

Consolidated Financial Statements

The Corporation of the City of Richmond Hill

December 31, 2021

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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, 2021, 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, 2021, 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Markham, Canada
July 6, 2022

Chartered Professional Accountants
Licensed Public Accountants

Audit | Tax | Advisory

The Corporation of the City of Richmond Hill

Consolidated Statement of Financial Position

For the Year Ended December 31

(\$000's)	2021	2020
Financial assets		
Cash and cash equivalents	\$ 131,618	\$ 108,348
Investments (Note 2)	406,262	350,577
Taxes and payments-in-lieu receivable (Note 4)	38,893	48,103
Accounts receivable	46,534	47,512
	<u>623,307</u>	<u>554,540</u>
Liabilities		
Accounts payable and accrued liabilities	57,619	60,449
Other liabilities	14,966	13,145
Deferred revenue (Note 5)	228,539	182,909
Employee future benefits liability (Note 6)	24,058	16,873
	<u>325,182</u>	<u>273,376</u>
Net financial assets	<u>298,125</u>	<u>281,164</u>
Non-financial assets		
Tangible capital assets (Note 16)	989,344	974,071
Inventories	1,079	1,164
Prepaid expenses	2,801	2,543
	<u>993,224</u>	<u>977,778</u>
Accumulated surplus (Note 7)	<u>\$ 1,291,349</u>	<u>\$ 1,258,942</u>

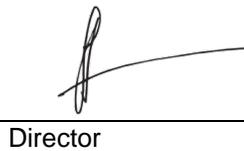
Commitments (Note 13)

Contingencies (Note 14)

Approved by:



 Mayor



 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)	2021	2021	2020
	<u>Budget</u> (Note 15)	<u>Actual</u>	<u>Actual</u>
Revenue			
Taxation (Note 8)	\$ 126,609	\$ 126,173	\$ 124,114
User charges	109,132	98,684	99,597
Grants (Note 9)	12,189	13,878	7,934
Permits, penalties, rents and other	19,748	20,294	12,895
Investment income	10,705	11,694	11,205
Revenue recognized on contributed tangible capital assets	17,278	24,479	23,832
Developer and other contributions earned	16,890	17,380	17,004
Total revenues	312,551	312,582	296,581
Expenses (Note 11)			
General government	49,786	48,387	44,503
Protection to persons and property	37,628	39,936	37,064
Transportation services	55,001	35,476	35,178
Environmental services	99,220	93,989	94,588
Recreation and cultural services	71,591	50,922	45,471
Planning and development	14,878	11,038	9,508
Health and social services	363	427	408
Total expenses	328,467	280,175	266,720
Annual (deficit) surplus	(15,916)	32,407	29,861
Accumulated surplus, beginning of year	1,258,942	1,258,942	1,229,081
Accumulated surplus, end of year	\$ 1,243,026	\$ 1,291,349	\$ 1,258,942

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)

	2021	2021	2020
	<u>Budget</u> (Note 15)	<u>Actual</u>	<u>Actual</u>
Annual (deficit) surplus	\$ (15,915)	\$ 32,407	\$ 29,861
Acquisition of tangible capital assets	(17,278)	(52,247)	(59,919)
Amortization of tangible capital assets	35,807	36,438	35,807
Loss on disposal of tangible capital assets	-	(2,310)	532
Proceeds from sale of tangible capital assets	-	2,846	134
Change in prepaid expenses	-	(258)	(810)
Change in inventories	-	85	(183)
Change in net financial assets	2,614	16,961	5,422
Net financial assets, beginning of year	281,164	281,164	275,742
Net financial assets, end of year	\$ 283,778	\$ 298,125	\$ 281,164

