



To: Finance & Audit Committee
From: Jerry Chong
General Manager, Finance and Corporate
Services
Re: **2025 Consolidated Financial Statements**

Date: April 9, 2026
File: 03-0905-01/2025-Vol
01

Staff Recommendation

That the 2025 City of Richmond Consolidated Financial Statements as presented in Attachment 2 be approved.

Executive Summary

The *Community Charter* requires that the City prepare annual audited financial statements, that the financial statements are presented to Council for acceptance, and that they be submitted to the Provincial inspector by May 15.

KPMG LLP has independently audited the City's consolidated financial statements and expressed an opinion, that the financial statements present fairly, in all material respects, for the year ended December 31, 2025 in accordance with Canadian public sector accounting standards.

Staff Report

Origin

Sections 98 and 167 of the *Community Charter* require that the City of Richmond (the City) prepare annual audited financial statements, present the audited financial statements to council for acceptance and submit these financial statements to the Provincial inspector by May 15. The City's audited consolidated financial statements for 2025 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.

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, 2025, 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, 2025, 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 any differences of significance 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 audited 2025 consolidated financial statements.

Budgetary Implications

None.

Conclusion

The City's audited consolidated financial statements for 2025 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, 2025, 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

Respectfully submitted,

Mike Ching, Director, Finance

Report Contributors

This report was prepared by Cindy Gilfillan, Manager, Financial Reporting.

Endorsed by Serena Lusk, CAO

- Att. 1: 2025 KPMG Audit Findings Report
- 2: 2025 Consolidated Financial Statements
- 3: 2025 Financial Statements Discussion and Analysis



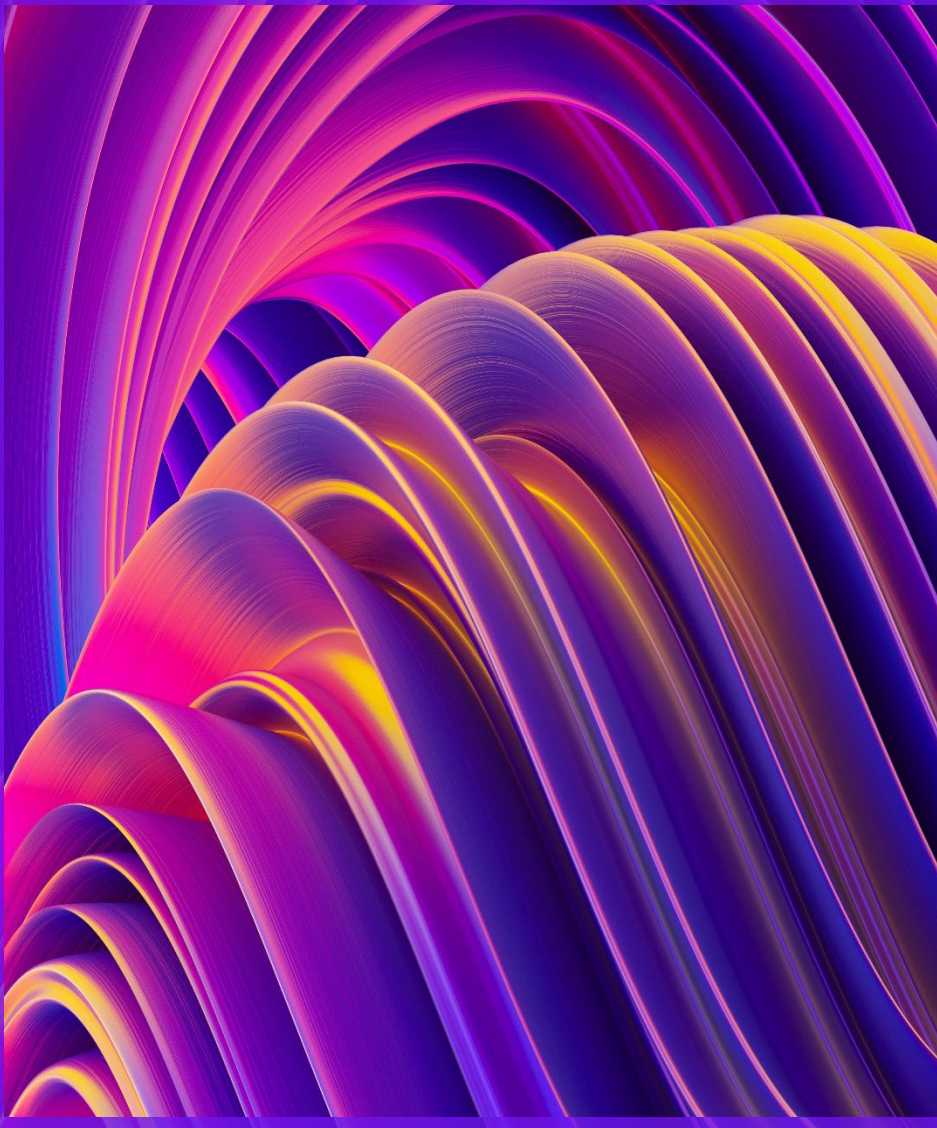
City of Richmond

Audit Findings Report
for the Year ended December 31, 2025



Prepared April 10, 2026 for presentation to the Finance and Audit
Committee on May 4, 2026

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



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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.



