



City of Richmond

Report to Committee

To: Finance Committee

Date: April 10, 2024

From: Mike Ching
Director, Finance

File: 03-0905-01/2024-Vol
01




Re: 2023 Consolidated Financial Statements

Staff Recommendation

That the 2023 City of Richmond Consolidated Financial Statements as presented in Attachment 2 be approved.

Mike Ching
Director, Finance
(604-276-4137)

Att. 3

REPORT CONCURRENCE	
CONCURRENCE OF GENERAL MANAGER 	
SENIOR STAFF REPORT REVIEW	INITIALS: 
APPROVED BY CAO 	

Staff Report

Origin

Sections 98 and 167 of the *Community Charter* require that the City of Richmond (the City) prepare annual audited financial statements. The City's audited consolidated financial statements for 2023 have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

This report supports Council's Strategic Plan 2022-2026 Focus Area #4 Responsible Financial Management and Governance:

Responsible financial management and efficient use of public resources to meet the needs of the community.

4.1 Ensure effective financial planning to support a sustainable future for the City.

4.3 Foster community trust through open, transparent and accountable budgeting practices and processes.

Analysis

KPMG LLP (KPMG) has been appointed by City Council to independently audit the City's consolidated financial statements. They have expressed an opinion, that the City's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2023, and its consolidated results of operation, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards. The complete Audit Findings Report is included as Attachment 1.

The annual financial statements and the auditor's report for the year ended December 31, 2023 are included as Attachment 2.

The consolidated financial statements combine the accounts of the City of Richmond, Richmond Olympic Oval and Richmond Public Library. The City's investment in Lulu Island Energy Company, a wholly owned government business enterprise, is accounted for using the modified equity method. Further information about the basis of consolidation is listed in Note 2 to the consolidated financial statements.

An analysis of the consolidated financial statements as prepared by management is provided in the Financial Statement Discussion and Analysis (FSD&A) included in Attachment 3. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis is intended to be read in conjunction with the 2023 audited consolidated financial statements.

Adoption of new accounting standards

New Public Sector accounting standards (PS) were adopted effective for the 2023 consolidated financial statements. The new standards include:

1. PS 3280 Asset Retirement Obligations. This standard addresses the recognition, measurement, presentation and disclosure of obligations relating to the retirement of assets. Further details are provided in Attachment 2, Note 9.
2. PS 3450 Financial Instruments and related standards. This standard addresses the recognition, measurement, presentation and disclosure of obligations relating to financial instruments and foreign currency transactions. The adoption of these standards did not have any impact on the amounts presented in the consolidated financial statements.

Financial Impact

None.

Conclusion

The City's audited consolidated financial statements for 2023 have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. As noted in the Auditors' Report, it is the Auditors' opinion that these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2023, and its consolidated results of operation, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.



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

CG:cg

- Att. 1: Audit Findings Report for the year ended December 31, 2023
2: 2023 City of Richmond Consolidated Financial Statements
3: 2023 Financial Statement Discussion and Analysis



City of Richmond

Audit Findings Report for the
year ended December 31, 2023



Dated April 19, 2024 for presentation on May 6, 2024

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement



CJ James, CPA, CA
Engagement Partner
604-527-3635
cjames@kpmg.ca



Aanu Adeleye, MBA, CPA
Engagement Senior Manager
604-527-3746
aadeleye@kpmg.ca



Nomdora Hassan, ACCA (UK)
Engagement Manager
778-785-2651
dorahassan@kpmg.ca

Table of contents

Digital use information

This Audit Findings Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.



Click on any item in the table of contents to navigate to that section.

4	Audit Highlights	6	Risk and Results	15	Policies and Practices
16	Control Observations	17	Audit Quality	18	Appendices

The purpose of this report is to assist you, as a member of the Richmond City Council (“Council”), in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management and Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit highlights

Matters to report – see link for details



No matters to report



Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Richmond City Council (“Council”), in your review of the results of our audit of the consolidated financial statements (hereinafter referred to as the “financial statements”) of the City of Richmond (the “City”) as at and for the year ended December 31, 2023. This Audit Findings Report builds on the Audit Plan we presented to Council on January 8, 2024. Our audit has been performed in accordance with Canadian generally accepted auditing standards (CAS).

Status

As of the date of this report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include:

- Completing our discussions with Council.
- Obtaining the signed management representation letter.
- Obtaining evidence of Council’s acceptance of the financial statements.
- Completing subsequent event review procedures up to the date of Council’s acceptance of the financial statements.

We will update you and management on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures. Our auditor’s report, a draft of which is attached to the draft financial statements, will be dated upon the completion of any remaining procedures.

Significant Changes

Significant changes since our audit plan

There are no significant changes to our audit plan which was originally communicated to you in the audit planning report, except an area of focus relating to the cybersecurity incident that occurred in June 2023. See page 14 for further details.

Current developments

There have been no updates to the current developments included in our Audit Planning Report that was previously provided to you.

Risks and results

Significant risks

Other risks of material misstatement

Going concern matters

Audit highlights (continued)

Matters to report – see link for details



No matters to report



Uncorrected misstatements

Uncorrected misstatements

We did not identify any uncorrected audit misstatements

Corrected misstatements

Corrected misstatements

We did not identify any corrected audit misstatements

Control deficiencies

Control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.

Significant deficiencies

We did not identify any other control deficiencies in the current year.

Other control deficiencies

Policies and practices

Policies and practices

Significant unusual transactions

Accounting policies and practices

Quality control and Independence

We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2023 up to the date of this report.

Significant risks and results



Presumed risk of material misstatement due to fraud in revenue recognition (per CAS 240 this is a presumed significant risk)

RISK OF
FRAUD

Significant risk

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Estimate?

No

Our response

As the risk is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- Testing of journal entries and other adjustments.
- Performing a retrospective review of significant estimates and evaluating the business rationale of significant unusual transactions.
- Utilizing application software to evaluate the completeness of the journal entry population through a roll-forward of all accounts. We used computer-assisted audit techniques (CAATs) to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.
- Reviewing the accounting estimates and assessing whether management's estimates are reasonable and not indicative of management bias.

Significant findings

There were no issues noted in our audit testing described above.

Other risks of material misstatement and results

We highlight our significant findings in respect of **other risks of material misstatement**.



Asset Retirement Obligations (“ARO”) – new accounting standard

Background

PS 3280 Asset Retirement Obligations (“PS 3280”) is a new accounting standard effective for the City’s 2023 fiscal year. The new standard addresses the recognition, measurement, presentation, and disclosure of legal obligations associated with the retirement of certain controlled Tangible Capital Assets (“TCA”). As at December 31 2023, due to the adoption of the new accounting standard, the City has recognized a liability for asset retirement obligations (“ARO”) of \$11,893,000. The initial cost was capitalized as part of the carrying amount of the related tangible capital asset for assets that are recognized and in productive use. For related tangible capital assets that are unrecognized or no longer in productive use, the asset retirement cost has been expensed. The City adopted this new accounting standard on a prospective basis.

Estimate?

Yes – Expenditures required to retire a tangible capital asset

Our response

- We obtained an understanding of management’s process for implementing PS 3280, including how in-scope TCA were identified, sources of information used, and significant measurement data, assumptions and decisions.
- We assessed whether the asset retirement obligations accounting policy set by management was in accordance with PS 3280.
- We obtained a list of TCA that reconciles to the general ledger and reviewed the listing to ensure management’s identification of TCA with potential in-scope retirement obligations is accurate and complete.
- We inquired with Management and confirmed that there were no additional legal agreements entered into by the City that contractually obligates the City to an asset retirement obligation other than those already identified.
- We obtained Management’s calculation of the ARO liability, including accretion expense, and the incremental amortization expense. We verified the mathematical accuracy of the calculations and agreed a sample of inputs to supporting documentation and agreed the reasonableness of significant assumptions and judgments made to measure the liability.
- Management engaged several environmental consultants to determine the inputs in the calculation of the liability. We reviewed the consultant reports and related supporting documentation for the asset retirement obligations. We assessed the reasonableness of significant assumptions used by the environmental consultants and also whether reliance can be placed on consultant reports as audit evidence.

Other risks of material misstatement and results (continued)

We highlight our significant findings in respect of **other risks of material misstatement**.



Asset Retirement Obligations (“ARO”) – new accounting standard (Continued)

Our response

- We reviewed the application of the prospective provisions applied by management for the initial implementation of the accounting standard.
- We reviewed the financial statement presentation and note disclosures to ensure it is consistent with the guidance in PS 3280.
- We discussed with management that the ARO liability will need to be monitored on an annual basis to keep track of any retirement of AROs or changes in rates used in the determination of the liability and make adjustments as necessary.

Our findings

There were no issues noted in our testing.

Other risks of material misstatement and results (continued)

We highlight our significant findings in respect of **other risks of material misstatement**.



Financial instruments – new accounting standard

Background

The new standard PS 3450 *Financial Instruments*, PS 2601 *Foreign currency translation*, PS 1201 *Financial statement presentation* and PS 3041 *Portfolio Investments* are effective for the City's 2023 fiscal year. Equity instruments quoted in an active market and derivatives are required to be measured at fair value. All other financial instruments can be carried at cost/amortized cost or fair value depending on the City's accounting policy choice. The City has elected to carry all other investments at cost or amortized cost.

Estimate?

No

Our response

- We reviewed management's documentation of the process applied to analyze the appropriate recognition, measurement, presentation and disclosure of financial instruments.
- We obtained an understanding of the significant account policies applied to financial instruments to ensure they comply with the new accounting standard.
- We ensured financial instruments have been appropriately recognized and measured in accordance with the new accounting standard.
- We reviewed the financial statement presentation and note disclosures to ensure that it is consistent with the new accounting standard.

Our findings

There were no issues noted in our testing.

Other risks of material misstatement and results (continued)

We highlight our significant findings in respect of **other risks of material misstatement**.



Tangible Capital Assets (“TCA”)

Background

TCA represent a significant portion of assets of the City. The assets owned by the City include land, buildings, furniture and equipment, vehicles, water and waste system infrastructure, road infrastructure, library collection and their useful lives require estimation.

Estimate?

Yes - the established useful lives of TCA

Our response

- We updated our understanding of the process activities and controls over TCA, including the year-end process around identifying assets for impairment.
- We performed a walkthrough of the TCA process by tracing a transaction from initiation through to being recorded in the general ledger to confirm that the controls are implemented as designed.
- We obtained the TCA continuity schedule, verified its mathematical accuracy, and performed substantive procedures over additions, disposals, reclassifications, and other adjustments.
- We tested asset additions including inspection of supporting documentation to determine if additions are capital in nature and amounts recorded are accurate.
- We selected a sample of contributed assets and agreed the fair value on the date the assets were received to supporting documentation.
- We tested asset dispositions including inspection of supporting documentation and assessed appropriateness of the gain or loss recorded.
- We reviewed management’s assessment of the impairment of TCA and noted no issues in the current year.
- We performed an analytical review of the amortization of TCA and assessed the reasonableness of assets’ useful lives.
- We reviewed the financial statement note disclosure to ensure it is complete and accurate.

Our findings

There were no issues noted in our testing.

Other risks of material misstatement and results (continued)

We highlight our significant findings in respect of **other risks of material misstatement**.



Revenue, deferred revenues, and development cost charges

Background

Revenue is recorded on an accrual basis and is recognized when it is earned and measurable. Revenue relating to future periods, including property taxes, development cost charges (“DCCs”), government grants, contributions for future capital works, and amounts collected for building permits, and facility upgrades, are reported as deferred revenue and recognized when earned.

No

Estimate?

Our response

- We updated our understanding of the process activities and controls over revenue, deferred revenue, and development cost charges.
- We performed a walkthrough of the contributions received and related expenditures process, by tracing a transaction from initiation through to being recorded in the general ledger to confirm that the controls are implemented as designed.
- We inspected a sample of contracts and new grants to determine whether there were stipulations or restrictions impacting revenue recognition. We assessed whether revenue was appropriately recognized, or the amount was appropriately deferred. We also agreed the amounts recorded to cash receipts and the funding letter.
- We selected a sample of development cost charges, recalculated the total amount, agreed each factor in the calculation to supporting documentation (e.g. Council-approved rates) and agreed the amount recorded to cash receipts or letters of credit.
- We selected a sample of letters of credit held by the City and confirmed the authenticity of the letter of credit with the financial institution.
- We assessed whether the appropriate stipulations have been met by inspecting and recalculating expenses incurred for certain projects.

Our findings

There were no issues noted in our testing.

Other risks of material misstatement and results (continued)

We highlight our significant findings in respect of **other risks of material misstatement**.



Expenses, including salaries and benefits expense

Background

Expenses are closely monitored against approved budgets. Salaries and expenses represent a significant portion of the City's expenses. There is a need to ensure that the expenses recognized are appropriate.

Estimate?

No

Our response

- We updated our understanding of the process activities and controls over expenses, including salaries and benefits expense.
- We performed a walkthrough of the expense process, including the payroll process, by tracing a transaction from initiation through to being recorded in the general ledger to confirm that the controls are implemented as designed.
- We performed testing over the payroll process over hires and terminations, and noted that the controls are designed, implemented, and operating effectively.
- We analyzed the overall change in expenses relative to the prior year based on changes in operations.
- We developed an expectation for the current year salaries and benefits expense based on the prior year expense adjusted for changes in head count, pay rates and other non-recurring items. We compared our expectation to the actual salaries and benefits expense recorded and corroborated any significant variances noted.
- We performed substantive procedures over expenses, including reviewing and vouching a sample of expenses to underlying supporting documentation, ensuring the expenses are appropriately recognized.
- We selected a sample of payments made, trade payables recorded, and invoices received subsequent to year-end and ensured they were recorded in the appropriate fiscal year.

Our findings

There were no issues noted in our testing.

Other risks of material misstatement and results (continued)

We highlight our significant findings in respect of **other risks of material misstatement**.



Valuation of post-employment benefit liability

Background

The City provides certain post-employment benefits, compensated absences, and termination benefits to employees. Due to the complexities of the estimate, management has engaged an actuarial expert to assist in the development of the estimate.

Estimate?

Yes – Actuarial valuations of employee future benefits

Our response

- We updated our understanding of the process activities and controls over post-employment future benefits.
- We obtained the actuarial valuation report prepared by Management's specialist, George & Bell Consulting Inc. and agreed the liability amount in the report to the amount recorded by the City.
- We assessed the competence, expertise, and qualifications of George & Bell Consulting Inc., and the reasonableness of the valuation methodology applied.
- We assessed the reasonableness of significant assumptions used in the valuation, including changes in assumptions from the prior year.
- We obtained the data used by the actuary for the valuation and tested it on a sample basis for completeness and accuracy.
- We reviewed the financial statement note disclosure to ensure it is complete and accurate.