See accompanying notes to the financial statements

The Corporation of the City of Richmond Hill

Consolidated Statement of Cash Flow

For the Year Ended December 31

(\$000's)	2021	2020
Operating activities		
Annual surplus	\$ 32,407	\$ 29,861
Items not involving cash:		
Amortization of tangible capital assets	36,438	35,807
Revenue recognized on contributed capital assets	(24,479)	(23,832)
Loss on disposal of tangible capital assets	(2,310)	532
Change in non-cash assets and liabilities		
Change in taxes and payments-in-lieu receivable	9,210	(17,767)
Change in inventories	85	(183)
Change in prepaid expenses	(258)	(810)
Change in accounts receivable	978	(1,653)
Change in accounts payable and accrued liabilities	(2,830)	(31,769)
Change in other liabilities	1,821	1,938
Change in deferred revenue	45,630	2,904
Change in employee future benefits liability	7,185	967
	<u>103,877</u>	<u>(4,005)</u>
Capital activities		
Acquisition of tangible capital assets	(27,768)	(36,087)
Proceeds from sale of tangible capital assets	2,846	134
	<u>(24,922)</u>	<u>(35,953)</u>
Investing activities		
Purchase of investments	(149,050)	(70,617)
Proceeds from maturity of investments	93,365	121,624
	<u>(55,685)</u>	<u>51,007</u>
Net change in cash and cash equivalents during the year	23,270	11,049
Cash and cash equivalents, beginning of year	<u>108,348</u>	<u>97,299</u>
Cash and cash equivalents, end of year	<u>\$ 131,618</u>	<u>\$ 108,348</u>

See accompanying notes to the financial statements

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(\$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

For the year ended December 31, 2021
(\$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.

iv) *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.

v) *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

For the year ended December 31, 2021
(\$000's)

1. Summary of significant accounting policies (continued)

(b) Basis of accounting (continued)

<u>Infrastructure Assets</u>		
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

v) *Tangible capital assets*

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.

vi) *Inventories*

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

vii) *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

For the year ended December 31, 2021
(\$000's)

1. Summary of significant accounting policies (continued)

(b) Basis of accounting (continued)

viii) 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.

ix) 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.

x) 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.

xi) 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.

xii) 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

For the year ended December 31, 2021
(\$000's)

2. Investments

Investments in the consolidated statement of financial position are reported at cost. Investments had a market value of \$427,088 (2020 - \$369,661) 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 (2020 - \$16). 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>2021</u>	<u>2020</u>
Current year	\$ 20,835	\$ 33,338
Previous years	14,243	13,079
Penalties and interest	3,815	1,686
	<u>\$ 38,893</u>	<u>\$ 48,103</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:

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(\$000's)

5. Deferred revenue (continued)

	<u>2021</u>	<u>2020</u>
Obligatory Reserve Funds		
Development charges	\$ 125,830	\$ 103,408
Parkland	54,860	44,208
Government transfer	25,580	22,720
Other	6,208	3,460
Deferred revenue – general	<u>16,061</u>	<u>9,113</u>
Total	<u>\$ 228,539</u>	<u>\$ 182,909</u>

Continuity of deferred revenue is as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	<u>\$ 182,909</u>	<u>\$ 180,005</u>
Developer and other contributions collected	26,170	9,049
Cash in lieu – Parkland collected	12,575	2,641
General deferred revenues collected	1,379	1,165
Federal Gas Tax Grant collected	12,988	5,916
Other Government transfers	8,057	4,132
Other	3,622	372
Interest earned	<u>2,108</u>	<u>2,533</u>
	<u>66,899</u>	<u>25,808</u>
Less		
Developer and other contributions used in capital operations	4,708	6,787
Cash in lieu – Parkland used in operations	2,355	3,412
Federal Gas Tax Grant used in operations	10,713	5,752
Other Government Transfers	2,211	685
Developer and other contributions used in current operations	91	332
General deferred revenues used	<u>1,191</u>	<u>5,936</u>
	<u>21,269</u>	<u>22,904</u>
Balance, end of year	<u>\$ 228,539</u>	<u>\$ 182,909</u>

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(\$000's)

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, 2021 of \$17,429 (2020 - \$11,918) was determined by actuarial valuation. The accrued benefit liability and the expense for the year ended December 31, 2021 were based on assumptions used for the December 31, 2021 actuarial valuation.

An actuarial loss is being amortized on a straight-line basis over the expected average remaining service life, estimated to be 15 years for Fire Fighters and City employees and 14 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 2021 and thereafter.

ii) Interest (discount) rate

The present value as at December 31, 2021 of the future benefits was determined using a discount rate of 3.25%. This corresponds to the assumed inflation rate plus an assumed rate of return of 1.50%.

iii) Health costs

The 12-month ending March 31, 2020 combined (active & retiree) Health Cost Rates, projected to July 1, 2022, are used as the basis for projecting the future retiree Health Cost Rates. The management assumption for the annual Health Cost Rate escalation for the City is 4.4167% for 2023 vs. 2022 and decreasing by 0.3333% per year over the following 5 years, to 2.75% in 2028 vs. 2027 and later.

iv) Dental costs

Dental costs were assumed to increase at 2.75% per year for 2021 and thereafter.

