a straight-line basis over the expected average remaining service life, estimated to be 14 years for Fire Fighters and City employees and 13 years for Library employees.

The significant actuarial assumptions employed in the actuarial valuations are as follows:

i) General inflation

Future general inflation levels were assumed to be 1.75% in 2019 and thereafter.

ii) Interest (discount) rate

The present value as at December 31, 2019 of the future benefits was determined using a discount rate of 3.75%. This corresponds to the assumed inflation rate plus an assumed rate of return of 2.00%.

iii) Health costs

Utilization weighted average health costs were assumed to increase at 4.42% rate for 2019 gradually reduce to a 2.75% in 2025, and remain at that level thereafter.

iv) Dental costs

Dental costs were assumed to increase at 2.75% per year for 2019 and thereafter.

(b) Workplace Safety and Insurance Board Liability

Effective January 1, 1994, the Corporation of the City of Richmond Hill became a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self insurance for all its employees.

The Workplace Safety and Insurance Board liability at December 31, 2019 of \$4,418 (2018 - \$3,893) was determined by an actuarial update for the year ended December 31, 2019.

The significant actuarial assumptions employed in the actuarial valuations are as follows:

i) Interest (discount) rate

The present value as at December 31, 2019 of the future benefits was determined using a discount rate of 3.75%.

ii) WSIB administration rate

The WSIB administration rate at December 31, 2019 is set at 32% which reflects 30% for Schedule 2 administration fees and 2% for physician fees.

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2019
(\$'000's)

6. Employee future benefits (continued)

(b) Workplace Safety and Insurance Board Liability (continued)

Information about the City's employee future benefits liability is as follows:

	<u>Retirees</u>	<u>WSIB</u>	<u>2019</u>	<u>2018</u>
Accrued future benefits liability,				
beginning of year	\$ 11,036	\$ 3,893	\$ 14,929	\$ 13,773
Current service costs	598	679	1,277	791
Interest accrued	445	277	722	677
Benefits paid during the period	(686)	(725)	(1,411)	(1,053)
Actuarial loss/plan amendments	-	-	-	896
Amortization of actuarial loss	95	294	389	145
Employee future benefits liability,				
end of year	<u>\$ 11,488</u>	<u>\$ 4,418</u>	<u>\$ 15,906</u>	<u>\$ 14,929</u>
Accrued benefit obligations	12,257	7,642	19,899	19,311
Unamortized actuarial loss	<u>(769)</u>	<u>(3,224)</u>	<u>(3,993)</u>	<u>(4,382)</u>
Employee future benefits liability,				
end of year	<u>\$ 11,488</u>	<u>\$ 4,418</u>	<u>\$ 15,906</u>	<u>\$ 14,929</u>

7. Accumulated surplus

Accumulated surplus consists of individual fund surplus, invested in tangible capital assets, reserves, and reserve funds as follows:

	<u>2019</u>	<u>2018</u>
Surplus		
Operating funds	\$ 463	\$ 119
Unspent capital funds	1,129	62,437
Invested in tangible capital assets	950,625	898,025
Employees future benefits	(15,906)	(14,929)
Unfunded Library's vacation pay	<u>(73)</u>	<u>(79)</u>
	<u>936,238</u>	<u>945,573</u>
Reserves set aside for special purposes by Council		
Elections	276	137
Contingencies	8,782	9,438
Acquisition of tangible capital assets	9,145	7,127
Operations and special purposes	<u>19,702</u>	<u>18,112</u>
Total Reserves	<u>37,905</u>	<u>34,814</u>
Reserve Funds set aside for special purposes by Council		
Acquisition of tangible capital assets	147,194	105,724
Insurance	1,958	1,724
W.S.I.B.	6,740	6,885
Fire fighters' sick leave	565	940
Operating and special purposes	<u>98,481</u>	<u>78,940</u>
Total Reserve funds	<u>254,938</u>	<u>194,213</u>
Total accumulated surplus	<u>\$ 1,229,081</u>	<u>\$ 1,174,600</u>

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2019
(\$000's)

8. Taxation

Property tax billings are prepared by the City based on assessment rolls issued by the Municipal Property Assessment Corporation (MPAC) and in accordance with the provisions of the Municipal Act, 2001. The Municipal Council establishes the tax rates annually, incorporating amounts to be raised for local services, the requisitions made by the Region of York in respect to Regional services and amounts the City is required to collect on behalf of the School Board(s) in respect of education taxes. From time to time property assessments are adjusted by MPAC through the reconsideration process or by the Assessment Review Board through the appeal process. Additional assessments, referred to as supplementary and omitted assessments can also be issued by MPAC in accordance with the Assessment Act. These adjustments and additional assessments are processed by the City upon receipt and recognized in the fiscal year they are determined. All property taxes are secured by the land and pose no collection risk.