Our findings

There were no issues noted in our testing.

Area of audit focus

There is a new audit area of focus identified subsequent to the issuance of our Audit Planning Report.



Cybersecurity incident

Background

In June 2023, the City experienced a cybersecurity incident related to data exfiltration from a phishing campaign resulting in fraudulent emails received by internal personnel of City of Richmond and external contacts. The City's Information Technology ("IT") team in collaboration with a cybersecurity advisor gathered information and forensically investigated the incident to identify the actor and stop any further data exfiltration. In addition to remediation activities, actions such as the implementation of cyber monitoring processes, improved access management, phishing simulation campaigns, and awareness training programs have been undertaken to eliminate the short-term threat and minimize risk.

Our response

- KPMG Technology Risk specialists assessed whether the cybersecurity incident had any impact on the financial reporting system through discussions with the City's IT team and review of related incident reports. This incident affected unstructured email data, including potential personal identifiable information contained in the emails. No other application or data was affected or compromised because of this incident, including financial information.
- We obtained an understanding of management's process for validating data and ensuring systems were functioning appropriately.
- We obtained an understanding of management's reconciliation process over 2023 year-end balances which were designed to ensure the balances are complete and accurate.
- We performed walkthrough of significant processes to ensure controls were implemented as designed, and traced transactions to the general ledger to ensure they were accurately recorded.
- We performed substantive procedures in key areas with risk of material misstatement such as expenses including payroll, revenue, tangible capital assets and assets retirement obligations.

Our findings

There have been no indications through the performance of our audit procedures of any particular loss of data, misappropriation of assets, or unexpected transactional details. There were no issues noted in our testing.

Accounting policies and practices



Significant accounting policies

- There have been no initial selections of, or changes to, significant accounting policies and practices, except for the adoption of Canadian public standard *PS 3280 Asset Retirement Obligations* (refer pages 7 to 8) and new financial instruments standards *PS 3450 Financial Instruments*, *PS 2601 Foreign currency translation*, *PS 1201 Financial statement presentation* and *PS 3041 Portfolio investments* (refer page 9).
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the City's transactions in relation to the period in which they were recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.



Significant accounting estimates

- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.
- There were no significant factors affecting the City's asset and liability carrying values



Significant disclosures and financial statement presentation

- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects on the financial statements of significant risks, exposures, and uncertainties.

Control observations



Consideration of internal control over financial reporting (“ICFR”)

In planning and performing our audit, we considered ICFR relevant to the City’s preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR.

Our understanding of internal control over financial reporting was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies. The matters being reported are limited to those deficiencies that we have identified during the audit that we have concluded are of sufficient importance to merit being reported to those charged with governance.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors. Had we performed more extensive procedures on internal control over financial reporting, we might have identified more significant deficiencies to be reported or concluded that some of the reported significant deficiencies need not, in fact, have been reported.



A deficiency in internal control over financial reporting

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.



Significant deficiencies in internal control over financial reporting

A significant deficiency in internal control over financial reporting is a deficiency, or combination of deficiencies, in internal control that, in the auditor’s professional judgment, is of sufficient importance to merit the attention of those charged with governance.

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

Appendix: Audit quality - How do we deliver audit quality?

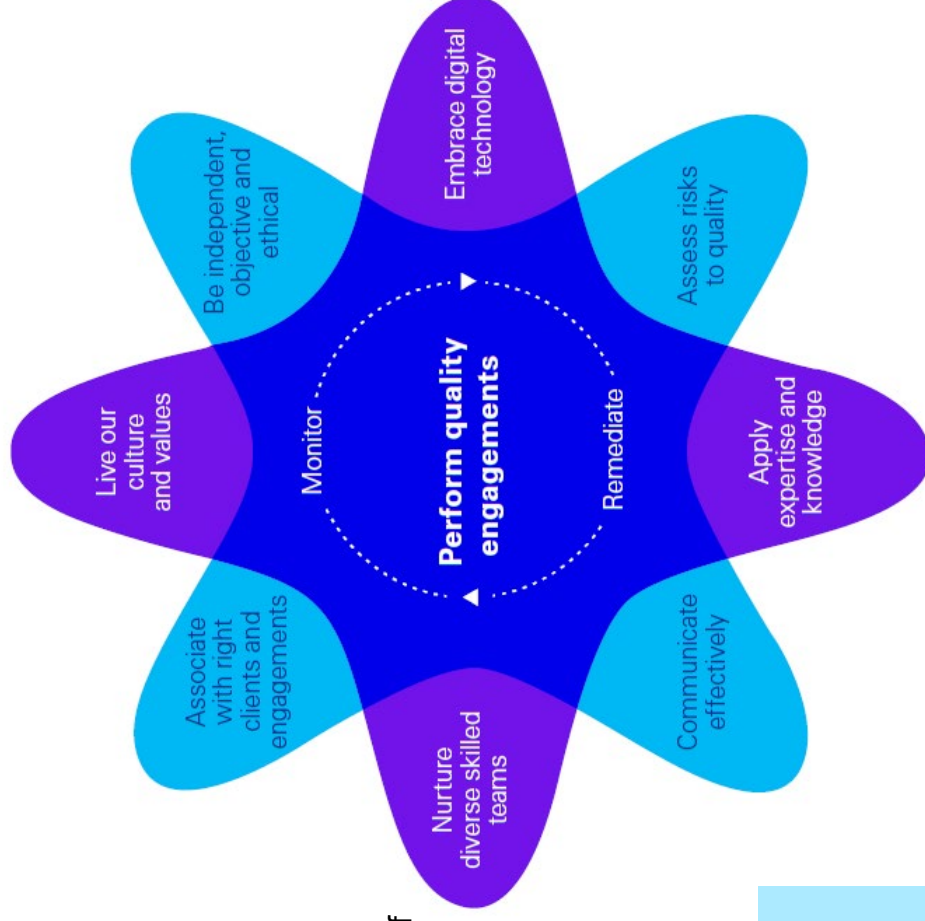
Quality essentially means doing the right thing and remains our highest priority. Our Global Quality Framework outlines how we deliver quality and how every partner and staff member contributes to its delivery.

The drivers outlined in the framework are the ten components of the KPMG System of Quality Management (SoQM). Aligned with ISQM 1/CSQM 1, our SoQM components also meet the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements. Our Transparency Report includes our firm's Statement on the Effectiveness of our SoQM.

 [KPMG 2023 Audit Quality and Transparency Report](#)

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management**; and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics and integrity**.



Doing the right thing. Always.



Appendices

1

Required communications

2

Management representation letter

Appendix 1: Required communications

Draft auditor's report

The conclusion of our audit is set out in our draft auditor's report attached to the draft financial statements.

Audit findings report

Represented by this report.

Management representation letter

In accordance with professional standards, a copy of the management representation letters for the City are included in Appendix 2.

Internal control deficiencies

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting.
We did not identify any new other observations in during the audit.

Independence

In accordance with professional standards, we have confirmed our independence on page 5.



Appendix 2: Management representation letter

(Letterhead of City of Richmond)

MANAGEMENT REPRESENTATION LETTER

KPMG LLP
P.O. Box 10426
777 Dunsmuir Street
Vancouver, BC V5Y 1K3

Date of Council's acceptance of the financial statements

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the City of Richmond (the "City") as at and for the period ended December 31, 2023.

General:

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

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

Responsibilities:

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 26, 2022, including for:
 - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
 - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:
 - the names of all related parties and information regarding all relationships and transactions with related parties; and
 - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.
 - c) providing you with unrestricted access to such relevant information.
 - d) providing you with complete responses to all enquiries made by you during the engagement.
 - e) providing you with additional information that you may request from us for the purpose of the engagement.
 - f) providing you with unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

- h) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

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

Subsequent events:

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

Related parties:

- 5) We have disclosed to you the identity of the City's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.
- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

- 8) The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Going concern:

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.

- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the City's ability to continue as a going concern.

Other information:

- 11) We confirm that the final version of the 2023 annual report will be provided to you when available, and prior to issuance by the City, to enable you to complete your required procedures in accordance with professional standards.

Non-SEC registrants or non-reporting issuers:

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

Employee future benefits:

- 14) The employee future benefits costs, assets and obligation have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 15) The information provided by us to George & Bell Consulting (the "Expert") and used in the work and findings of the Expert are complete and accurate. We agree with the findings of the Expert in evaluating post-employment future benefits and have adequately considered the qualifications of the Expert in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give nor cause any instructions to be given to the Expert with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence and objectivity of the Expert.

Yours very truly,

Serena Lusk, Chief Administrative Officer

Jerry Chong, General Manager, Finance
and Corporate Services

Mike Ching, Director, Finance

Cindy Gilfillan, Manager, Financial Reporting

cc: Richmond City Council

Attachment I – Definitions

Materiality

Certain representations in this letter are described as being limited to matters that are material.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgments about materiality are made in light of surrounding circumstances, and are affected by perception of the needs of, or the characteristics of, the users of the financial statements and the size or nature of a misstatement, or a combination of both while also considering the entity's own circumstances.

Information is obscured if it is communicated in a way that would have a similar effect for users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Fraud & error

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

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

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

Attachment II – Summary of Audit Misstatements Schedules

Summary of Uncorrected Audit Misstatements

There were no uncorrected audit misstatements noted.

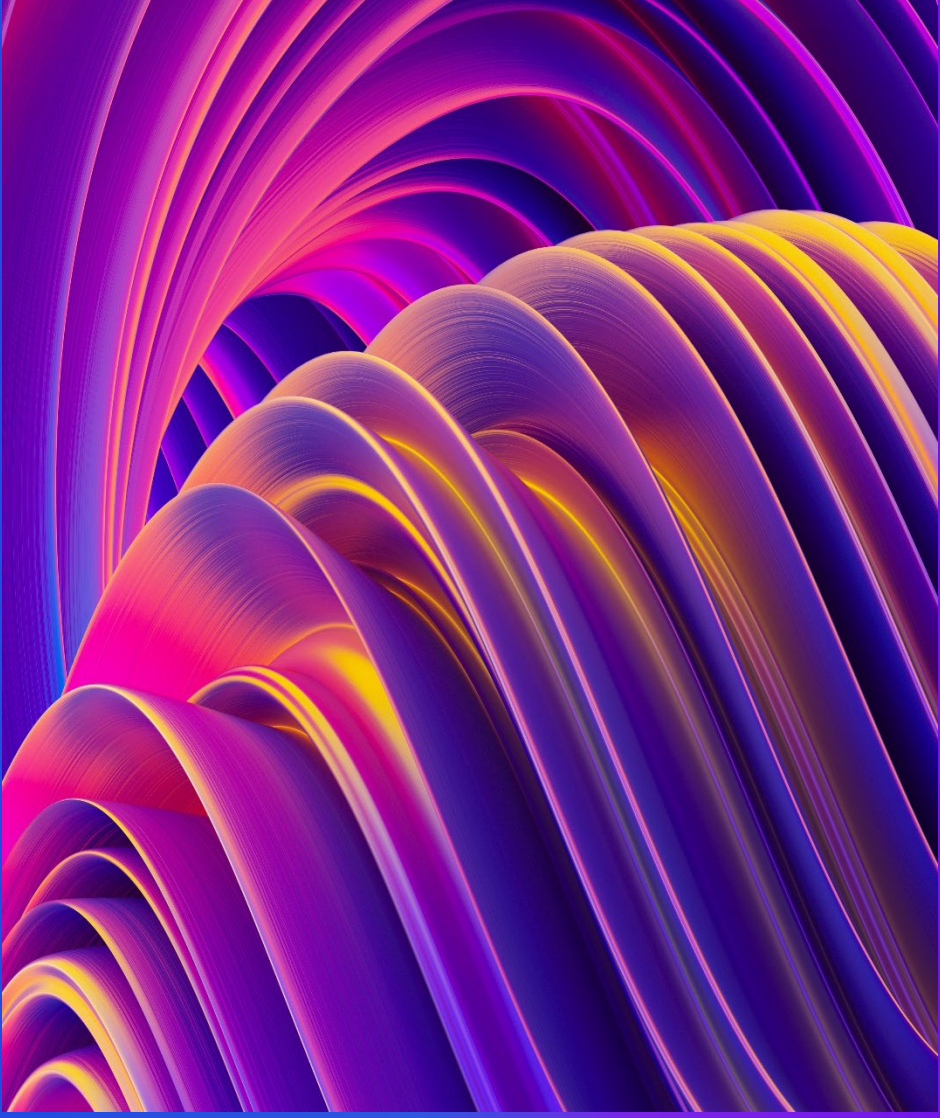
Summary of Corrected Audit Misstatements

There were no corrected audit misstatements noted.



<https://kpmg.com/ca/en/home.html>

© 2024 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.



Consolidated Financial Statements of

CITY OF RICHMOND

And Independent Auditor's Report thereon

Year ended December 31, 2023



KPMG LLP

PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone 604 691 3000
Fax 604 691 3031

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the City of Richmond

Opinion

We have audited the consolidated financial statements of the City of Richmond (the "City"), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2023, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated 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 Financial Statements***" section of our auditor's report.

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the 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.

DRAFT - April 19, 2024

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing as applicable, matters related to 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants

Vancouver, Canada

Date

CITY OF RICHMOND

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

December 31, 2023, with comparative information for 2022

	2023	2022
Financial Assets		
Cash and cash equivalents	\$ 321,479	\$ 654,651
Investments (note 4)	1,380,383	921,493
Investment in Lulu Island Energy Company ("LIEC") (note 5)	37,098	35,028
Accrued interest receivable	26,614	14,676
Accounts receivable (note 6)	36,126	36,013
Taxes receivable	19,474	15,224
Development fees receivable	20,299	43,219
Debt reserve fund - deposits (note 7)	1,468	1,468
	<u>1,842,941</u>	<u>1,721,772</u>
Liabilities		
Accounts payable and accrued liabilities (note 8)	115,127	103,582
Post-employment benefits (note 10)	37,881	38,528
Development cost charges (note 11)	241,634	237,051
Deposits and holdbacks (note 12)	148,738	150,007
Deferred revenue (note 13)	75,357	59,063
Debt, net of sinking fund deposits (note 14)	98,629	107,816
	<u>717,366</u>	<u>696,047</u>
Net financial assets	1,125,575	1,025,725
Non-Financial Assets		
Tangible capital assets (note 15)	2,694,902	2,594,212
Inventory of materials and supplies	6,146	5,405
Prepaid expenses	4,909	3,827
	<u>2,705,957</u>	<u>2,603,444</u>
Accumulated surplus (note 16)	<u>\$ 3,831,532</u>	<u>\$ 3,629,169</u>

Contingent demand notes (note 7)
Contingent assets and contractual rights (note 19)
Commitments and contingencies (note 20)

See accompanying notes to consolidated financial statements.