(b) *Workplace Safety and Insurance Board Liability*

The Corporation of the City of Richmond Hill is 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, 2021 of \$6,629 (2020 - \$4,955) was determined by an actuarial update for the year ended December 31, 2021.

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(\$000's)

6. Employee future benefits (continued)

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

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

i) *Interest (discount) rate*

The present value as at December 31, 2021 of the future benefits was determined using a discount rate of 3%.

ii) *WSIB administration rate*

The WSIB administration rate at December 31, 2021 is set at 23% which reflects 21% for Schedule 2 administration fees and 2% for physician fees.

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

	<u>Retirees</u>	<u>WSIB</u>	<u>2021</u>	<u>2020</u>
Accrued future benefits liability, beginning of year	\$ 11,918	\$ 4,955	\$ 16,873	\$ 15,906
Current service costs	669	717	1,386	1,331
Interest accrued	465	295	760	743
Benefits paid during the period	(1,040)	(766)	(1,806)	(1,498)
Increase due to plan amendment	5,322	1,120	6,442	
Amortization of actuarial loss	95	308	403	391
Employee future benefits liability, end of year	<u>\$ 17,429</u>	<u>\$ 6,629</u>	<u>\$ 24,058</u>	<u>\$ 16,873</u>
Accrued benefit obligations	18,007	9,249	27,256	20,474
Unamortized actuarial loss	(578)	(2,620)	(3,198)	(3,601)
Employee future benefits liability, end of year	<u>\$ 17,429</u>	<u>\$ 6,629</u>	<u>\$ 24,058</u>	<u>\$ 16,873</u>

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(\$000's)

7. Accumulated surplus

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

	<u>2021</u>	<u>2020</u>
Surplus		
Operating funds	\$ 4,351	\$ 372
Unspent capital funds	2,214	1,894
Invested in tangible capital assets	989,344	974,071
Employees future benefits	(24,058)	(16,873)
Unfunded Library's vacation pay	(147)	(109)
	<u>971,704</u>	<u>959,355</u>
Reserves set aside for special purposes by Council		
Elections	596	445
Contingencies	9,019	8,409
Acquisition of tangible capital assets	10,080	9,507
Operations and special purposes	24,940	20,120
Total Reserves	<u>44,635</u>	<u>38,481</u>
Reserve Funds set aside for special purposes by Council		
Acquisition of tangible capital assets	160,124	151,129
Insurance	2,391	2,227
W.S.I.B.	5,470	6,019
Fire fighters' sick leave	-	121
Operating and special purposes	107,025	101,610
Total Reserve funds	<u>275,010</u>	<u>261,106</u>
Total accumulated surplus	<u>\$ 1,291,349</u>	<u>\$ 1,258,942</u>

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.

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(\$000's)

9. Grants and government transfers

	<u>2021</u>	<u>2020</u>
Government of Canada	\$ 10,492	\$ 5,320
Province of Ontario	2,278	1,330
Other grants	1,108	1,284
	<u>\$ 13,878</u>	<u>\$ 7,934</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 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 Infrastructure and Engineering Services section of Planning & Infrastructure (P&I) 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.

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(\$000's)

10. Segment information (continued)

Environmental services

The Infrastructure and Engineering Services section of Planning & Infrastructure (P&I) and Public Works Operations of the Community Services department provide environmental services. The Infrastructure and Engineering Services 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 Development Planning, Policy Planning and Building section in 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

For the year ended December 31, 2021
(\$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>2021</u>	<u>2020</u>
Salaries, wages and employee benefits	\$ 121,026	\$ 114,600
Operating materials and supplies	36,288	29,424
Contracted services	82,902	83,941
Rents and financial expenses	2,746	2,094
External transfers to others	775	854
Amortization of tangible capital assets	36,438	35,807
	<hr/>	<hr/>
Total expenditures by objects	\$ 280,175	\$ 266,720

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 pension plan is financed by equal contributions from participating employers and employees, and by the investment earnings of the fund. The most recent actuarial valuation of the Plan was conducted at December 31, 2021. The results of this valuation disclosed total actuarial liabilities of \$120,796 million with respect to benefits accrued for service with actuarial assets at that date of \$117,665 million indicating an actuarial deficit of \$3,131 million. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are joint responsibility of Ontario municipal organizations and their employees.