9. Grants and government transfers

	<u>2019</u>	<u>2018</u>
Government of Canada	\$ 4,125	\$ 4,645
Province of Ontario	5,404	4,192
Other grants	<u>887</u>	<u>641</u>
	<u>\$ 10,416</u>	<u>\$ 9,478</u>

10. Segment information

The Corporation of the City of Richmond Hill is a diversified municipal government institution that provides a wide range of services to its residents, including water, fire, library, and arena. For management reporting purposes the municipal operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to accomplish certain objectives in accordance with special regulations, restrictions or limitations. City services are provided by departments/divisions and their activities are reported in these funds. Divisions that have been separately disclosed in the segmented information as follows:

General government

Corporate and Financial services department is primarily responsible for the provision of internal services that support the work of management and staff across all municipal departments as well as for the provision of external services to the public. These services are provided through governance and corporate management divisions that include Council, CAO's office, City Clerk, IT, HR, Taxation, and Corporate finance.

Protection to persons and property

Protection to person and property is comprised of the Fire service and Regulatory Services divisions. The Fire Service is responsible to provide fire suppression service; fire prevention, training and other emergency services to the City. The Fire Services responds to a variety of calls including fires, medical assistance, rescue, auto extrication, public assistance, spills, and release of materials hazardous to the environment.

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2019
(\$000's)

10. Segment information (continued)

The Regulatory Services division ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards, parking, and by-law for the protection of occupants.

Transportation services

The Environment & Infrastructure Service (EIS) department provides the majority of the capital transportation services, such as roads design construction, maintenance, and assessment of infrastructure. The Roads Section of Community Services (CS) department is responsible for the maintenance for all municipal roads, sidewalks, storm sewers, road and sidewalk snow clearing and winter control.

Environmental services

The EIS department and Public Works Operations of the Community Services department provide environmental services. The EIS department is responsible for the capital design and construction of water, wastewater, and sewer infrastructure. The operation and maintenance of the City's water, wastewater, and sewage infrastructure is the responsibility of the Public Works Operations Division of the Community Services Department.

Health and social services

The expenses grouped in this segment relate primarily to services and contributions to seniors and voluntary organizations.

Recreation and cultural services

The Community Services department provides public services that contribute to neighborhood development and sustainability through the provision of parks operations, recreation, and leisure services such as fitness, skating, and aquatic programs. The department also contributes towards information and cultural needs of the City's residents through the provision of theater services and special events. Library services provided by Richmond Hill Library Board are also included.

Planning and development

The Planning and Regulatory Services department manages urban development, local neighborhood planning, community development and heritage matters. It deals with planning from a broad policy perspective, formulating and promoting long-term planning policy. The Heritage Richmond Hill (HRH) Committee provides advice on Heritage matters, as well as recommendations to Council under the Ontario Heritage Act with respect to the heritage designation of properties. The Development Section processes and makes recommendations on development applications. Such applications include Official Plan and zoning by-law amendments, plans of subdivisions and site plans. The Committee of Adjustment processes applications related for minor variances and consents to sever parcels of land.

For each reporting segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2019
(\$000's)

11. Classification of expenditures by object

The Consolidated Statement of Operations presents the expenditures by function, whereas the following classifies those same expenditures by object:

	<u>2019</u>	<u>2018</u>
Salaries, wages and employee benefits	\$ 121,425	\$ 115,775
Operating materials and supplies	31,345	31,514
Contracted services	78,378	75,866
Rents and financial expenses	5,089	4,251
External transfers to others	629	578
Amortization of tangible capital assets	<u>35,186</u>	<u>31,440</u>
Total expenditures by object	\$ <u>272,052</u>	\$ <u>259,424</u>

12. Pension agreements

The City is required to participate in and make contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of staff. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The contribution rate for 2019 was 9.0% (2018 – 9.0%) up to CPP earnings limit and 14.6 % above CPP earnings limit (2018 – 14.6%). The amount contributed to OMERS for 2019 was \$8,523 (2018 - \$8,063) for current service and is included as an expenditure on the Consolidated statement of operations.