Approved on behalf of Council:

General Manager, Finance and Corporate Services

CITY OF RICHMOND

Consolidated Statement of Operations
(Expressed in thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (notes 2(p) and 26)	2023	2022
Revenue:			
Taxation and levies (note 22)	\$ 287,052	\$ 288,720	\$ 269,582
Utility fees	133,609	132,951	127,965
Sales of services	48,817	50,737	44,494
Payments-in-lieu of taxes	14,650	18,114	21,314
Provincial and federal contributions	11,656	38,660	12,893
Development cost charges (note 11)	20,323	10,292	22,434
Other capital funding sources	65,698	83,562	51,220
Other revenue:			
Investment income	14,323	61,503	30,250
Gaming revenue	14,500	13,013	12,562
Licenses and permits	12,195	15,934	15,047
Other (note 23)	14,370	25,543	35,206
Equity income in LIEC (note 5)	594	2,070	1,381
	637,787	741,099	644,348
Expenses:			
Community safety	141,538	138,669	127,727
Utilities:			
Water, sewer and sanitation	118,880	113,832	110,490
Engineering, public works and project development	85,795	81,910	89,103
Community services	76,203	71,328	64,955
General government	76,335	72,780	59,492
Planning and development	33,080	29,484	23,890
Richmond Olympic Oval	18,788	19,200	16,844
Richmond Public Library	12,062	11,533	10,565
	562,681	538,736	503,066
Annual surplus	75,106	202,363	141,282
Accumulated surplus, beginning of year	3,629,169	3,629,169	3,487,887
Accumulated surplus, end of year	\$ 3,704,275	\$ 3,831,532	\$ 3,629,169

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

Consolidated Statement of Changes in Net Financial Assets (Expressed in thousands of dollars)

Year ended December 31, 2023, with comparative information for 2022

	2023 Budget (notes 2(p) and 26)	2023	2022
Annual surplus for the year	\$ 75,106	\$ 202,363	\$ 141,282
Acquisition of tangible capital assets	(132,566)	(90,046)	(87,100)
Initial recognition of asset retirement obligation on recognized tangible capital assets	-	(7,081)	-
Contributed tangible capital assets	(48,745)	(75,945)	(41,332)
Amortization of tangible capital assets	70,471	71,938	72,722
Net (gain) loss on disposal of tangible capital assets	-	(2,133)	222
Proceeds on sale of tangible capital assets	-	2,577	543
	(35,734)	101,673	86,337
Acquisition of inventory of materials and supplies	-	(6,146)	(5,405)
Acquisition of prepaid expenses	-	(4,909)	(3,827)
Consumption of inventory of materials and supplies	-	5,405	4,696
Use of prepaid expenses	-	3,827	3,921
Change in net financial assets	(35,734)	99,850	85,722
Net financial assets, beginning of year	1,025,725	1,025,725	940,003
Net financial assets, end of year	\$ 989,991	\$ 1,125,575	\$ 1,025,725

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

Year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 202,363	\$ 141,282
Items not involving cash:		
Amortization of tangible capital assets	71,938	72,722
Accretion of asset retirement obligation	290	-
Initial recognition of asset retirement obligation on unrecognized tangible capital assets	4,522	-
Net (gain) loss on disposal of tangible capital assets	(2,133)	222
Contributions of tangible capital assets	(75,945)	(41,332)
Equity income in LIEC	(2,070)	(1,381)
Changes in non-cash operating working capital:		
Accrued interest receivable	(11,938)	(5,744)
Accounts receivable	(113)	(6,358)
Taxes receivable	(4,250)	(1,067)
Development fees receivable	22,920	(30,794)
Debt reserve fund	-	(960)
Inventory of materials and supplies	(741)	(709)
Prepaid expenses	(1,082)	94
Accounts payable and accrued liabilities	(348)	17,642
Post-employment benefits	(647)	498
Development cost charges	4,583	12,396
Deposits and holdbacks	(1,269)	43,966
Deferred revenue	16,294	2,877
Net change in cash from operating activities	222,374	203,354
Capital activities:		
Cash used to acquire tangible capital assets	(90,046)	(87,100)
Proceeds on disposal of tangible capital assets	2,577	543
Net change in cash from capital activities	(87,469)	(86,557)
Financing activities:		
Proceeds from issuance of debt	-	96,000
Repayments of debt	(9,187)	(5,570)
Net change in cash from financing activities	(9,187)	90,430
Investing activities:		
Purchase of investments	(458,890)	(224,607)
Decrease in cash and cash equivalents	(333,172)	(17,380)
Cash and cash equivalents, beginning of year	654,651	672,031
Cash and cash equivalents, end of year	\$ 321,479	\$ 654,651
Non-cash transactions, related to asset retirement obligations:		
Tangible capital asset additions	\$ 7,081	\$ -

See accompanying notes to consolidated financial statements.

DRAFT - April 19, 2024

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

1. Operations:

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

2. Significant accounting policies:

These consolidated financial statements of the City have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

(a) Basis of consolidation:

These consolidated financial statements reflect a combination of the City's General Revenue, General Capital and Loan, Waterworks and Sewerworks, and Reserve Funds consolidated with the Richmond Public Library (the "Library") and the Richmond Olympic Oval Corporation (the "Oval"). The Library is consolidated as the Library Board is appointed by the City. The Oval is consolidated as they are a wholly-owned municipal corporation of the City. Interfund and inter-entity transactions, fund balances and activities have been eliminated on consolidation. The City's investment in Lulu Island Energy Company ("LIEC"), a wholly-owned government business enterprise ("GBE"), is accounted for using the modified equity method.

(i) General Revenue Fund:

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

(ii) General Capital and Loan Fund:

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

(iii) Waterworks and Sewerworks Funds:

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

(iv) Reserve Funds:

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

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(b) Basis of accounting:

The City follows the accrual method of accounting for revenue and expenses. Revenue is recognized in the year in which it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

(c) Government transfers:

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

(d) Financial Instruments:

Financial instruments include cash and cash equivalents, investments, accounts receivables, development fees receivables, accounts payable and accrued liabilities and debt.

Financial instruments are recorded at fair value on initial recognition. Equity instruments quoted in an active market and derivatives are subsequently measured at fair value as at the reporting date. All other financial instruments are subsequently recorded at cost or amortized cost unless management elects to carry the financial instrument at fair value. The City has not elected to carry any other financial instruments at fair value.

Unrealized changes in fair value are recognized in the Consolidated Statement of Remeasurement Gains and Losses. They are recorded in the Consolidated Statement of Operations when they are realized. There are no unrealized changes in fair value as at December 31, 2023 and December 31, 2022. As a result, the City does not have a Consolidated Statement of Remeasurement Gains and Losses.

Transaction costs incurred on the acquisition of financial instruments recorded at cost and are expensed as incurred.

Sales and purchases of investments are recorded on the trade date.

Accounts receivables, investments, accounts payable and accrued liabilities, and debt are measured at amortized cost using the effective interest rate method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Consolidated Statement of Operations.

(e) Cash and cash equivalents:

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

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(f) Investment in government business enterprises:

Government business enterprises are recorded using the modified equity method of accounting. The City's investment in the GBE is recorded as the value of the GBE's shareholder's equity. The investment's income or loss is recognized by the City when it is earned by the GBE. Inter-organizational transactions and balances are not eliminated, except for any gains or losses on assets remaining within the City.

(g) Accounts receivable:

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

(h) Development cost charges:

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

(i) Post-employment benefits:

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

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

(j) Non-financial assets:

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

(i) Tangible capital assets:

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

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(i) Tangible capital assets (continued):

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

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

(ii) Contributions of tangible capital assets:

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

(iii) Natural resources, works of art, and cultural and historic assets:

Natural resources, works of art, and cultural and historic assets are not recorded as assets in the consolidated financial statements.

(iv) Interest capitalization:

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

(v) Labour capitalization:

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

(vi) Leased tangible capital assets:

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

(vii) Impairment of tangible capital assets:

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

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(viii) Inventory of materials and supplies:

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

(k) Revenue recognition:

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

(l) Taxes:

The City establishes property tax rates based on assessed market values provided by the British Columbia Assessment Authority. Market values are determined as of July 1st of each year. The City records taxation revenue at the time the property tax bills are issued. The City is entitled to collect interest and penalties on overdue taxes.

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

Payments in Lieu of Taxes ("PILT") for federal properties are calculated on the basis of values and rates which would apply if these properties were taxable. The annual tax rates together with the assessed value on the Grant Roll are used to calculate the PILT levy. The PILT revenue is recorded when the payment is received.

(m) Deferred revenue:

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

Deferred revenue also represents funds received from external parties for specified purposes. This revenue is recognized in the period in which the related expenses are incurred.

(n) Deposits:

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

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(o) Debt:

Debt is recorded net of related sinking fund balances.

(p) Budget information:

Budget information, presented on a basis consistent with that used for actual results, was included in the City's Consolidated 5 Year Financial Plan (2023-2027) ("Consolidated Financial Plan") and was adopted through Bylaw No. 10429 on January 30, 2023.

(q) Contaminated sites:

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

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

(i) An environmental standard exists;

(ii) Contamination exceeds the environmental standard;

(iii) The City is directly responsible or accepts responsibility;

(iv) It is expected that future economic benefits will be given up; and

(v) A reasonable estimate of the amount can be made.

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

(r) Use of accounting estimates:

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

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

2. Significant accounting policies (continued):

(s) Segment disclosures:

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

(t) Asset retirement obligations:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and,
- A reasonable estimate of the amount can be made.

The liability is initially recorded at the best estimate of the expenditures required to retire a tangible capital asset, and the resulting costs are capitalized as part of the carrying amount of the related tangible capital asset if the asset is recognized and in productive use. This liability is subsequently reviewed at each financial reporting date and adjusted for any revisions to the timing or amount required to settle the obligation. The changes in the liability for the passage of time are recorded as accretion expense in the Consolidated Statement of Operations and all other changes are adjusted to the tangible capital asset. The cost is amortized over the useful life of the tangible capital asset (Note 2 (j)(i)). If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

Recoveries related to asset retirement obligations are recognized when the recovery can be appropriately measured, a reasonable estimate of the amount can be made and it is expected that future economic benefits will be obtained. A recovery is recognized on a gross basis from the asset retirement obligations liability.

3. Adoption of new accounting standards:

(a) PS 3280 Asset Retirement Obligations:

On January 1, 2023, the City adopted Canadian public sector accounting standard PS 3280 Asset Retirement Obligations ("PS 3280"). The standard requires the reporting of legal obligations associated with the retirement of tangible capital assets by public sector entities.

The City has adopted this standard on a prospective basis.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

3. Adoption of new accounting standards (continued):

(b) PS 3450 Financial Instruments and related standards:

On January 1, 2023, the City adopted Canadian public sector accounting standard PS 3450 Financial Instruments, PS 2601 Foreign Currency Translation, PS 1201 Financial Statement Presentation and PS 3041 Portfolio Investments. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450 Financial Instruments, all financial instruments are included on the Consolidated Statement of Financial Position and are measured at either fair value or amortized cost based on the characteristics of the instrument and the City's accounting policy choices (see note 2(d)).

The adoption of these standards did not have any impact on the amounts presented in these consolidated financial statements.

4. Investments:

	2023		2022	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 443,418	\$ 443,418	\$ 379,378	\$ 379,378
Government and government guaranteed bonds	599,013	595,015	361,297	350,352
Bank bonds	325,486	328,578	180,818	175,405
Municipal Finance Authority bonds	12,466	12,722	-	-
	\$ 1,380,383	\$ 1,379,733	\$ 921,493	\$ 905,135

5. Investment in Lulu Island Energy Company Ltd.:

The City owns 100% of the issued and outstanding shares of LIEC, which was incorporated under the British Columbia Business Corporations Act on August 19, 2013. LIEC develops, manages and operates district energy utilities in the city of Richmond, on the City's behalf, including but not limited to energy production, generation or exchange, transmission, distribution, maintenance, marketing and sales to customers, customer service, profit generation, financial management and advisory services for energy and infrastructure.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

5. Investment in Lulu Island Energy Company Ltd. (continued):

Summarized financial information relating to LIEC is as follows:

	2023	2022
Cash, cash equivalents, and investments	\$ 14,527	\$ 15,516
Accounts receivable	4,793	2,241
Tangible capital assets	53,741	45,745
Total assets	73,061	63,502
Accounts payable and accrued liabilities	1,849	3,853
Government grants	403	241
Deferred contributions	19,236	13,018
Project agreement/concession liability	14,475	11,362
Total liabilities	35,963	28,474
Shareholder's equity	\$ 37,098	\$ 35,028
Total revenue	\$ 8,570	\$ 7,608
Total expenses	6,500	6,227
Net income	\$ 2,070	\$ 1,381

Included in accounts payable and accrued liabilities in the City's consolidated statement of financial position are payables to LIEC in the amount of \$165,059 (2022 - \$152,937).

On October 30, 2014, LIEC and Corix Utilities Inc. ("Corix") entered into a 30-year Concession agreement (the "Concession Agreement"), where Corix will design, construct, finance, operate and maintain the infrastructure for the district energy utility at the Oval Village community (the "OVDEU project"). On September 22, 2022, the LIEC terminated the Concession Agreement after the Company entered into a new project agreement (the "Project Agreement") with Project Contractor, a wholly-owned subsidiary of Corix to design, build, finance, operate and maintain City Centre District Energy Utility infrastructure providing heating and cooling services to new residential and mixed use commercial developments within the City Centre area (the "CCDEU project"). The existing OVDEU project has been transferred into the CCDEU project, and the OVDEU plant and equipment, financing and operations are now executed by the Project Contractor under the Project Agreement.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

6. Accounts receivable:

	2023	2022
Water and sewer utilities	\$ 15,429	\$ 14,760
Casino revenue	2,940	3,363
Capital grants	8,416	9,536
Other trade receivables	9,341	8,354
	<u>\$ 36,126</u>	<u>\$ 36,013</u>

7. Debt reserve fund deposits and contingent demand notes:

The City issues its debt instruments through the Municipal Finance Authority (the "MFA"). As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA in a Debt Reserve Fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the MFA. These demand notes are contingent in nature and are not reflected in the City's accounts. The details of the cash deposits and contingent demand notes at December 31, 2023 are as follows:

	Cash deposits	Contingent demand notes
General Revenue Fund	\$ 1,468	\$ 1,468

8. Accounts payable and accrued liabilities:

	2023	2022
Trade and other accrued liabilities	\$ 103,234	\$ 103,582
Asset retirement obligations (note 9)	11,893	-
	<u>\$ 115,127</u>	<u>\$ 103,582</u>

9. Asset retirement obligations:

The City has recognized liabilities related to the legal obligations to incur costs to retire a tangible capital asset. A significant part of City's asset retirement obligations results from the removal and disposal of designated materials from buildings and fuel tanks. The measurement of the liability for asset retirement obligations is impacted by new information about activities required to settle the liability, the activities that settled all or part of the obligation, and any changes in the legal obligation. To estimate the liability for the removal and disposal of designated materials in City buildings and fuel tanks, assessment reports are used with experience and expert advice to determine the costs of retiring the material. For assets without an assessment, an estimate is based on the cost for similar assets until more asset specific data is available.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

9. Asset retirement obligations (continued):

The estimated liability consists of costs relating to tangible capital assets that are both recognized and unrecognized. Where the tangible capital asset is recognized and in productive use, the associated asset retirement obligation is amortized over the estimated remaining useful life of the asset. Where the tangible capital asset is unrecognized, as in the case of building lease arrangements which contain clauses that obligate the City with asset retirement obligations, or where the asset is a component of a greater tangible capital asset, such as fuel tanks, the obligation is expensed. The City estimates that the majority of the obligations will be paid during fiscal years 2048 to 2073.