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The purpose of this report is to assist you, as a member of the Finance and Audit Commit(the “Committee”), 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, Richmond City Council, the Committee, 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 Finance and Audit Committee (“the Committee”) in your review of the results 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, 2025. Our audit has been performed in accordance with Canadian generally accepted auditing standards (CAS).

Status

We have completed the audit of the financial statements with the exception of certain remaining outstanding procedures, which are highlighted on the ‘Status’ slide of this report.

Significant changes

Significant changes since our audit plan

Risks and results & Significant unusual transactions

Significant risks

- Presumed risk of management override of controls
- Other risks of material misstatement
- Revenue, deferred revenue, and development cost charges
- Expenses, including salary and benefits expense
- Tangible capital assets

Other areas of audit focus

- Valuation of post-employment benefit liability
- Going concern matters
- Significant unusual transactions

Control deficiencies

Significant deficiencies

Other control observations

We have provided observations identified in the current year that we believe would be of interest to management and the Committee.

Policies and practices & Specific topics

Accounting policies and practices

Other financial reporting matters

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, 2025 up to the date of this report.



Audit highlights (continued)

Matters to report – see link for details



No matters to report



Misstatements



Impact of uncorrected misstatements – Not material to the financial statements

As required by professional standards, we request that all misstatements be corrected.

The management representation letter includes the Summary of Uncorrected Misstatements, which discloses the impact of all uncorrected misstatements considered to be other than clearly trivial, including uncorrected misstatements related to financial statement presentation and disclosure omissions, if any.

We noted an uncorrected misstatement related to the impact on the opening accumulated surplus of tangible capital assets and related amortization for assets with in-service dates in prior periods (refer to pages 11 and 12 for details).

Based on both qualitative and quantitative considerations, management have decided not to correct the misstatement and represented to us that the misstatement is, in their judgment, not material to the financial statements. This management representation is included in the management representation letter.

We concur with management’s representation that the uncorrected misstatement is not material to the financial statements. Accordingly, the uncorrected misstatement has no effect on our auditor’s report.



Corrected misstatement

Refer to Appendix 2 - *Management Representation Letter*, which includes the summary of corrected audit misstatement for further details.



Current developments and thought leadership

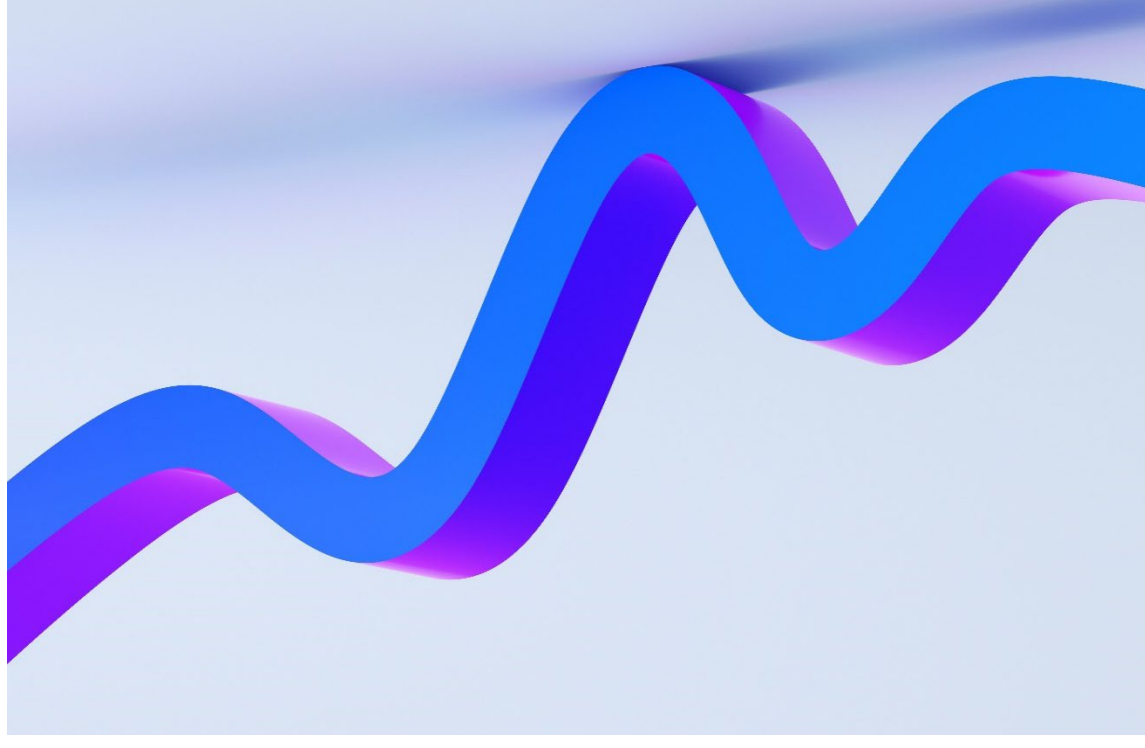
Current developments and thought leadership information was included in the Audit Planning Report previously provided.