CPP earning's limit (Year's Maximum Pensionable Earnings or YMPE) in 2019 was \$57,400 (2018 - \$55,900).

13. Commitments

- a) The City has entered into various contracts for maintenance and repairs of City's infrastructure. The obligations over the remaining life of these contracts are as follows:

2020	\$ 8,776
2021	3,672
2022	2,170
2023	766
2024	<u>430</u>
	\$ <u>15,814</u>

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2019
(\$000's)

13. Commitments (continued)

- b) For the supply and delivery of insurance the remaining obligations are as follows:

2020	\$	1,209
2021		640
2022		72
2023		51
2024		<u>37</u>
	\$	<u>2,009</u>

- c) The City leases various equipment such as postage metres and photocopiers. The fixed annual obligations over next two years are as follows:

2020	\$	23
2021		<u>23</u>
	\$	<u>46</u>

- d) The City continues to be in a contract for the handling of garbage, recycling materials, and snow removal. The obligations over the remaining life of this contract are as follows:

2020	\$	6,774
2021		6,646
2022		5,961
2023		5,961
2024-2027		<u>19,193</u>
	\$	<u>44,535</u>

- e) The City has entered into contracts for the construction of major tangible capital assets. The unpaid portion of these contracts amounted to \$17,764 as at December 31, 2019 (2018 - \$42,631).

- f) The City continues to be in a common area maintenance agreement for the City hall building. The obligations over the remaining life of this contract are as follows:

2020	\$	191
2021		195
2022		198
2023		<u>202</u>
	\$	<u>786</u>

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2019
(\$000's)

13. Commitments (continued)

- h) The City has entered into various security, wellness and consulting contracts. The obligations over the remaining life of these contracts are as follows:

2020	\$	1,803
2021		1,783
2022		1,852
2023		212
2024 – 2026		<u>502</u>
	\$	<u>6,152</u>

- i) The City has entered into contracts for shelter for domestic animals and control wildlife services. The obligations over the remaining life of these contracts are as follows:

2020	\$	605
2021		605
2022		556
2023		556
2024 – 2025		<u>1,065</u>
	\$	<u>3,387</u>

- j) The City has entered into contracts relating to environmental maintenance and the supply of materials. The obligations over the remaining life of these contracts are as follows:

2020	\$	2,416
2021		1,377
2022		1,035
2023		243
2024 – 2025		<u>157</u>
	\$	<u>5,228</u>

- k) The City has entered into contracts to support and protect IT hardware and software resources. The remaining obligations of these contracts are as follows:

2020	\$	2,672
2021		2,566
2022		473
2023		<u>473</u>
	\$	<u>6,183</u>

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2019
(\$000's)

14. Contingencies

The City is the defendant in several legal actions claiming personal, property, and other damages. Many of these claims are being handled by the City's insurers. The outcome of these actions is not determinable as at the date of reporting and accordingly, to the extent not covered by insurance or inclusion in the financial statements, management is of the opinion that no liability would be material to the City's financial position.

15. Budget figures

The budgets originally approved by City Council for 2019, for the current year was prepared on a modified accrual basis and has been restated on the Consolidated Statement of Operations to conform with the Canadian Public Sector Accounting Standards except for the effect of amortization of tangible capital assets. A reconciliation of the adopted and reported budgets is presented below:

Adopted budget:

Budgeted annual surplus for the year (per By-law # 3-19, 14-19, 15-19)

Adjustments to adopted budget

Carry-forward from prior year	\$ (119)
Decrease in reserves and reserve funds	(21,153)
Amortization of tangible capital assets	(31,440)
Acquisition of contributed tangible capital assets	<u>12,564</u>
Restated budgeted annual deficit	\$ <u>(40,148)</u>

16. Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, or betterment of the asset.