The contribution rate for 2021 was 9.0% (2020 – 9.0%) up to CPP earnings limit and 14.6 % above CPP earnings limit (2020 – 14.6%). The amount contributed to OMERS for 2021 was \$9,345 (2020 - \$9,697) 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 2021 was \$61,600 (2020 - \$58,700).

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:

2022	\$ 10,306
2023	3,337
2024	1,805
2025	1,007
2026-2027	369
	<hr/>
	\$ 16,824

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(\$000's)

13. Commitments (continued)

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

2022	\$	801
2023		51
2024		36
		<hr/>
	\$	888
		<hr/>

- c) The City leases various equipment such vehicles to serve the day to day maintenance operations. The total obligations over the next two years is \$1,325.

- 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:

2022	\$	12,400
2023		7,779
2024		7,741
2025		7,608
2026		7,465
Thereafter		5,156
		<hr/>
	\$	48,149
		<hr/>

- e) The City has entered into contracts for the construction of major tangible capital assets. The unpaid portion of these contracts amounted to \$19,738 as at December 31, 2021 (2020 - \$20,051).

- 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:

2022	\$	164
2023		170
2024		173
		<hr/>
	\$	507
		<hr/>

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(\$000's)

13. Commitments (continued)

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

2022	\$	2,680
2023		924
2024		352
2025		222
2026		380
		<hr/>
	\$	4,558
		<hr/>

- b) 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:

2022	\$	601
2023		601
2024		563
2025		510
		<hr/>
	\$	2,275
		<hr/>

- c) 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:

2022	\$	3,152
2023		906
2024		489
2025		91
		<hr/>
	\$	4,638
		<hr/>

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

2022	\$	4,126
2023		1,718
2024		506
2025		183
2026		30
		<hr/>
	\$	6,563
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The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(\$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 2021, 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 # 133-20, 7-21, 8-21)

Adjustments to adopted budget

Carry-forward from prior year	\$	(500)
Decrease in reserves and reserve funds		3,113
Amortization of tangible capital assets		(35,807)
Acquisition of contributed tangible capital assets		17,278
		<u>17,278</u>
Restated budgeted annual deficit	\$	(15,916)

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>2021</u>	<u>Net Book Value</u> <u>2020</u>
General		
Land	\$ 127,012	\$ 127,012
Land improvements	65,232	61,621
Buildings	149,108	148,885
Vehicles	13,036	13,819
Machinery and equipment	15,586	16,363
Other	4,896	5,764
	<u>374,870</u>	<u>373,464</u>
Total General	374,870	373,464

The Corporation of the City of Richmond Hill

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(\$000's)

16. Tangible capital assets (continued)

	<u>Net Book Value</u> <u>2021</u>	<u>Net Book Value</u> <u>2020</u>
Infrastructure		
Land	14,309	14,309
Road network	135,616	125,627
Water network	73,770	64,092
Wastewater network	168,261	53,935
Storm water network	56,974	161,450
Total Infrastructure	448,930	419,413
Work in Progress	165,544	181,194
Total	\$ 989,344	\$ 974,071

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 \$24,479 (2020 - \$23,832) comprised of roads infrastructure in the amount of \$11,601 (2020 - \$9,274), storm water \$6,617 (2020 - \$8,734), and water and wastewater infrastructure in the amount of \$6,261 (2020 - \$5,648).

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 \$ 165,544 (2020 - \$181,194).

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

The Corporation of the City of Richmond Hill

Consolidated Schedule of Segmented Disclosure – Schedule 1

For the year ended December 31, 2021
(\$000's)