	Initial recognition January 1, 2023	Accretion expense	Balance December 31, 2023
Recognized tangible capital assets	\$ 7,081	\$ 290	\$ 7,371
Unrecognized tangible capital assets	4,522	-	4,522
	\$ 11,603	\$ 290	\$ 11,893

When significant obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows, otherwise they are recorded at current costs. The discount rate used reflects the risks specific to the asset retirement liability. The discount rate used for 2023 is 4.10 per cent. There are no liabilities recorded using the present value of future cash flows at December 31, 2023.

10. Post-employment benefits:

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

	2023	2022
Accrued benefit obligation, beginning of year	\$ 33,637	\$ 36,150
Opening adjustment due to Oval actuarial valuation Jan 1 st , 2023	207	-
Current service cost	2,434	2,780
Interest cost	1,528	917
Past service (credit) / cost	(494)	21
Benefits paid	(3,786)	(2,976)
Actuarial loss / (gain)	1,287	(3,255)
Accrued benefit obligation, end of year	\$ 34,813	\$ 33,637

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2023. This actuarial gain is being amortized over a period equal to the employees' expected average remaining service lifetime of 11-years.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

10. Post-employment benefits (continued):

	2023	2022
Accrued benefit obligation, end of year	\$ 34,813	\$ 33,637
Unamortized net actuarial gain	3,068	4,891
Accrued benefit liability, end of year	\$ 37,881	\$ 38,528

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

	2023	2022
Discount rate	4.10%	4.40%
Expected future inflation rate	2.50%	2.50%
Expected wage and salary range increases	2.50% to 3.00%	2.50% to 3.00%

11. Development cost charges:

	2023	2022
Balance, beginning of year	\$ 237,051	\$ 224,655
Contributions	4,342	30,053
Interest	10,533	4,777
Revenue recognized	(10,292)	(22,434)
Balance, end of year	\$ 241,634	\$ 237,051

12. Deposits and holdbacks:

	Balance December 31, 2022	Deposit contributions / interest earned	Refund/ expenditures	Balance December 31, 2023
Security deposits	\$ 126,281	\$ 10,527	\$ (11,095)	\$ 125,713
Developer contributions	7,919	-	-	7,919
Damage deposits	7,143	830	(1,315)	6,658
Contract holdbacks	4,789	2,415	(2,437)	4,767
Other	3,875	620	(814)	3,681
	\$ 150,007	\$ 14,392	\$ (15,661)	\$ 148,738

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

13. Deferred revenue:

	Balance December 31, 2022	Externally restricted inflows	Revenue earned	Balance December 31, 2023
Taxes and utilities	\$ 26,231	\$ 30,008	\$ (26,231)	\$ 30,008
Building permits/development	17,119	5,474	(7,511)	15,082
Oval	3,121	1,650	(1,958)	2,813
Capital grants	3,011	25,062	(11,464)	16,609
Business licenses	2,681	2,239	(2,307)	2,613
Parking easement/leased land	2,428	108	(56)	2,480
Other	4,472	6,863	(5,583)	5,752
	\$ 59,063	\$ 71,404	\$ (55,110)	\$ 75,357

14. Debt, net of MFA sinking fund deposits:

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

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

MFA issue	Loan authorization bylaw	Gross amount borrowed	Repayments and actuarial adjustments	Net debt 2023	Net debt 2022
127	9075	\$ 50,815	\$ 44,791	\$ 6,024	\$ 11,816
158	10334	96,000	3,395	92,605	96,000
		\$ 146,815	\$ 48,186	\$ 98,629	\$ 107,816

Current borrowing includes:

MFA issue	Issue date	Term (yrs.)	Maturity date	Interest rate	Refinancing date
127	April 7, 2014	10	April 7, 2024	3.30%	-
158	September 23, 2022	20	September 23, 2042	4.09%	September 23, 2032

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

14. Debt, net of MFA sinking fund deposits (continued):

Interest expense incurred for the year on the long-term debt was \$5,594,469 (2022 - \$2,750,689).

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

2024	\$	9,538
2025		3,636
2026		3,764
2027		3,895
2028		4,032
Thereafter		73,764
	\$	98,629

15. Tangible capital assets:

Cost	Balance December 31, 2022	Additions and transfers	Disposals	Balance December 31, 2023
Land	\$ 1,121,481	\$ 70,368	\$ (2)	\$ 1,191,847
Building and building improvements	595,611	29,499	(3,367)	621,743
Infrastructure	1,951,176	55,961	(4,382)	2,002,755
Vehicles, machinery and equipment	176,948	13,559	(5,887)	184,620
Library's collections, furniture and equipment	11,126	1,321	(478)	11,969
Assets under construction	63,372	2,364	-	65,736
	\$ 3,919,714	\$ 173,072	\$ (14,116)	\$ 4,078,670

Accumulated amortization	Balance December 31, 2022	Disposals	Amortization expense	Balance December 31, 2023
Building and building improvements	\$ 246,225	\$ (3,088)	\$ 22,177	\$ 265,314
Infrastructure	951,155	(4,315)	38,080	984,920
Vehicles, machinery and equipment	120,150	(5,791)	10,780	125,139
Library's collections, furniture and equipment	7,972	(478)	901	8,395
	\$ 1,325,502	\$ (13,672)	\$ 71,938	\$ 1,383,768

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

15. Tangible capital assets (continued):

Net book value	December 31, 2023	December 31, 2022
Land	\$ 1,191,847	\$ 1,121,481
Buildings and building improvements	356,429	349,386
Infrastructure	1,017,835	1,000,021
Vehicles, machinery and equipment	59,481	56,798
Library's collection, furniture and equipment	3,574	3,154
Assets under construction	65,736	63,372
Balance, end of year	\$ 2,694,902	\$ 2,594,212

(a) Assets under construction:

Assets under construction having a value of \$65,735,570 (2022 - \$63,371,507) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution and recorded in other capital funding revenue on the statement of operations. The value of contributed assets received during the year is \$75,944,770 (2022 - \$41,331,921) comprised of land in the amount of \$58,306,673 (2022 - \$30,863,846), infrastructure in the amount of \$17,638,097 (2022 - \$5,123,075), buildings in the amount of \$nil (2022 - \$5,345,000).

(c) Tangible capital assets disclosed at nominal values:

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

(d) Works of art and historical treasures:

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

(e) Write-down of tangible capital assets:

There were no write-down of tangible capital assets in 2023 (2022 - nil).

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

16. Accumulated surplus:

	General and Reserve Fund	Waterworks Utility Fund	Sewerworks Utility Fund	Richmond Olympic Oval	Library	2023 Total	2022 Total
Investment in tangible capital assets	\$ 2,675,638	\$ -	\$ -	\$ 8,503	\$ 3,719	\$ 2,687,860	\$ 2,581,249
Reserves (note 17)	707,871	42,064	28,189	11,586	-	789,710	703,184
Appropriated surplus	252,076	18,184	11,245	775	3,694	285,974	280,562
Investment in LIEC	37,098	-	-	-	-	37,098	35,028
Surplus	16,225	906	6,621	607	571	24,930	23,900
Other equity	5,960	-	-	-	-	5,960	5,246
Balance, end of year	\$ 3,694,868	\$ 61,154	\$ 46,055	\$ 21,471	\$ 7,984	\$ 3,831,532	\$ 3,629,169

17. Reserves:

	Balance, December 31, 2022	Change during year	Balance, December 31, 2023
Affordable housing	\$ 15,427	\$ 1,497	\$ 16,924
Arts, culture and heritage	3,573	553	4,126
Capital building and infrastructure	129,625	16,277	145,902
Capital reserve	263,825	24,136	287,961
Capstan station	14,582	427	15,009
Child care development	10,169	697	10,866
Community legacy and land replacement	1,545	126	1,671
Drainage improvement BL 7812	59,740	(7,332)	52,408
Flood protection BL 10403	-	13,311	13,311
Equipment replacement	26,888	3,006	29,894
Growing communities fund	-	21,067	21,067
Hamilton area plan community amenity	3,605	162	3,767
Leisure facilities	27,768	1,291	29,059
Local improvements	7,760	349	8,109
Neighborhood improvement	8,588	565	9,153
Oval	9,846	1,740	11,586
Public art program	4,828	159	4,987
Sanitary sewer BL 7812	53,518	(1,560)	51,958
Sanitary sewer BL10401	-	6,181	6,181
Steveston off-street parking	339	15	354
Steveston road ends	147	(4)	143
Waterfront improvement	181	6	187
Watermain replacement BL 7812	61,230	(5,606)	55,624
Water supply BL10402	-	9,463	9,463
	\$ 703,184	\$ 86,526	\$ 789,710

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

18. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2022, the plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 contributors from local governments.

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

The most recent valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The next valuation will be as at December 31, 2024, with results available in 2025.

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

The City paid \$14,904,749 (2022 - \$13,914,367) for employer contributions while employees contributed \$12,439,772 (2022 - \$12,078,813) to the plan in fiscal 2023.

19. Contingent assets and contractual rights:

(a) Contingent assets:

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the City's control occurs or fails to occur.

The City has legal claims, service agreements, and land dedications that may qualify as contingent assets. Amounts cannot be estimated as of December 31, 2023. Contingent assets are not recorded in the consolidated financial statements.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

19. Contingent assets and contractual rights (continued):

(b) Contractual rights:

The City has entered into contracts or agreements in the normal course of operations that it expects will result in revenue and assets in future fiscal years. The City's contractual rights are comprised of leases, licenses, grants and various other agreements, including the provision of police services with the Vancouver Airport Authority. The following table summarizes the expected revenue from the City's contractual rights:

2024	\$ 32,980
2025	2,701
2026	1,493
2027	1,432
2028	1,381
Thereafter	4,871

The City is entitled to receive revenue from certain other agreements. The revenue from these agreements cannot be quantified and has not been included in the amounts noted above.

20. Commitments and contingencies:

(a) Joint and several liabilities:

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

(b) Lease payments:

The City is committed to operating lease payments for premises and equipment in the following approximate amounts:

2024	\$ 4,334
2025	3,040
2026	2,737
2027	953
2028 and thereafter	5,061

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

20. Commitments and contingencies (continued):

(c) Litigation:

As at December 31, 2023, there were a number of claims or risk exposures in various stages of resolution. The City has made no specific provision for those where the outcome is presently not determinable.

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

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

(e) Contractual obligation:

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

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

The City is a shareholder of the E-Comm whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City has 2 Class A shares and 1 Class B share (of a total of 37 Class A and 18 Class B shares issued and outstanding as at December 31, 2023). As a Class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.

(g) Community associations:

The City has agreements with the various community associations which operate the community centers throughout the City. The City generally provides the buildings and grounds, pays the operating costs of the facilities, and provides certain staff and other services such as information technology. Typically the community associations are responsible for providing programming and services to the community. The community associations retain all revenue which they receive.

21. Trust funds:

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

	2023	2022
Richmond Community Associations	\$ 724	\$ 696

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

22. Taxation and levies:

	2023	2022
Taxes collected:		
Property taxes	\$ 572,078	\$ 524,934
Payment-in-lieu of taxes and grants	31,496	37,860
Local improvement levies	76	84
	<u>603,650</u>	<u>562,878</u>
Less transfers to other authorities:		
Province of British Columbia - School taxes	(230,746)	(210,071)
TransLink	(48,562)	(45,904)
Metro Vancouver	(10,197)	(9,116)
BC Assessment Authority	(7,270)	(6,741)
Sewer debt collect via payment in lieu of taxes	-	(114)
Other	(41)	(36)
	<u>(296,816)</u>	<u>(271,982)</u>
Less payment-in-lieu of taxes retained by the City	(18,114)	(21,314)
	<u>\$ 288,720</u>	<u>\$ 269,582</u>

23. Other revenue:

	2023	2022
Developer contributions	\$ 3,102	\$ 14,957
Tangible capital assets gain on sale of land	2,497	260
Penalties and fines	5,080	6,382
Parking program	2,335	1,781
Recycle BC	3,274	3,083
Oval - Other revenue	2,987	1,557
Other	6,268	7,186
	<u>\$ 25,543</u>	<u>\$ 35,206</u>

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

24. Government transfers:

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

	2023	2022
Operating:		
Province of British Columbia	\$ 19,935	\$ 19,273
TransLink	4,008	3,891
Government of Canada	7,355	2,291
Capital:		
Province of British Columbia	24,023	8,619
TransLink	2,101	885
Government of Canada	1,566	1,410
	\$ 58,988	\$ 36,369

25. Segmented reporting:

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

- (a) **Community Safety** brings together the City's public safety providers such as Police (RCMP), Fire-Rescue, Emergency Programs, and Community Bylaws. It is responsible for ensuring safe communities by providing protection services with a focus on law enforcement, crime prevention, emergency response, and protection of life and properties.
- (b) **Utilities** provide such services as planning, designing, constructing, operating, and maintaining the City's infrastructure of water, sewer, drainage and diking networks and sanitation and recycling.
- (c) **Engineering, Public Works and Project Development** comprises of General Public Works, Roads and Construction, Storm Drainage, Fleet Operations, Engineering, Project Development, Sustainability and Facility Management. The services provided are construction and maintenance of the City's infrastructure and all City owned buildings, maintenance of the City's road networks, managing and operating a mixed fleet of vehicles, heavy equipment and an assortment of specialized work units for the City operations, development of current and long-range engineering planning and construction of major projects.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

25. Segmented reporting (continued):

- (d) **Community Services** comprises of Parks, Recreation, Arts, and Culture and Heritage Services. These departments ensure recreation opportunities in Richmond by maintaining a variety of facilities such as arenas, community centres, pools, etc. It designs, constructs and maintains parks and sports fields to ensure there is adequate open green space and sports fields available for Richmond residents. It also addresses the economic, arts, culture, and community issues that the City encounters.
- (e) **General Government** comprises of Mayor and Council, Corporate Administration, Law and Legislative Services and Finance and Corporate Services. It is responsible for adopting bylaws, effectively administering city operations, levying taxes, legal services, providing sound management of human resources, information technology, finance, and ensuring high quality services to Richmond residents.
- (f) **Planning and Development** is responsible for land use plans, developing bylaws and policies for sustainable development in the City including the City's transportation systems, and community social development.
- (g) **Richmond Olympic Oval Corporation** is formed as a wholly owned subsidiary of the City. The City uses the Richmond Olympic Oval facility as a venue for a wide range of sports, business and community activities.
- (h) **Richmond Public Library** provides public access to information by maintaining 5 branches throughout the City.