	<u>Net Book Value</u>	<u>Net Book Value</u>
	<u>2019</u>	<u>2018</u>
General		
Land	\$ 127,012	\$ 118,725
Land improvements	59,431	63,543
Buildings	144,596	144,498
Vehicles	13,571	14,352
Machinery and equipment	17,824	10,859
Other	<u>5,891</u>	<u>6,032</u>
Total General	<u>368,325</u>	<u>358,009</u>

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

December 31, 2019
(\$000's)

16. Tangible capital assets (continued)

	<u>Net Book Value</u>	<u>Net Book Value</u>
Infrastructure		
Land	14,309	14,309
Roads network	118,253	116,204
Water network	61,752	58,187
Wastewater network	51,363	49,748
Storm water network	155,221	152,304
Total Infrastructure	400,898	390,752
Work in progress	181,402	149,264
Total	\$ 950,625	\$ 898,025

a) Contributed Tangible Capital Assets

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

The value of contributed tangible assets received during the year is \$18,236 (2018 - \$6,976) comprised of roads infrastructure in the amount of \$7,744 (2018 - \$2,639), storm water \$5,938 (2018 - \$2,888), water and wastewater infrastructure in the amount of \$4,307 (2018 - \$1,449) and land of \$247 (2018 - \$0).

b) Capital Work in Progress (WIP)

Tangible capital assets under construction are not amortized until the assets are available for productive use. The value of WIP at the end of year is \$ 181,402 (2018 - \$149,264).

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 2).

17. Subsequent event

Since January 1, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The City has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the City for future periods.

The Corporation of the City of Richmond Hill

Consolidated Schedule of Segmented Disclosure – Schedule 1

Year ended December 31, 2019

(\$000's)

	<u>General Government</u>	<u>Protection to Persons and Property</u>	<u>Trans- portation Services</u>	<u>Environ- mental Services</u>	<u>Health and Social Services</u>	<u>Recreation and Cultural Services</u>	<u>Planning and Development</u>	<u>Consolidated</u>
Expenses								
Salaries, wages and employees benefits	\$ 24,993	\$ 32,990	\$ 8,165	\$ 12,661	\$ -	\$ 32,865	\$ 9,751	\$ 121,425
Operating materials and supplies	8,539	1,198	6,051	4,548	-	10,524	485	31,345
Contracted services	2,324	1,017	4,410	66,275	-	4,291	61	78,378
Rents and financial expenses	3,788	32	242	616	-	232	179	5,089
External transfers to others	-	-	-	174	364	91	-	629
Amortization expenses	3,608	1,303	10,193	6,719	-	13,363	-	35,186
Total expenses	<u>43,252</u>	<u>36,540</u>	<u>29,061</u>	<u>90,993</u>	<u>364</u>	<u>61,366</u>	<u>10,476</u>	<u>272,052</u>
Revenues								
Tax revenues	19,275	16,283	12,950	40,549	162	27,346	4,669	121,234
User charges	1,827	1,168	726	86,403	-	12,067	2,349	104,540
Grants	4,545	-	2,945	839	-	1,866	221	10,416
Permits, penalties, rents and other	5,793	3,005	150	-	-	6,087	5,625	20,660
Investment income	6,999	-	3,151	1,694	-	1,266	308	13,418
Developers and other contribution	11,340	140	8,243	1,030	-	13,399	3,877	38,029
Contributed TCA	247	-	7,744	10,245	-	-	-	18,236
Total revenues	<u>50,026</u>	<u>20,596</u>	<u>35,909</u>	<u>140,760</u>	<u>162</u>	<u>62,031</u>	<u>17,049</u>	<u>326,533</u>
Annual surplus	<u>\$ 6,774</u>	<u>\$ (15,944)</u>	<u>\$ 6,848</u>	<u>\$ 49,767</u>	<u>\$ (202)</u>	<u>\$ 667</u>	<u>\$ 6,573</u>	<u>\$ 54,481</u>

The Corporation of the City of Richmond Hill

Consolidated Schedule of Segmented Disclosure – Schedule 1

Year ended December 31, 2018

(\$000's)