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 the Committee.
- Obtaining the signed management representation letter.
- Obtaining evidence of the Council's acceptance of the financial statements.
- Completing subsequent event review procedures up to the date of your approval 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 included in the draft consolidated financial statements, will be dated upon the completion of any remaining procedures.



Significant risks and results

We highlight our significant findings in respect of significant risks.



Risk of management override controls *Presumed significant risk in accordance with Canadian Auditing Standards (“CAS”) 240*

RISK OF



FRAUD

Significant risk

Section 240.32 of Canadian Auditing Standards states: “Management is in a unique position to perpetrate fraud because of management’s 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 is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.”

Our audit methodology adheres to these mandatory requirements to assess this as a significant risk of fraud.

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 journal entries for further testing.
- Reviewing the accounting estimates and assessing whether management’s estimates are reasonable and not indicative of management bias.

Our 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**.



Revenue, deferred revenues, and development cost charges

RISK OF

 ERROR

Other risk of material misstatement

Revenue from transactions with performance obligations are recognized when the City satisfies the performance obligation by providing the promised goods or services to a payor. Revenue from transactions with no performance obligations are recognized when the City has the authority to claim the economic inflow and an event has given rise to the asset. 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.

Estimate?

Yes – Deferred revenue for permits. There is no risk of material misstatement due to estimation.

Our response

- We updated our understanding of the process activities and controls over revenue, deferred revenue, development cost charges, and restricted funds.
- 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 specific 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 assessed whether the appropriate stipulations were met by inspecting and recalculating expenses incurred for certain projects.
- We performed substantive analytical procedures over taxation revenue to establish expected changes in taxation revenue, and compared with the actual recorded amount to assess the revenue recorded is within our expectation.
- We selected a sample of revenue transactions other than taxation revenue and vouched to supporting documents to ensure revenue was recognized appropriately.
- We reviewed management's estimation and revenue recognition methodology for permits. We selected a sample of permit transactions, agreed the amounts recorded to cash receipts and other relevant supporting documentation (e.g.application) and ensured the appropriate accounting treatment has been applied.

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 (continued)

RISK OF

 ERROR

Our response

- We reconciled permits to new development cost charges (“DCC”) during the year and inspected appropriate bylaws noting the appropriation for its specified purpose.
- We tested a sample of DCC charges, recalculated the total amount, agreed each factor in the calculation to supporting documentation and agreed the amount recorded to cash receipts.
- We tested a sample of DCC expenditures, ensuring the expenditure bylaws were approved by Council and agreed the amount recorded to supporting documentation.
- 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.

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

RISK OF



ERROR

Other risk of material misstatement

Estimate?

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. 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 process activities, by tracing a transaction from initiation through to being recorded in the general ledger.
- We performed substantive procedures over expenses, including testing a sample of expenses and agreeing them to supporting documentation to ensure expenses are appropriately recognized.
- We tested a sample of salaries and benefit expenses, and vouched to underlying supporting document including approved timesheets, employee contracts and payroll registers ensuring employee related expenses were appropriately recognized.
- We performed substantive procedures over other 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**.



Tangible Capital Assets

RISK OF
A
ERROR

Other risk of material misstatement

Estimate?

Tangible capital assets ("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, and library collection and may require estimation.

Yes - the established useful lives of tangible capital assets, asset retirement obligation and contributed assets. There is no risk of material misstatement due to estimation.