	Community safety	Utilities	Engineering public works and project development	Community services	General government	Planning and development	Total city subtotal
Revenue:							
Taxation and levies	\$ -	\$ -	\$ -	\$ -	\$ 288,720	\$ -	\$ 288,720
User fees	-	114,975	17,976	-	-	-	132,951
Sales of services	8,528	3,228	2,099	12,669	11,653	2,333	40,510
Payments-in-lieu of taxes	-	-	-	-	18,114	-	18,114
Provincial and federal grants	770	15	4,114	513	24,103	3,871	33,386
Development cost charges	-	122	782	4,836	693	3,859	10,292
Other capital funding sources	(131)	1,456	13,736	5,216	58,307	4,978	83,562
Other revenue:							
Investment income	-	305	-	-	61,175	-	61,480
Gaming revenue	855	-	-	-	12,158	-	13,013
Licenses and permits	5,053	49	101	-	16	10,715	15,934
Other	2,613	4,542	1,057	752	(1,451)	199	7,712
Equity income	-	-	-	-	2,070	-	2,070
	17,688	124,692	39,865	23,986	475,558	25,955	707,744
Expenses:							
Wages and salaries	57,564	16,187	29,039	38,662	34,562	15,397	191,411
Public works maintenance	27	7,634	7,081	2,281	(1,462)	485	16,046
Contract services	73,540	10,670	6,559	3,693	5,523	2,226	102,211
Supplies and materials	3,052	38,909	1,773	12,708	13,632	4,763	74,837
Interest and finance	121	31,180	6	155	7,956	1	39,419
Transfer from (to) capital for tangible capital assets	983	275	5,639	2,442	2,422	2,629	14,390
Amortization of tangible capital assets	3,288	8,956	31,796	11,272	10,048	3,948	69,308
Loss (gain) on disposal of tangible capital assets	94	21	17	115	99	35	381
	138,669	113,832	81,910	71,328	72,780	29,484	508,003
Annual surplus (deficit)	\$ (120,981)	\$ 10,860	\$ (42,045)	\$ (47,342)	\$ 402,778	\$ (3,529)	\$ 199,741

DRAFT - April 19, 2024

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

25. Segmented reporting (continued):

	Total City subtotal	Richmond Public Library	Richmond Olympic Oval	2023 Consolidated	2022 Consolidated
Revenue:					
Taxation and levies	\$ 288,720	\$ -	\$ -	\$ 288,720	\$ 269,582
User fees	132,951	-	-	132,951	127,965
Sales of services	40,510	76	10,151	50,737	44,494
Payments-in-lieu of taxes	18,114	-	-	18,114	21,314
Provincial and federal grants	33,386	1,138	4,136	38,660	12,893
Development cost charges	10,292	-	-	10,292	22,434
Other capital funding sources	83,562	-	-	83,562	51,220
Other revenue:					
Investment income	61,480	23	-	61,503	30,250
Gaming revenue	13,013	-	-	13,013	12,562
Licenses and permits	15,934	-	-	15,934	15,047
Other	7,712	10,941	6,890	25,543	35,206
Equity income	2,070	-	-	2,070	1,381
	707,744	12,178	21,177	741,099	644,348
Expenses:					
Wages and salaries	191,411	8,181	12,045	211,637	195,616
Public works maintenance	16,046	41	-	16,087	14,390
Contract services	102,211	498	-	102,709	93,463
Supplies and materials	74,837	2,467	5,426	82,730	73,847
Interest and finance	39,419	4	-	39,423	31,340
Transfer from (to) capital for tangible capital assets	14,390	(542)	-	13,848	21,206
Amortization of tangible capital assets	69,308	901	1,729	71,938	72,722
Loss (gain) on disposal of tangible capital assets	381	(17)	-	364	482
	508,003	11,533	19,200	538,736	503,066
Annual surplus (deficit)	\$ 199,741	\$ 645	\$ 1,977	\$ 202,363	\$ 141,282

26. Budget data:

The budget data presented in these consolidated financial statements is based on the Consolidated 5 Year Financial Plan adopted by Council on January 30, 2023. The table below reconciles the adopted Consolidated 5 Year Financial Plan to the budget amounts reported in these consolidated financial statements. Richmond Public Library Board approved additional expenditures funded by the Library's surplus, which were not included in the original consolidated financial plan, but were subsequently added to the Consolidated 5 Year Financial Plan Amendment Bylaw adopted by Council on October 23, 2023.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

26. Budget data (continued):

	Financial plan Bylaw No. 10429	Financial statement budget
Revenue from Consolidated financial plan	\$ 639,287	-
Less :		
Amount reclassified to expenses	(1,500)	-
Revenue budget after adjustments	637,787	637,787
Expenses from Consolidated financial plan	563,487	-
Add:		
Amount reclassified from revenue	(1,500)	-
Richmond Public Library Board approved expenses funded by Library Surplus	694	-
Expense budget after adjustments	562,681	562,681
Annual surplus	75,106	75,106
Less:		
Acquisition of tangible capital assets	(352,842)	-
Contributed tangible capital assets	(48,745)	-
Transfer to reserves	(81,863)	-
Debt principal	(9,187)	-
Add:		
Capital funding	401,221	-
Operating reserve funding	8,391	-
Transfer from surplus	7,225	-
Transfer from Library surplus	694	-
Annual surplus	\$ -	\$ 75,106

27. Financial risk management:

The City has exposure to certain risks from its financial instruments:

(a) Credit risk:

Credit risk is the risk of economic loss should the counterparty to a transaction default or otherwise fail to meet its obligation. The City is exposed to credit risk through its cash and cash equivalent and accounts receivables. The maximum exposure to credit risk on these instruments is their carrying value.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

27. Financial risk management (continued):

(a) Credit risk (continued):

Credit risk associated with cash and cash equivalent is minimized by ensuring that these assets are held at financial institutions with a high credit quality. The City has deposited cash with reputable financial institutions, from which management believes the risk of loss to be remote.

The City assess, on a continuous basis, accounts receivables and provides for any amounts that are not collectible.

(b) Market risk:

Market risk is the risk that changes in market prices, as a result of changes in foreign exchange rates or interest rate will affect the City's value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return on investments.

(i) Interest rate risk:

Interest rate risk relates to the risk that changes in interest rates will affect the fair value or future cash flows of financial instruments held by the City. There is no interest rate risk regarding the City's short terms notes and deposits, government guaranteed bonds, bank guaranteed bonds and Municipal Finance Authority bonds.

The City exposed to interest rate risk related to its long-term debt issued by the Municipal Finance Authority which is subject to fixed interest rate. Fluctuations in rates could impact future payments upon renewal.

(ii) Currency risk:

Investments in foreign securities are exposed to currency risk due to fluctuations in foreign exchange rates. The City does not hold investments in foreign currencies.

(c) Liquidity risk:

Liquidity risk is the risk that the City will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The City manages its liquidity risk by monitoring its operating and capital requirements. The City prepares budget and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations.

There has been no significant change to the risk exposure from 2022.

28. Comparative information:

Certain comparative information has been reclassified to conform to the consolidated financial statement presentation adopted for the current year. These reclassifications do not impact the annual surplus reported in the prior year or accumulated surplus.

CITY OF RICHMOND

Unaudited Statement of Growing Communities Fund

(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2023

In 2023, the Provincial Government announced funding of up to \$1 billion in direct grants provided to local governments to help support all B.C. communities. The objective of this funding is to help local government to invest into infrastructure and amenities that will help facilitate the increase in housing supply throughout the community. In 2023, the City received a Growing Communities Grant of \$20.3 million. A requirement of the Growing Communities Fund is to include a schedule to the financial statements presenting the amount of funding received, use of funds, and year-end balance of unused funds. A schedule will continue to be reported annually until funds are fully drawn down.

	2023
Growing Communities Fund received	\$ 20,354
Total eligible costs incurred	-
Interest earned	713
Balance December 31, 2023	\$ 21,067

2023 | City of Richmond

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

Prepared by Management

To be read in conjunction with the 2023
Financial Statements





Table of Contents

Contents

INTRODUCTION	1
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
FINANCIAL ASSETS.....	3
LIABILITIES	5
NON-FINANCIAL ASSETS.....	8
ACCUMULATED SURPLUS	10
CONSOLIDATED STATEMENT OF OPERATIONS	12
REVENUES	13
EXPENSES	17
ANNUAL SURPLUS	20
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS	21
CONSOLIDATED STATEMENT OF CASH FLOWS.....	22
RATIO ANALYSIS	23
ENVIRONMENTAL ANALYSIS.....	26
STRATEGIC PLANS.....	27
ENVIRONMENT	29
SERVICES.....	31
CONCLUSION	32

Introduction

The *Community Charter* requires that annual audited financial statements be prepared and presented to Council. The City of Richmond's audited consolidated financial statements for the year ended December 31st, 2023 have been prepared in accordance with Canadian Public Sector Accounting Standards.

The Financial Statement Discussion and Analysis (FSD&A) provides a detailed analysis of the Consolidated Financial Statements. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year, as well as between budgeted and actual results. This analysis has been prepared by management and is intended to be read in conjunction with the 2023 audited consolidated financial statements.

The consolidated financial statements combine the accounts of the City of Richmond, Richmond Olympic Oval (Oval), and Richmond Public Library (Library). All future references to the "City" reflect the financial results for all entities.

Lulu Island Energy Company (LIEC) is classified as a government business entity (GBE). The City's investment in LIEC as a GBE is accounted for using the modified equity method.

Further information about the basis of consolidation is listed in Note 2 to the Consolidated Financial Statements.

The consolidated financial statements include the following statements:

- **Consolidated Statement of Financial Position** summarizes the assets (financial and non-financial), liabilities, net debt, and accumulated surplus as at December 31st, 2022 and 2023.
- **Consolidated Statement of Operations** outlines revenues, expenses, surplus for the year, and accumulated surplus at year-end. This statement reflects the combined operations of the general, utility, capital, and reserve funds for the City and its consolidated entities.
- **Consolidated Statement of Changes in Net Financial Assets** outlines the changes in net financial assets as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
- **Consolidated Statement of Cash Flows** summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position shows the City's assets (financial and non-financial), liabilities, and accumulated surplus. The difference between the financial assets and liabilities is the City's net financial assets, which represents the amount available for a later date.

The City maintained its strong financial position in 2023 allowing for flexibility and financial sustainability into the future.

- Financial assets increased by \$121.2M to \$1.8B
- Liabilities increased by \$21.3M to \$717.4M
- Net financial assets increased by \$99.9M to \$1.1B
- Non-financial assets increased by \$102.5M to \$2.7B
- Accumulated surplus increased by \$202.4M to \$3.8B

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

Financial Assets

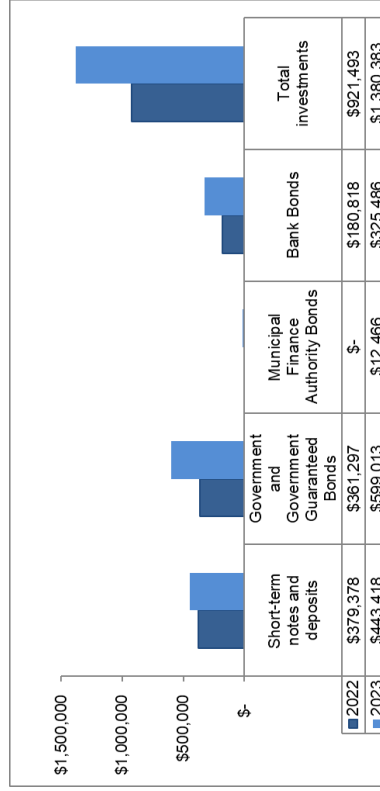
Cash and cash equivalents

The cash and cash equivalents balance of \$321.5M is mainly comprised of deposits in high interest savings products. Cash decreased by \$333.2M due to repositioning to the investment portfolio. This investment strategy allows the City to lock funds into longer-term investments.

Investments

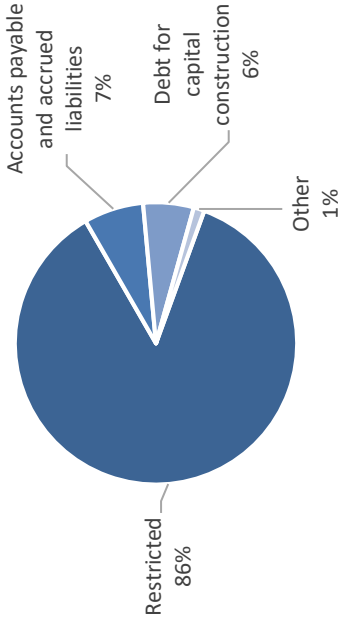
Investments increased by \$458.9M to \$1.4B primarily due to the City's strategic repositioning of its cash and investment structure, responding to the elevated interest rates which were available in 2023. The City has allocated a larger portion towards its investments, particularly in fixed income and longer-term GICs.

Investment Portfolio by Type (\$000's)



The majority of the cash and investment balance is restricted through legislation, relates to contractual requirements

concerning future obligations or is previously committed. The allocation is shown below.



Investment in LIEC

Effective January 1, 2017, LIEC was classified as a GBE. The City uses the modified equity method to account for this investment of \$37.1M (2022 - \$35.0M).

Accrued interest receivable

Accrued interest receivable increased by \$11.9M to \$26.6M due to the increased rate of return on cash and investments.

Accounts receivable

Accounts receivable increased by \$0.1M to \$36.1M primarily due to the increase in revenue from the metered utility billings, offset by a decrease in casino revenue and capital grants.