	<u>General Government</u>	<u>Protection to Persons and Property</u>	<u>Trans- portation Services</u>	<u>Environ- mental Services</u>	<u>Health and Social Services</u>	<u>Recreation and Cultural Services</u>	<u>Planning and Development</u>	<u>Consolidated</u>
Expenses								
Salaries, wages and employees benefits	\$ 21,801	\$ 33,303	\$ 7,413	\$ 11,016	\$ -	\$ 33,462	\$ 8,780	\$ 115,775
Operating materials and supplies	8,055	1,398	4,571	6,255	-	10,833	402	31,514
Contracted services	1,493	761	4,386	65,074	-	4,128	24	75,866
Rents and financial expenses	2,938	98	167	565	-	283	200	4,251
External transfers to others	-	-	-	186	392	-	-	578
Amortization expenses	3,019	1,093	10,028	6,514	-	10,786	-	31,440
Total expenses	<u>37,306</u>	<u>36,653</u>	<u>26,565</u>	<u>89,610</u>	<u>392</u>	<u>59,492</u>	<u>9,406</u>	<u>259,424</u>
Revenues								
Tax revenues	17,195	17,939	8,332	41,871	168	25,507	4,525	115,537
User charges	1,879	1,093	853	82,105	-	11,598	2,932	100,460
Grants	3,446	-	800	2,263	-	2,739	230	9,478
Permits, penalties, rents and other	5,015	2,795	142	-	-	6,104	5,117	19,173
Investment income	5,069	-	3,501	1,657	-	1,890	282	12,399
Developers and other contribution	16,604	264	4,973	1,479	-	16,270	4,536	44,126
Contributed TCA	-	-	2,638	4,337	-	-	-	6,975
Total revenues	<u>49,208</u>	<u>22,091</u>	<u>21,239</u>	<u>133,712</u>	<u>168</u>	<u>64,108</u>	<u>17,622</u>	<u>308,148</u>
Annual surplus	<u>\$ 11,902</u>	<u>\$ (14,562)</u>	<u>\$ (5,326)</u>	<u>\$ 44,102</u>	<u>\$ (224)</u>	<u>\$ 4,616</u>	<u>\$ 8,216</u>	<u>\$ 48,724</u>

The Corporation of the City of Richmond Hill

Consolidated Schedule of Tangible Capital Assets – Schedule 2

Year ended December 31, 2019

(\$000's)

	General					
	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Machinery & Equipment</u>	<u>Other</u>
Cost						
Balance, beginning of year	\$ 118,725	\$ 124,750	\$ 278,446	\$ 25,095	\$ 30,082	\$ 15,226
Add: Additions during the year	8,037	-	17	1,421	6,802	1,529
WIP completed	4	474	8,164	47	3,600	-
Contributed assets	247	-	-	-	-	-
Less: Disposals during the year	(1)	(33)	-	(545)	(1,169)	(2,590)
Balance, end of year	<u>127,012</u>	<u>125,191</u>	<u>286,627</u>	<u>26,018</u>	<u>39,315</u>	<u>14,165</u>
Accumulated amortization						
Balance, beginning of year	-	61,207	133,948	10,743	19,223	9,194
Add: Amortization during the year	-	4,569	8,083	2,183	3,281	1,656
Less: Accumulated amortization on disposals	-	(16)	-	(479)	(1,013)	(2,576)
Balance, end of year	-	<u>65,760</u>	<u>142,031</u>	<u>12,447</u>	<u>21,491</u>	<u>8,274</u>
Net book value of tangible capital assets	<u>\$ 127,012</u>	<u>\$ 59,431</u>	<u>\$ 144,596</u>	<u>\$ 13,571</u>	<u>\$ 17,824</u>	<u>\$ 5,891</u>

The Corporation of the City of Richmond Hill

Consolidated Schedule of Tangible Capital Assets – Schedule 2 (continued)

Year ended December 31, 2019

(\$000's)