	General Government	Protection to persons and Property	Trans- portation Services	Environ- mental Services	Health and Social Services	Recreation and Cultural Services	Planning and Development	Consolidated
Expenses								
Salaries, wages and employee benefits	\$ 27,674	\$ 36,016	\$ 14,051	\$ 12,137	\$ -	\$ 21,425	\$ 9,723	\$ 121,026
Operating materials and supplies	11,859	1,495	6,241	3,220	-	12,348	1,125	36,288
Contracted services	3,370	993	4,674	70,580	-	3,240	45	82,902
Rents and financial expenses	1,655	167	190	663	-	71	-	2,746
External transfers to others	2	-	-	-	427	201	145	775
Amortization expenses	3,827	1,265	10,320	7,389	-	13,637	-	36,438
Total expenses	48,387	39,936	35,476	93,989	427	50,922	11,038	280,175
Revenues								
Tax revenues	21,749	17,953	15,948	42,478	192	22,891	4,962	126,173
User charges	1,632	908	866	91,561	-	1,505	2,212	98,684
Grants	7,658	53	304	1,210	-	4,304	349	13,878
Permits, penalties, rents and other	7,786	6,625	1,286	-	-	4,160	437	20,294
Investment Income Developers and other contribution	3,592	-	3,888	2,764	-	1,094	356	11,694
Contributed TCA	4,756	149	1,120	863	-	3,761	6,731	17,380
Contributed TCA	-	-	11,601	12,878	-	-	-	24,479
Total revenues	47,173	25,688	35,013	151,754	192	37,715	15,047	312,582
Annual surplus (deficit)	\$ (1,214)	\$ (14,248)	\$ (463)	\$ 57,765	\$ (235)	\$ (13,207)	\$ 4,009	\$ 32,407

The Corporation of the City of Richmond Hill

Consolidated Schedule of Segmented Disclosure – Schedule 1

Year ended December 31, 2020

(\$000's)

	General Government	Protection to persons and Property	Trans- portation Services	Environ- mental Services	Health and Social Services	Recreation and Cultural Services	Planning and Development	Consolidated
Expenses								
Salaries, wages and employee benefits	\$ 25,754	\$ 33,691	\$ 13,184	\$ 11,970	\$ -	\$ 21,185	\$ 8,816	\$ 114,600
Operating materials and supplies	9,962	1,103	6,665	3,116	-	8,160	418	29,424
Contracted services	3,469	986	5,080	71,874	-	2,473	59	83,941
Rents and financial expenses	1,429	18	87	614	-	(54)	-	2,094
External transfers to others	44	-	-	-	408	187	215	854
Amortization expenses	3,845	1,266	10,162	7,014	-	13,520	-	35,807
Total expenses	44,503	37,064	35,178	94,588	408	45,471	9,508	266,720
Revenues								
Tax revenues	20,702	17,150	16,386	44,064	190	21,330	4,292	124,114
User charges	477	750	983	92,472	-	2,240	2,675	99,597
Grants	2,156	-	3,066	1,025	-	1,101	586	7,934
Permits, penalties, rents and other	3,070	5,400	1,381	-	-	2,606	438	12,895
Investment Income	5,985	-	1,749	2,522	-	612	337	11,205
Developers and other contribution	5,959	1,020	3,533	676	-	3,126	2,690	17,004
Contributed TCA	177	-	9,274	14,381	-	-	-	23,832
Total revenues	38,526	24,320	36,372	155,140	190	31,015	11,018	296,581
Annual surplus (deficit)	\$ (5,977)	\$ (12,744)	\$ 1,194	\$ 60,552	\$ (218)	\$ (14,456)	\$ 1,510	\$ 29,861

The Corporation of the City of Richmond Hill
Consolidated Schedule of Tangible Capital Assets – Schedule 2

Year ended December 31, 2021
(\$000's)

	General					
	Land	Land Improvement	Buildings	Vehicles	Machinery & Equipment	Other
Cost						
Balance, beginning of year	\$ 127,012	\$ 131,037	\$ 299,372	\$ 27,708	\$ 40,904	\$ 14,534
Add: Additions during the year	-	-	133	-	-	430
WIP completed	-	7,976	8,906	1,637	2,674	300
Contributed assets	-	-	-	-	-	-
Less: Disposals during the year	-	(786)	-	(1,229)	(1,695)	(1,451)
Balance, end of year	127,012	138,227	308,411	28,116	41,883	13,813
Accumulated amortization						
Balance, beginning of year	-	69,416	150,487	13,889	24,541	8,770
Add: Amortization during the year	-	4,308	8,816	2,307	3,317	1,598
Less: Accumulated amortization on disposal	-	(729)	-	(1,116)	(1,561)	(1,451)
Balance, end of year	-	72,995	159,303	15,080	26,297	8,917
Net book value of tangible capital assets	\$ 127,012	\$ 65,232	\$ 149,108	\$ 13,036	\$ 15,586	\$ 4,896