Accounts Receivable (\$000's)	2023	2022	Change
Water and sewer utilities	\$ 15,429	\$ 14,760	\$ 669
Casino revenues	2,940	3,363	(423)
Capital grants	8,416	9,536	(1,120)
Other trade receivables	9,341	8,354	987
Total	\$ 36,126	\$ 36,013	\$ 113

Financial Assets

Taxes receivable

Taxes receivable increased by \$4.3M to \$19.5M due to the timing of collections.

Development fees receivable

Development fees receivable decreased by \$22.9M to \$20.3M due to the timing of collections of Development Cost Charges (DCC) during the year and from the timing of new developments.

Developers have the option to pay DCCs upfront, or in installments over a two-year period. When paying in installments, one-third of the total DCC is paid upfront, the next third is paid one year after the originating date, and the final one-third is paid at the two-year anniversary date. The second and third payment amounts are secured by a letter of credit.

The development activities slowed down in 2023 due to interest rate and market conditions, supported by the significant decrease in DCC collections compared to the prior year.

Debt reserve fund – deposits

The debt reserve fund balance of \$1.5M remained the same as 2022.



Liabilities

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by \$11.5M to \$115.1M mainly due to the new Public Sector accounting standard, 3280 Asset Retirement Obligations, effective for fiscal 2023. The City has recognized the obligation on a prospective basis and included \$11.9M in the 2023 liability.

Post-employment benefits

Post-employment benefits decreased by \$0.6M to \$37.9M. The decrease is mainly attributable to the unamortized net actuarial loss for 2023 of \$1.8M, offset by an adjustment to increase the accrued obligation by \$1.1M.

Development cost charges

The DCC balance of \$241.6M (2022 - \$237.1M) is restricted by Section 566 of the *Local Government Act* and may only be used on authorized capital expenditures.

Net contributions of \$4.3M and interest earned of \$10.5M were received in 2023. The balance is offset by \$10.3M for capital project expenses funded by DCCs during the year.

Development Cost Charges (\$000's)	2023	2022	Change
Balance, beginning of year	\$ 237,051	\$ 224,655	\$ 12,396
Contributions	4,342	30,053	(25,711)
Interest	10,533	4,777	5,756
Revenue recognized	(10,292)	(22,434)	12,142
Balance, end of year	\$ 241,634	\$ 237,051	\$ 4,583

The \$241.6M balance includes amounts which have been allocated to active capital projects but that remain unspent. At December 31st, 2023, there is \$81.4M (2022 - \$79.1M) committed to active capital projects. The Consolidated 5 Year Financial Plan (2024-2028), Bylaw No. 10515, includes \$16.6M approved toward the 2024 Capital Budget and an additional \$62.7M is estimated for the remaining four years (2025-2028).

Deposits and holdbacks

Deposits and holdbacks decreased by \$1.3M to \$148.7M mainly due to a decrease of development-related security deposits.

Deposits and Holdbacks (\$000's)	2023	2022	Change
Security deposits	\$ 125,713	\$ 126,281	(\$568)
Developer contribution	7,919	7,919	-
Damage deposits	6,658	7,143	(485)
Contract holdbacks	4,767	4,789	(22)
Other	3,681	3,875	(194)
Total deposits and holdbacks	\$ 148,738	\$ 150,007	(\$1,269)

Liabilities

Deferred revenue

Deferred revenue are funds that are set aside for specific purposes by legislation, regulation or agreement, and may only be used for the specified work or where there is a performance obligation.

Deferred Revenue (\$000's)	2023	2022	Change
Taxes and utilities	\$ 30,008	\$ 26,231	\$ 3,777
Building permits / development	15,082	17,119	(2,037)
Capital grants	16,609	3,011	13,598
Oval	2,813	3,121	(308)
Business licences	2,613	2,681	(68)
Parking easement/leased land	2,480	2,428	52
Other	10,845	9,581	1,280
Total deferred revenue	\$ 75,357	\$ 59,063	\$16,294

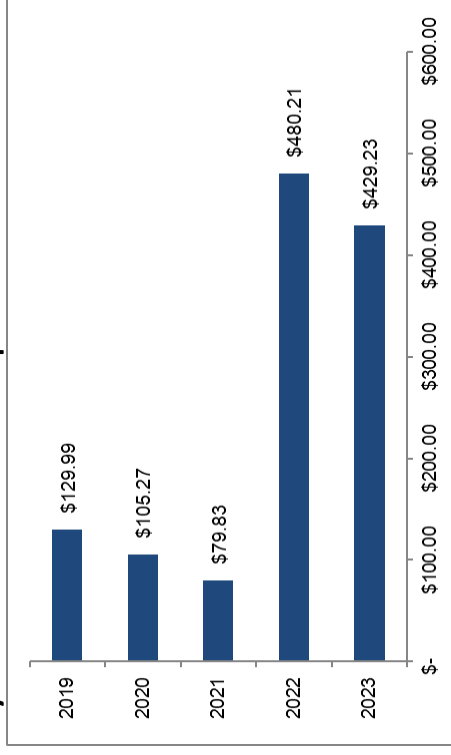
Deferred revenue increased mainly due to prepaid taxes and capital grants increases, offset by decreases in Oval's deferred revenue and building permits/developments, resulting in an overall \$16.3M increase compared to 2022.

Debt, net of MFA sinking fund deposits

Debt decreased by \$9.2M to \$98.6M due to the annual repayment in 2023 towards the borrowings for the construction of the Minoru Center for Active Living facility and the construction of the Steveston Community Centre and Branch Library. The debt relating to the Minoru Centre for Active Living will be fully repaid in 2024.

The debt per capita decreased to \$429.23 per person in 2023 from \$480.21 as at December 31st, 2022. The decrease in debt per capita is due to principal payments reducing the current debt balance, along with an increase in population.

City of Richmond Debt Per Capita 2019-2023

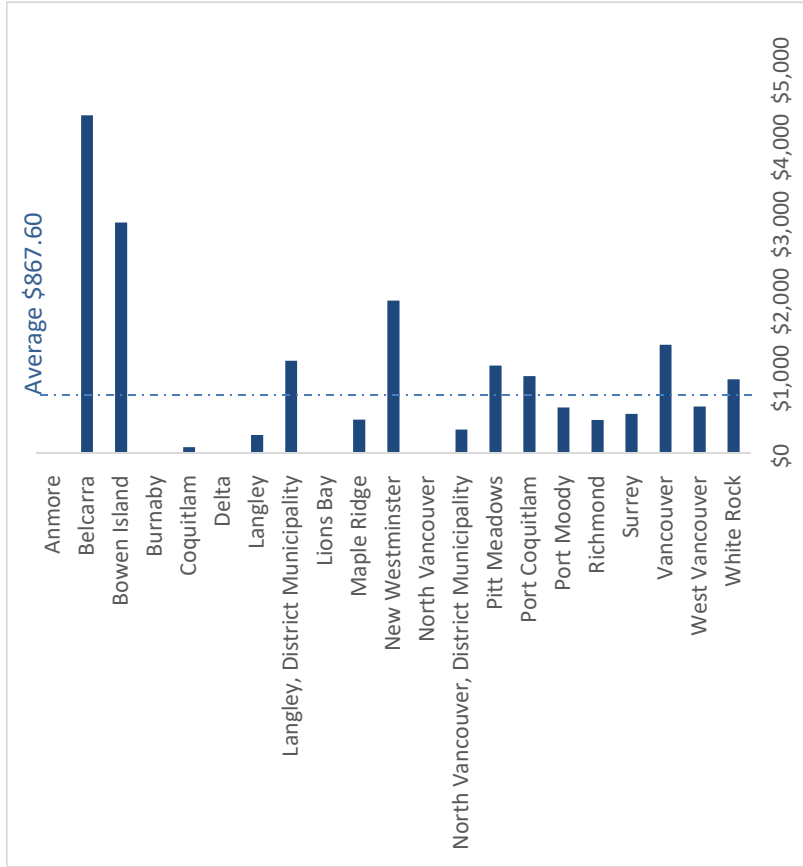


Graph has been updated with population estimates from BC Stats, Demographic Analysis Section, March 2024.

The 2022 values for the other municipalities are the most current figures available from the Local Government Statistics. For comparative purposes, Richmond's 2023 debt per capita of \$429.23 is included below, and continues to be under the 2022 regional average of \$867.60.

Liabilities

Debt Per Capita by City 2022 (compared to Richmond 2023)



Long-Term debt data obtained from the Ministry of Municipal Affairs and Housing - 2022 Local Government Statistics. Population figures obtained from BC Stats, BC Regional District and Municipal Population Estimates as of March 2024.



Non-Financial Assets

Tangible Capital Assets

Tangible capital assets (TCA) are recorded at original cost and are amortized over their useful life. The net book value (original cost less accumulated amortization) is presented below. Additional information can be obtained in Note 15 of the consolidated financial statements.

TCA increased by \$100.7M to \$2.7B. The change is a result of \$173.1M of asset additions and current year amortization expense of \$71.9M.

Tangible Capital Assets (\$000's)	2023	2023	Change
Land	\$1,191,847	\$1,121,481	\$ 70,366
Buildings and building improvements	356,429	349,386	7,043
Infrastructure	1,017,835	1,000,021	17,814
Vehicles, machinery and equipment	59,481	56,798	2,683
Library's collections, furniture and equipment	3,574	3,154	420
Assets under construction	65,736	63,372	2,364
Total	\$2,694,902	\$2,594,212	\$ 100,690

Land increased by \$70.4M mainly due to land under roads received through rezoning and land acquisitions.

Buildings increased by \$7.0M mainly due to \$29.5M increase in additions, offset by \$22.2M of amortization expense. Net disposals in 2023 was \$0.3M. The additions in 2023 included

increases due to the new asset retirement obligations accounting standard of \$7.1M, as well as additions for the Richmond Ice Centre Renewal of \$6.0M, Richmond Cultural Centre Annex Renewal of \$3.3M, and the Minoru Arena Infrastructure Renewal of \$3.0M.

Infrastructure increased by \$17.8M mainly due to \$56.0M of additions, offset by \$38.1M of amortization expense. Net disposals in 2023 was \$0.1M. The additions in 2023 included \$10.1M for Minoru Lakes District, \$4.9M for Oval's outdoor fields, and \$2.8M for contributed assets for the Waterfront Park Phase 2 received through development.

Vehicles, machinery and equipment increased by \$2.7M mainly due to \$13.6M in additions, offset by \$10.8M of amortization expense. Net disposals in 2023 was \$0.1M. Additions in 2023 include \$2.6M for various vehicle and equipment purchases, and \$0.7M for EV charging stations.

Library's collections, furniture and equipment increased by \$0.4M mainly due to \$1.3M of additions, offset by \$0.9M of amortization expense.

Assets under construction increased by \$2.4M mainly due to an increase for the Steveston Community Centre and Branch Library of \$3.3M, Britannia Shipyards Envelope and Mechanical Renewals of \$2.1M, Burkeville Utility Improvements of \$1.8M, Canal Stabilization and Drainage Upgrade of \$1.7M, and Steveston Highway Multi-Use Pathway of \$1.6M, offset by the net capitalization of Minoru Lakes District of \$7.5M.

Inventory of materials and supplies

Inventory increased by \$0.7M to \$6.1M based on timing of materials issued.

Prepaid expenses

Prepaid expenses increased by \$1.1M to \$4.9M due to timing of expenses.



Accumulated Surplus

The accumulated surplus increased by \$202.4M to \$3.8B. The annual increase is presented on the Consolidated Statement of Operations.

Accumulated Surplus (\$'000's)	2023	2022	Change
Investment in TCA	\$ 2,687,860	\$ 2,581,249	\$ 106,611
Reserves	789,710	703,184	86,526
Appropriated surplus	285,974	280,562	5,412
Investment in LIEC	37,098	35,028	2,070
Surplus	24,930	23,900	1,030
Other equity	5,960	5,246	714
Total	\$ 3,831,532	\$ 3,629,169	\$ 202,363

Investment in TCA

Investment in TCA represents the equity held in assets. This balance is equal to the net book value of tangible capital assets less any outstanding debt relating to capital and capital leases.

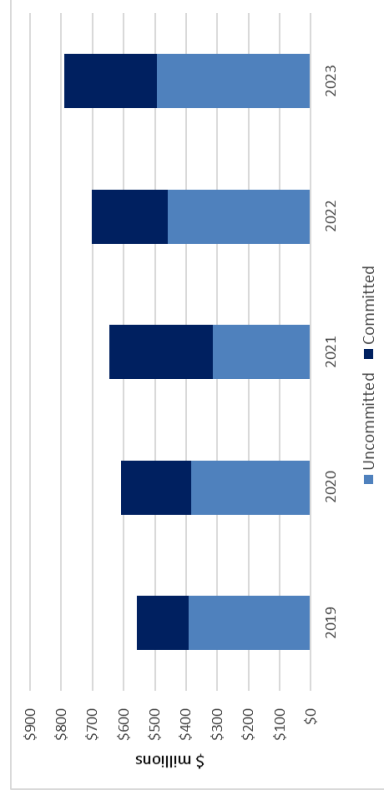
In accordance with accounting standards, this balance is accounted for using the cost method, net of accumulated amortization. It does not reflect market value or replacement value of the assets.

The investment in TCA balance increased by \$106.6M. This is the net activity of asset additions, amortization, disposals, and debt reduction.

Reserves

Reserves are established by Bylaw for specific purposes, mainly capital expenditures. The balance of \$789.7M includes amounts that have been approved for expenditure, but remain unspent as at December 31st. The uncommitted reserve balance is \$493.3M (2022 - \$448.3M).

Reserve Balance 2019-2023



The increase in the reserve balance is mainly attributable to the timing of capital expenditures. There are several facility construction projects approved including strategic land acquisitions, Works Yard replacement, and the Phoenix Net Loft that have reserve funds allocated, but have not been spent as of the reporting date December 31st, 2023. The reserves also include the \$20.4M contribution received from the Province of BC for the Growing Communities Fund grant.

Accumulated Surplus

From the available \$493.3M at December 31st, 2023, \$150.3M has been approved for the City's 2024 Capital Budget and is included in the Consolidated 5 Year Financial Plan (2024-2028), Bylaw No. 10515. An additional \$410.4M is estimated for the remaining four years (2025-2028) of the 5 Year Capital Plan.

Appropriated Surplus

Appropriated surplus is internally restricted for future commitments and potential liabilities. The balance increased by \$5.4M to \$286.0M primarily due to the transfer of the 2022 operating surplus of \$5.5M to the Rate Stabilization provision.

Investment in LIEC

The City's investment in LIEC is recorded under the modified equity method. The balance reflects the City's share equity in LIEC on December 31st, 2023 at \$37.1M, an increase of \$2.1M from the 2022 balance of \$35.0M.