		Infrastructure					
	<u>Land</u>	<u>Roads</u>	<u>Water</u>	<u>Storm</u>	<u>Wastewater</u>	<u>WIP</u>	<u>Total</u>
	(Infrastructure)						
Cost							
Balance, beginning of year	\$ 14,309	\$ 350,721	\$ 82,428	\$ 215,279	\$ 67,344	\$ 149,264	\$ 1,471,669
Add: Additions during the year	-	3,184	4,366	17	-	19,020	44,393
WIP completed	-	50		780	-	13,118	26,237
Contributed assets	-	7,744	1,846	5,938	2,461	-	18,236
Less: Disposals during the year	-	(24)	(3,367)	-	-	-	(7,729)
Balance, end of year	<u>14,309</u>	<u>361,675</u>	<u>85,273</u>	<u>222,014</u>	<u>69,805</u>	<u>181,402</u>	<u>1,552,806</u>
Accumulated amortization							
Balance, beginning of year	-	234,517	24,241	62,975	17,596	-	573,644
Add: Amortization during the year	-	8,920	1,830	3,818	846	-	35,186
Less: Accumulated amortization on disposals	-	(15)	(2,550)	-	-	-	(6,649)
Balance, end of year	-	<u>243,422</u>	<u>23,521</u>	<u>66,793</u>	<u>18,442</u>	-	<u>602,181</u>
Net book value of tangible capital assets	<u>\$ 14,309</u>	<u>\$ 118,253</u>	<u>\$ 61,752</u>	<u>\$ 155,221</u>	<u>\$ 51,363</u>	<u>\$ 181,402</u>	<u>\$ 950,625</u>

The Corporation of the City of Richmond Hill

Consolidated Schedule of Tangible Capital Assets – Schedule 2

Year ended December 31, 2018

(\$000's)

	General					
	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Machinery & Equipment</u>	<u>Other</u>
Cost						
Balance, beginning of year	\$ 107,135	\$ 124,750	\$ 278,446	\$ 24,363	\$ 29,540	\$ 14,950
Add: Additions during the year	11,590	-	-	1,373	3,530	1,719
WIP completed	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-
Less: Disposals during the year	-	-	-	(641)	(2,988)	(1,443)
Balance, end of year	<u>118,725</u>	<u>124,750</u>	<u>278,446</u>	<u>25,095</u>	<u>30,082</u>	<u>15,226</u>
Accumulated amortization						
Balance, beginning of year	-	58,607	126,345	9,534	19,597	9,023
Add: Amortization during the year	-	2,600	7,603	1,690	2,453	1,612
Less: Accumulated amortization on disposals	-	-	-	(481)	(2,827)	(1,441)
Balance, end of year	-	<u>61,207</u>	<u>133,948</u>	<u>10,743</u>	<u>19,223</u>	<u>9,194</u>
Net book value of tangible capital assets	<u>\$ 118,725</u>	<u>\$ 63,543</u>	<u>\$ 144,498</u>	<u>\$ 14,352</u>	<u>\$ 10,859</u>	<u>\$ 6,032</u>

The Corporation of the City of Richmond Hill

Consolidated Schedule of Tangible Capital Assets – Schedule 2 (continued)

Year ended December 31, 2018

(\$000's)

		Infrastructure						
	<u>Land</u>	<u>Roads</u>	<u>Water</u>	<u>Storm</u>	<u>Wastewater</u>	<u>WIP</u>	<u>Total</u>	
	(Infrastructure)							
Cost								
Balance, beginning of year	\$ 14,309	\$ 345,136	\$ 80,920	\$ 212,265	\$ 66,376	\$ 93,902	\$ 1,392,092	
Add: Additions during the year	-	2,247	2,843	28	5	56,240	79,575	
WIP completed	-	732	41	105	-	(878)	-	
Contributed assets	-	2,639	486	2,888	963	-	6,976	
Less: Disposals during the year	-	(33)	(1,862)	(7)	-	-	(6,974)	
Balance, end of year	<u>14,309</u>	<u>350,721</u>	<u>82,428</u>	<u>215,279</u>	<u>67,344</u>	<u>149,264</u>	<u>1,471,669</u>	
Accumulated amortization								
Balance, beginning of year	-	225,354	23,732	59,257	16,764	-	548,213	
Add: Amortization during the year	-	9,171	1,756	3,723	832	-	31,440	
Less: Accumulated amortization on disposals	-	(8)	(1,247)	(5)	-	-	(6,009)	
Balance, end of year	<u>-</u>	<u>234,517</u>	<u>24,241</u>	<u>62,975</u>	<u>17,596</u>	<u>-</u>	<u>573,644</u>	
Net book value of tangible capital assets	<u>\$ 14,309</u>	<u>\$ 116,204</u>	<u>\$ 58,187</u>	<u>\$ 152,304</u>	<u>\$ 49,748</u>	<u>\$ 149,264</u>	<u>\$ 898,025</u>	