The Corporation of the City of Richmond Hill
Consolidated Schedule of Tangible Capital Assets – Schedule 2 (continued)

Year ended December 31, 2021
(\$000's)

	Infrastructure						
	Land (Infrastructure)	Roads	Water	Storm water	Wastewater	WIP	Total
Cost							
Balance, beginning of year	\$ 14,309	\$ 377,506	\$ 89,314	\$ 232,162	\$ 73,260	\$ 181,194	\$ 1,608,312
Add: Additions during the year	-	-	45	-	-	27,158	27,766
WIP completed	-	7,435	9,374	4,262	244	(42,808)	-
Contributed assets	-	11,601	2,537	6,617	3,724	-	24,479
Less: Disposals during the year	-	(14)	(527)	(7)	-	-	(5,709)
Balance, end of year	14,309	396,528	100,743	243,034	77,228	165,544	1,654,848
Accumulated amortization							
Balance, beginning of year	-	251,879	25,222	70,712	19,325	-	634,241
Add: Amortization during the year	-	9,041	2,058	4,063	929	-	36,437
Less: Accumulated amortization on disposal	-	(8)	(307)	(2)	-	-	(5,174)
Balance, end of year	-	260,912	26,973	74,773	20,254	-	665,504
Net book value of tangible capital assets	\$ 14,309	\$ 135,616	\$ 73,770	\$ 168,261	\$ 56,974	\$ 165,544	\$ 989,344

The Corporation of the City of Richmond Hill
Consolidated Schedule of Tangible Capital Assets – Schedule 2

Year ended December 31, 2020
(\$000's)

	General					
	Land	Land Improvement	Buildings	Vehicles	Machinery & Equipment	Other
Cost						
Balance, beginning of year	\$ 127,012	\$ 125,191	\$ 286,627	\$ 26,018	\$ 39,315	\$ 14,165
Add: Additions during the year	-	1	357	2,696	1,440	1,545
WIP completed	-	6,652	12,388	-	574	-
Contributed assets	177	-	-	-	-	-
Less: Disposals during the year	(177)	(807)	-	(1,006)	(425)	(1,176)
Balance, end of year	127,012	131,037	299,372	27,708	40,904	14,534
Accumulated amortization						
Balance, beginning of year	-	65,760	142,031	12,447	21,491	8,274
Add: Amortization during the year	-	4,371	8,456	2,253	3,454	1,672
Less: Accumulated amortization on disposal	-	(715)	-	(811)	(404)	(1,176)
Balance, end of year	-	69,416	150,487	13,889	24,541	8,770
Net book value of tangible capital assets	\$ 127,012	\$ 61,621	\$ 148,885	\$ 13,819	\$ 16,363	\$ 5,764

The Corporation of the City of Richmond Hill
Consolidated Schedule of Tangible Capital Assets – Schedule 2 (continued)

Year ended December 31, 2020
(\$000's)

	Infrastructure							
	Land (Infrastructure)	Roads	Water	Storm	Wastewater	WIP	Total	
Cost								
Balance, beginning of year	\$ 14,309	\$ 361,675	\$ 85,273	\$ 222,014	\$ 69,805	\$ 181,402	\$ 1,552,806	
Add: Additions during the year	-	1,358	547	60	-	28,083	36,087	
WIP completed	-	5,663	1,647	1,367	-	(28,291)	-	
Contributed assets	-	9,273	2,193	8,734	3,455	-	23,832	
Less: Disposals during the year	-	(463)	(346)	(13)	-	-	(4,413)	
Balance, end of year	14,309	377,506	89,314	232,162	73,260	181,194	1,608,312	
Accumulated amortization								
Balance, beginning of year	-	243,422	23,521	66,793	18,442	-	602,181	
Add: Amortization during the year	-	8,881	1,916	3,921	883	-	35,807	
Less: Accumulated amortization on disposal	-	(424)	(215)	(2)	-	-	(3,747)	
Balance, end of year	-	251,879	25,222	70,712	19,325	-	634,241	
Net book value of tangible capital assets	\$ 14,309	\$ 125,627	\$ 64,092	\$ 161,450	\$ 53,935	\$ 181,194	\$ 974,071	