Surplus

The consolidated surplus increased by \$1.0M to \$25.0M in 2023 primarily due to the net impact of transferring the 2022 operating surplus of \$5.5M to the Rate Stabilization provision, offset by the 2023 operating surplus of \$6.1M.

Other Equity

Other equity relates to the City's inventory. The balance increased by \$0.7M to \$6.0M in 2023.



Consolidated Statement of Operations

The Consolidated Statement of Operations provides a summary of the revenues, expenses, and surplus throughout the reporting period and outlines the change in accumulated surplus.

The 2023 budget amounts presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified 'cash requirement' basis, and amounts recorded in these financial statements on a 'full accrual' basis.

Note 26 outlines the adjustments to the approved budget, particularly the exclusion of transfers to reserves and other funds, as well as tangible capital asset acquisitions. These adjustments to budgeted values are required to provide comparative budget values based on the full accrual basis of accounting. As the accrual-based budget does not include transfers to reserves, investments in assets, and other items, the budget presented on the financial statements can show a surplus or deficit while the budget as approved by Council is a balanced budget.

Revenues

2023 Budget to Actual Comparison

Total consolidated revenues are \$741.1M compared to the budgeted revenues of \$637.8M. Certain revenues will always be difficult to accurately budget due to the unpredictability of the source, development timing, and use of funds for capital. Budget to actual variance explanations are below.

Revenues (\$000's)	2023		Variance
	Budget	Actual	
Taxation and levies	\$287,052	\$288,720	\$1,668
Utility fees	133,609	132,951	(658)
Sales of services	48,817	50,737	1,920
Payments-in-lieu of taxes	14,650	18,114	3,464
Provincial and federal grants	11,656	38,660	27,004
Development cost charges	20,323	10,292	(10,031)
Other capital funding sources	65,698	83,562	17,864
Investment income	14,323	61,503	47,180
Gaming revenue	14,500	13,013	(1,487)
Licences and permits	12,195	15,934	3,739
Other	14,370	25,543	11,173
Equity income	594	2,070	1,476
Total	\$ 637,787	\$ 741,099	\$103,312

Taxation and levies had a favourable variance of \$1.7M mainly due to higher than expected new growth.

Utility fees had an unfavourable variance of \$0.7M mainly due to lower metered billings as a result of lower than budgeted water consumption.

Sales of services had a favourable variance of \$1.9M mainly due to higher Oval recreational program revenue.

Payments-in-lieu of taxes had a favourable variance of \$3.5M mainly due to higher revenue received from Federal and Provincial entities.

Provincial and federal grants had a favourable variance of \$27.0M due to a number of grants received being higher than budgeted including the Growing Communities Fund grant, Rapid Housing grant, Richmond Media Lab grant, Oval revenue from the 2010 Games Operating Trust Fund, and various other grants.

Development cost charges had an unfavourable variance of \$10.0M due to the timing of capital project activity funded by DCCs.

Other capital funding had a favourable variance of \$17.9M due to higher than budgeted contributed assets received through development, and the timing of externally funded capital expenditures. The revenue recognition relating to contributed assets is based on the timing of the development and when the ownership of assets are transferred to the City.

Investment income had a favourable variance of \$47.2M due to higher interest rates in 2023. The majority of this increase was transferred to the reserves in accordance with *Community Charter* requirements.

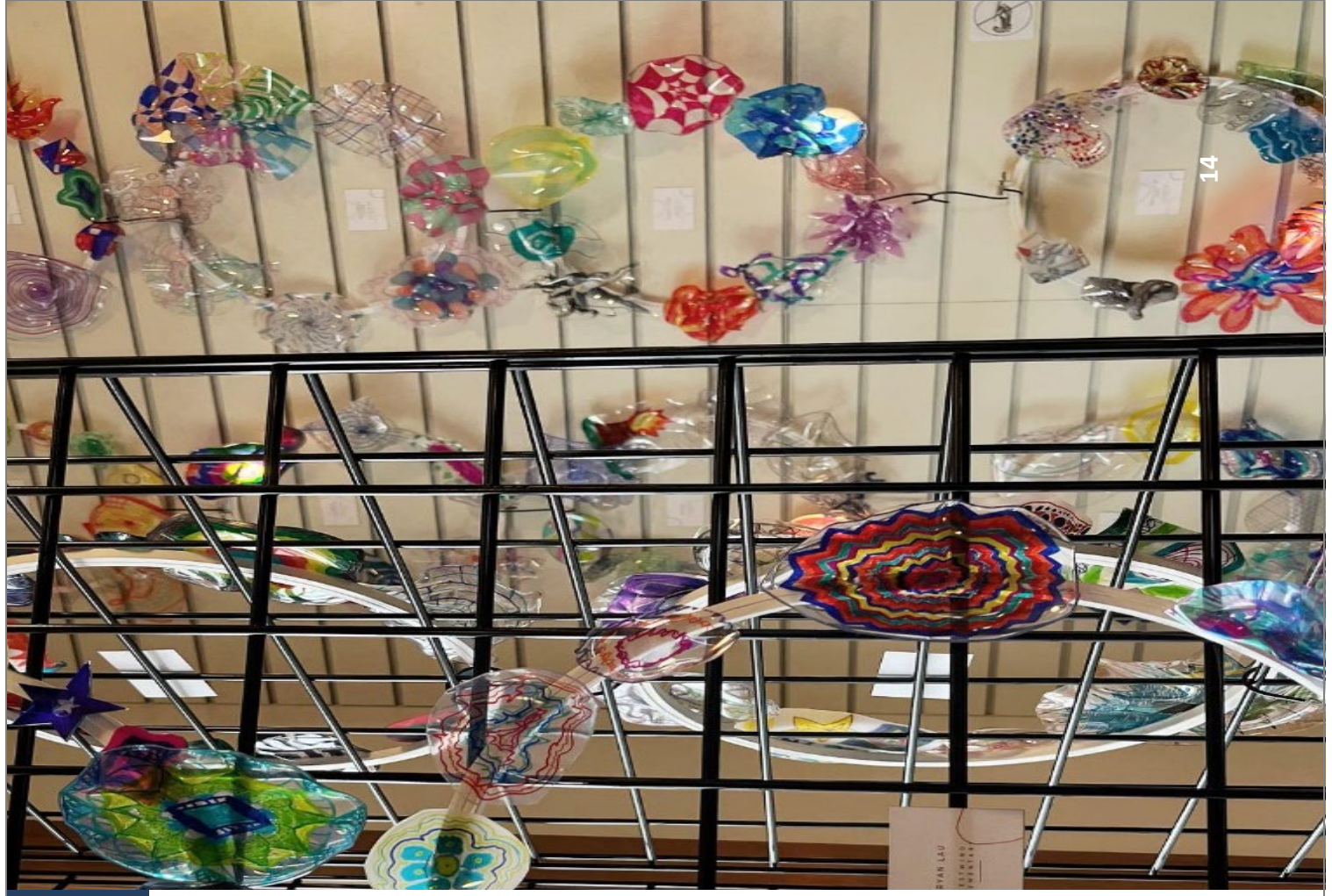
Revenues

Gaming revenue had an unfavourable variance of \$1.5M due to actual revenue received from net gaming activities at the River Rock Casino being less than estimated in the budget. Consistent with the approved allocation model, the shortfall resulted in a reduction in the transfer to reserves.

Licences and permits had a favourable variance of \$3.7M due to higher building permit revenues than budgeted and higher business licencing revenues.

Other revenue had a favourable variance of \$11.2M mainly due to unbudgeted developer reserve contributions, the gain on disposal of land, discounts not taken on utilities and interest on delinquent taxes.

Equity income relates to the City's investment in LIEC. LIEC's net income for the year was favourable compared to budget by \$1.5M.



Revenues

2023 to 2022 Actual Comparison

Total 2023 consolidated revenues were \$741.1M compared to \$644.3M in 2022.

Revenues (\$'000's)	2023 Actual	2022 Actual	Change
Taxation and levies	\$288,720	\$269,582	\$19,138
Utility fees	132,951	127,965	4,986
Sales of services	50,737	44,494	6,243
Payments-in-lieu of taxes	18,114	21,314	(3,200)
Provincial and federal grants	38,660	12,893	25,767
Development cost charges	10,292	22,434	(12,142)
Other capital funding sources	83,562	51,220	32,342
Investment income	61,503	30,250	31,253
Gaming revenue	13,013	12,562	451
Licences and permits	15,934	15,047	887
Other	25,543	35,206	(9,663)
Equity income	2,070	1,381	689
Total	\$741,099	\$644,348	\$96,751

Taxation and levies increased by \$19.1M due to tax increases and new growth compared to the prior year.

Utility fees increased by \$5.0M due to higher drainage and dike utility revenue, regional sewer debt levy, and recycling and garbage utility revenue.

Sales of services increased by \$6.2M mainly due to higher recreational program revenue, rental and lease revenue

resulting from renewal increases, and higher facility revenue and receivable income.

Payments-in-lieu of taxes decreased by \$3.2M due to a one-time recovery payment received in 2022 relating to the years 2007 to 2020 that did not recur in 2023.

Provincial and federal contributions increased by \$25.8M mainly due to a number of grants received being higher than budgeted including the Growing Communities Fund grant, Rapid Housing grant, Building Safer Communities Fund grant, Richmond Media Lab grant and various other grants.

Development cost charges decreased by \$12.1M due to the timing of capital expenditures, as development cost charges revenue is recognized when the amounts are spent.

Other capital funding increased by \$32.3M mainly due to an increase in assets contributed by developers, primarily road dedications, offset by a decrease in capital funding from external sources.

Investment income increased by \$31.3M due to higher interest rates all throughout 2023. The Bank of Canada has raised its policy rates from 0.25% to 4.25% in 2022, and interest rates ranged from 4.50% to 5.00% in 2023 resulting in higher returns on the City's investments. A higher investment balance in 2023 also resulted in higher investment income.

Revenues

Gaming revenue increased by \$0.5M due to activity at River Rock Casino Resort in 2023 compared to 2022.

Licenses and permits increased by \$0.9M mainly due to higher building permits and business licence revenue recognized resulting from increased activity in 2023 compared to 2022.

Other revenue decreased by \$9.7M due to lower developer reserve contributions, partially offset by higher hotel tax revenue, parking revenue, insurance recoveries, and tax penalties and interest received on delinquent taxes.

Equity income relates to the City's investment in LIEC. LIEC's net income for 2023 increased by \$0.7M.

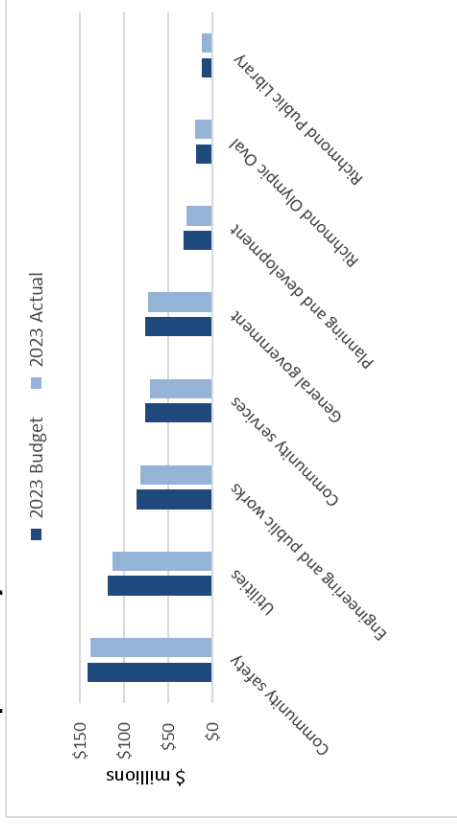


Expenses

2023 Budget to Actual Comparison

Total consolidated expenses are \$538.7M compared to the budget of \$562.7M.

2023 Expenses by Function



Engineering and public works had a favourable variance of \$3.9M mainly due to less capital expenditures that did not meet the capitalization criteria.

Community services had a favourable variance of \$4.9M mainly due to vacancies, supplies and contracts.

General government had a favourable variance of \$3.6M mainly due to savings on insurance and vacancies.

Planning and development had a favourable variance of \$3.6M mainly due to vacancies, contracts and capital-related expenditures.

Oval had an unfavourable variance of \$0.4M mainly due to salaries and other expenses being higher than budgeted and offset by higher membership, admissions and programs revenue.

Library services had a favourable variance of \$0.5M mainly due to staff vacancies.

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

Community safety had a favourable variance of \$2.9M due to lower policing contract costs than budgeted due to the number of officers billed being less than budgeted and City staff vacancies.

Utilities had a favourable variance of \$5.0M due to less transfers from capital to operating for expenses that did not meet the capitalization threshold, vacant positions and less contract costs.

Expenses

2023 to 2022 Actual Comparison

Total 2023 consolidated expenses were \$538.7M compared to \$503.1M in 2022.

	2023		2022		Change
	Actual		Actual		
Expenses (\$000's)					
Community safety	\$ 138,669	\$	127,727	\$	10,942
Utilities: water, sewer and sanitation	113,832		110,490		3,342
Engineering, public works and project development	81,910		89,103		(7,193)
Community services	71,328		64,955		6,373
General government	72,780		59,492		13,288
Planning and development	29,484		23,890		5,594
Richmond Olympic Oval	19,200		16,844		2,356
Richmond Public Library	11,533		10,565		968
Total	\$ 538,736	\$	503,066	\$	\$35,670

Community safety expenses increased by \$10.9M mainly due to estimated salary rate increases and hiring, higher policing contract and E-Comm costs and Building Safer Communities Fund expenses.

Utilities expenses increased by \$3.3M mainly due to an increase in Metro Vancouver water purchase costs driven by rate increases, maintenance costs and higher interest and financing in 2023.

Engineering, public works and project development expenses decreased by \$7.2M mainly due to less expenditures that did

not meet criteria for capitalization, offset against increased contract maintenance, security and janitorial costs in 2023.

Community services increased by \$6.4M mainly due to higher registration in recreation programs which resulted in increased salary and contract costs.

General government expenses increased by \$13.3M mainly due to debt interest, salaries, contracts as well as the recognition of the new accounting standard for asset retirement obligations.

Planning and development costs increased by \$5.6M mainly due to the Rapid Housing grant related expenses and filling vacancies.

Oval expenses increased by \$2.4M mainly due to higher labour and programming expenses.

Library services expenses increased by \$1.0M mainly due to higher spending on services and supplies, as well as the filling of staff vacancies.

Expenses

Expenses by Object

Expenses (\$000's)	2023	2022	Change
	Actual	Actual	
Wages and salaries	\$211,637	\$195,616	\$16,021
Public works maintenance	16,087	14,390	1,697
Contract services	102,709	93,463	9,246
Supplies and materials	82,730	73,847	8,883
Interest and finance	39,423	31,340	8,083
Transfer from (to) capital for tangible capital assets	13,848	21,206	(7,358)
Amortization of tangible capital assets	71,938	72,722	(784)
Loss on disposal of tangible capital assets	364	482	(118)
Total	\$ 538,736	\$ 503,066	\$35,670

Interest and finance increased by \$8.1M mainly due to higher interest expenses as a result of higher interest rates.

Transfer from (to) capital for tangible capital assets decreased by \$7.4M due to less items that did not meet the capitalization criteria compared to the prior year.

Amortization of tangible capital assets decreased by \$0.8M due to lower amortization on infrastructure assets due to timing.

Loss on the disposal of tangible capital assets decreased by \$0.1M due to the varying timing and age of assets that were retired.

Wages and salaries increased by \$16.0M due to vacancies being filled, fringe benefits and collective agreement increases.

Public works maintenance increased by \$1.7M mainly due to higher material costs relating to inflation.

Contract services increased by \$9.2M mainly due to policing contract costs, E-Comm costs and Building Safer Community grant related expenses.

Supplies and materials increased by \$8.9M mainly due to affordable housing contributions related to the Rapid Housing grant and water purchases from Metro Vancouver.

Annual Surplus

The 2023 consolidated annual surplus of \$202.4M is calculated as the difference between revenues and expenses and is reflected in the change in the accumulated surplus.

Annual Surplus Distribution

The largest driver of the \$202.4M annual surplus is the change in investment in capital assets of \$106.6M. This is the net activity of asset additions \$173.1M offset by amortization expense of \$71.9M, disposals, and debt reduction.

Investment in LIEC increased by \$2.1M.

Appropriated surplus increased by \$5.4M relating to future commitments and potential liabilities.

Reserves increased by \$86.5M due to the timing of capital expenditures. Included in the total reserve balance is \$296.4M committed towards active capital projects.

Surplus increased by \$1.1M mainly due to the net impact of transferring the 2022 operating surplus of \$5.5M to the Rate Stabilization provision, offset by the 2023 operating surplus of \$6.1M.

Other equity increased by \$0.1M.



Consolidated Statement of Changes in Net Financial Assets

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

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

The City's net financial assets as at December 31st, 2023 increased by \$99.9M to \$1.1B (2022 - \$1.0B).

Consolidated Statement of Cash Flows

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

The City's cash decreased by \$333.2M to \$321.5M and investments increased by \$458.9M to \$1.4B.

In 2023, cash provided by operating activities was \$222.4M, compared to \$203.4M in 2022. This was mainly due to development fees receivables, deferred revenue and accrued interest receivable.

Cash used in capital activities was \$87.5M compared to \$86.6M in 2022.

Cash used in financing activities was \$9.2M compared to \$90.4M received in 2022.

Cash used in investing activities was \$458.9M, compared to \$224.6M in 2022.

Ratio Analysis

The Public Sector Accounting Board (PSAB) encourages the Government sector to conduct ratio analysis as per the Statement of Recommended Practice (SORP) 4: Indicators of Financial Condition. The analysis enables the readers of financial reports to use the indicators to assess the City's ability to respond to changes in the economic climate. It also allows readers to interpret the financial reports and assess the quality of financial management.

The analysis addresses the following three key areas:

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

The following table presents the ratio analysis for the three-year period 2021-2023:

Assessment of sustainability

	2023	2022	2021
Sustainability ratios:			
Assets to liabilities (times)	6.3	6.2	7.6
Financial assets to liabilities (times)	2.6	2.5	2.8
Net debt to total revenues	13.3%	16.7%	3.0%
Net debt to the total assessment	0.07%	0.09%	0.02%
Expenses to the total assessment	0.4%	0.4%	0.5%
Flexibility ratios:			
Debt charges to revenues	0.9%	0.4%	0.3%
Net book value of capital assets to cost	66.1%	66.2%	66.8%
Net book value of capital assets (excluding land) to cost	52.1%	52.6%	53.6%
Own source revenue to the assessment	0.4%	0.5%	0.5%
Vulnerability ratios:			
Government transfers to total revenues	4.1%	4.0%	3.2%
Government transfers (excluding gaming revenue) to total revenues	1.8%	2.0%	2.2%

An explanation of each of the ratios is provided below.

- Assets to liabilities indicates sustainability by the extent to which the government entity finances its operations by issuing debt. A ratio higher than one indicates that a government has accumulated surplus and has assets greater than liabilities. Included in the City's liabilities are DCCs and deferred revenue which represent an obligation to perform future works.
 - Financial assets to liabilities indicates sustainability by the degree that future revenues are required to pay for past transactions and events. A higher ratio indicates a greater ability to cover liabilities.
 - Net debt to total revenues indicates the financial burden over the earning capacity and also indicates how future revenues will be needed for financing of past transactions and events. A lower percentage indicates a lesser reliance on future revenues to finance existing debt.
- The increase in the 2022 ratio is due to the \$96.0M debt acquired for the Steveston Community Centre and Branch Library. Though this ratio has increased, the burden over the earning capacity is partially mitigated due to the use of gaming revenue to fund the annual debt servicing costs as opposed to relying on taxation revenue. The annual debt servicing costs

relating to the Minoru Centre for Active Living, currently funded from \$5.0M gaming revenue and \$1.0M taxation revenue, will be applied to the Steveston Community Centre and Branch Library annual servicing costs once the final repayment for the Minoru Centre for Active Living is complete in 2024.

- Net debt to the total assessment indicates the relationship between the level of debt and the state of the local economy. A lower percentage indicates a lesser reliance on the current assessment base to finance existing debt.
- Expenses to the total assessment indicates the trend of the government spending in connection to the state of the local economy. A lower percentage indicates a lesser reliance on the current assessment base to finance existing expenses.

Assessment of flexibility

- Debt charges to revenues indicates the extent to which past borrowing decisions present a constraint on a government's ability to meet its financial commitments. A lower ratio indicates a lesser reliance on existing revenues to finance debt charges.
- Net book value of capital assets to cost indicates the estimated useful life of the capital assets to provide

services. A higher ratio indicates a newer asset inventory.

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

Assessment of vulnerability

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

Environmental Analysis

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

The following section highlights:

- Council Strategic Plan 2022-2026
- Environment
 - Business Licences
 - Housing Activity
 - Population
- City Services

Strategic Plan

Council Strategic Plan 2022-2026

The Council Strategic Plan 2022-2026 identifies the collective priorities and focus areas for Richmond's City Council for the current term of office. The Council Strategic Plan allows the City to provide effective management and delivery of services in a manner that is responsive and flexible to address the current and future needs of all those who live, work, and play in Richmond.

The six high level areas of focus for the Council Strategic Plan 2022-2026 include:

- 1. Proactive in Stakeholder and Civic Engagement**
Proactive stakeholder and civic engagement to foster understanding and involvement and advance Richmond's interests.
- 2. Strategic and Sustainable Community Growth**
Strategic and sustainable growth that supports long-term community needs and a well-planned and prosperous city.
- 3. A Safe and Prepared Community**
Community safety and preparedness through effective planning, strategic partnerships, and proactive programs.



4. Responsible Financial Management and Governance
Responsible financial management and efficient use of public resources to meet the needs of the community.

5. A Leader in Environmental Sustainability
Leadership in environmental sustainability through innovative, sustainable, and proactive solutions that mitigate climate change and other environmental impacts.

6. A Vibrant, Resilient and Active Community
Vibrant, resilient and active communities supported by a wide variety of opportunities to get involved, build relationships, and access resources.

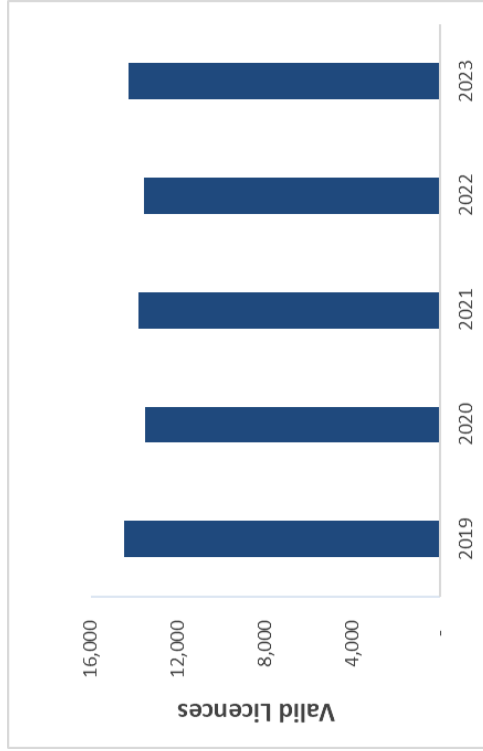


Environment

Business Licences

The total number of business licences issued increased to 14,245 in 2023 compared to 13,574 licences issued in 2022.

Business Licences 2019-2023



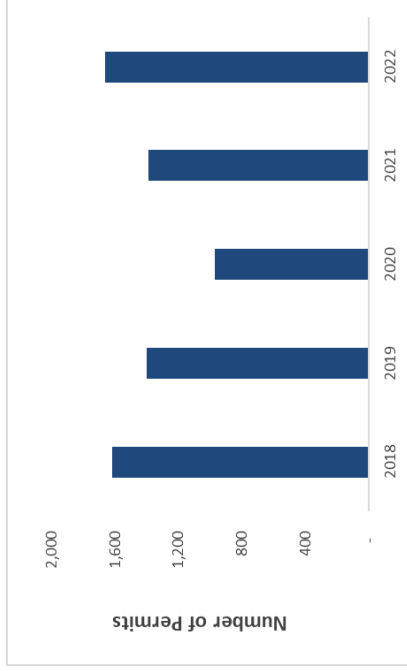
Housing Activity

Richmond house prices decreased by 1.6%, with a 2023 detached median house price of \$1,988,444. The total number of sales decreased year-over-year by 12.6% to 3,208 from 3,669 in 2022.

In 2023, the total number of building permits issued was 1,505, which was a 9.3% decrease from 2022. The decrease is a result of decreases in all types of permits issued including single family dwellings, multi-family developments,

commercial, and industrial. The actual permit fees collected for 2023 was \$8.9M.

Building Permits 2019-2023



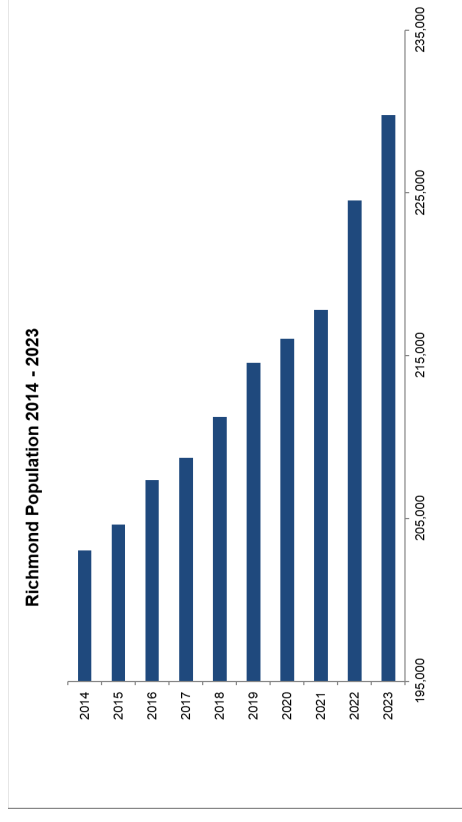
The construction value of building permits issued in 2023 was \$751.1M, which decreased by approximately 18.9% from 2022 of \$926.6M.

The number of development applications received in 2022 increased by 10.5% to 158 applications from 143 applications in 2021. Total fees collected in 2023 increased by 8.4%.

Population

Richmond's current population is estimated at 229,781 which is a 2.3% increase from 2022. According to the latest Statistics Canada Census, Richmond is the fourth most populous municipality in the Greater Vancouver region.

Richmond Population 2014-2023



Graph has been updated with population figures from BC Stats, Demographic Analysis Section, updated March 2024.



Services

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

- Performing land use and transportation planning, building approvals, property use and zoning.
- Providing and maintaining roads, dikes, water and sewerage systems, drainage and irrigation systems.
- Providing sanitation and recycling services.
- Providing safety and protection of citizens by maintaining policing, fire-rescue services, bylaw enforcement, emergency and environmental programs.
- Providing for the recreational and cultural needs of citizens by: funding library services; building and maintaining recreational and cultural facilities, including pools, arenas, community centres, art centres, theatre, and numerous heritage sites.
- Designing, constructing, and maintaining a recreational trail system and a system of parks with playing fields, playgrounds, and various amenities including tennis courts and basketball courts.
- Developing a sustainable community through: affordable housing, child care programs, wellness and outreach programs, tree protection, pesticide use restrictions, waste reduction programs, pollution prevention, district energy utility, energy management programs, purchasing policies, and high performance building programs.

- Providing business licences and economic development initiatives
- Administering property taxes and utility bills.
- Working to safeguard the financial well-being of the City through the provision of effective and reliable financial services and information to Council, staff, and the public.
- Working to safeguard and enhance the livability and social, financial, and environmental sustainability of our community and surrounding environment.
- Representing the interests of our citizens on various regional bodies responsible for providing services such as transit, drinking water, waste disposal, and air quality monitoring and reporting.

These services are provided through the use of funds as approved by Council in the 2023 operating, capital, and utility budgets.

	2021	2022	2023
Population growth (per annum) ¹	0.82%	3.09%	2.34%
Capital construction costs (\$mil) ²	\$210.56	\$95.77	\$156.40
City Grants Program (\$mil)	\$0.85	\$0.88	\$0.91
Other grants (\$mil) ³	\$1.54	\$1.74	\$1.80
RCMP calls for services	57,888	55,711	66,403
Fire Rescue Responses	9,494	11,317	12,262

¹ Annual growth based on updated population figures from BC Stats, Demographic Analysis Section, March 2024.

² This reflects the amended capital budget excluding internal transfers, debt repayment and contributions.

³ Other grants include contributions towards Gateway Theatre, Richmond Center for Disability, Richmond Therapeutic Equestrian Society, various youth grants and Provision Transfer.

Conclusion

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

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

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

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

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

The 2023-2027 Five Year Financial Plan combines the Operating, Utility, and Capital Budgets. It provides details on the services provided, anticipated revenues and expenses, and planned capital projects.

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

<https://www.richmond.ca/city-hall/finance/reporting/fiveyear.htm>