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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 process activities, by tracing a transaction from initiation through to being recorded in the general ledger.
- We obtained the TCA continuity schedule, verified its mathematical accuracy and performed substantive procedures over additions, disposals, reclassifications, and other adjustments.
- We tested a sample of additions, including developer contributions, and inspected supporting documentation to ensure it is appropriate to capitalize the costs.
- We tested a sample of disposals, by inspecting supporting documentation and assessing if the gain or loss on disposal has been recorded appropriately.
- We assessed the reasonableness of estimated useful lives and amortization recognized.
- We obtained an update on management's assessment of the asset retirement obligations, and assessed the reasonableness of changes to the obligations incurred during the fiscal year as well as changes to assumptions.
- We inspected a sample of agreements for contractual commitments and related disclosure requirements.

Other risks of material misstatement and results (continued)

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



Tangible Capital Assets (Continued)

RISK OF

 ERROR

Our response

- We performed additional procedures over the capitalization of costs related to capital projects by including walkthroughs of the process, inquiries with the finance manager and project managers, and selection of samples for vouching to supporting documents.

Our findings

- During our audit, we noted certain assets included in the 2025 tangible capital assets additions had been placed into service in prior periods, with amortization related to those prior periods recorded as amortization expense in 2025. This treatment resulted in an overstatement of 2025 amortization expenses and a corresponding understatement of amortization expenses and a misclassification between assets under construction and a tangible capital assets in prior periods. Management reviewed the list of in-use assets with project managers and corrected the resulting misstatements in 2025. We have noted an uncorrected misstatement related to the impact on the opening accumulated surplus of tangible capital assets and related amortization for assets with in-service dates in prior periods, as the amount is immaterial. For further details, please refer to Appendix 2 – *Management Representation Letter*. We have also communicated a performance improvement observation and communication to the timeliness of asset capitalization and amortization commencement. See page 15 for further details.

- We also noted a performance improvement observation related to the standardization of guidance for capitalization of project costs. See page 16 for further details.

Except for the adjustments and performance observations noted, there were no other issues noted in our testing over TCA.

Other area of audit focus

We highlight our significant findings in respect of **other areas of audit focus**.



Valuation of post-employment benefit liability

RISK OF
!
ERROR

Other area of audit focus

Estimate?

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.

Yes – Actuarial valuations of post-employment benefit liability. There is no risk of material misstatement due to estimation.

Our response

- We updated our understanding of the process activities and controls over employee future benefits.
- We obtained the actuarial valuation report prepared by the City's actuarial expert, Convyta Partners Limited Partnership ("Convyta"), and assessed significant assumptions used for reasonableness.
- We assessed the competence, expertise, and qualifications of the City's actuarial expert, and the reasonableness of the valuation methodology applied.
- We obtained data inputs provided by the City to the actuary for use in determining the estimate and tested select items to determine completeness and accuracy of the data provided.
- We reviewed the financial statement note disclosure to ensure the required disclosure under the accounting standards are appropriately included.

Our findings

There were no issues noted in our testing.

Control deficiencies and 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 deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough 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. We identified new other observations in the current. See pages 15 to 16 for further details.

Control deficiencies – other observations (continued)

Description	Observation and implication	Potential effects and recommendation
<p>Timeliness of Asset Capitalization and Amortization Commencement</p>	<p>New in current year</p> <p>During our audit, we noted in 2025 certain assets transferred from construction in progress into additions that had been placed into service in prior periods. Amortization related to those prior periods was recorded as amortization expense in 2025. This resulted in an overstatement of 2025 amortization expense and a corresponding understatement of amortization expense in prior periods, as well as a misclassification between assets under construction and tangible capital assets in prior periods.</p> <p>While the current year financial statements have been corrected, the timing of asset capitalization and commencement of amortization as not consistently aligned with actual in-service dates. This may reduce the precision of financial reporting across periods and affect comparability of result year over year.</p>	<p><u>Potential audit risk</u></p> <p>If depreciation commencement dates are not addressed consistently and supported by appropriate documentation, there is an increased risk of:</p> <ul style="list-style-type: none"> ▪ Misstatement of amortization expense and tangible capital assets across reporting periods; ▪ Misclassification between assets under construction and tangible capital assets; and ▪ Increased reliance on post-year-end corrections rather than preventative controls. <p><u>Recommendation</u></p> <p>We recommend that the City strengthen its processes for determining and documenting assets in-service:</p> <ul style="list-style-type: none"> ▪ Enhancing communication among project managers, and finance staff to ensure timely reclassification of assets from assets under construction to tangible capital assets; and ▪ Implementing periodic reviews by project managers for capital projects nearing completion to ensure amortization commences in the appropriate period. <p>These processes will support more consistent application of amortization policies and improve the accuracy of financial reporting.</p>
<p>Management response</p> <p>To strengthen the capitalization review process, the City will implement enhanced monitoring tools to help identify projects that may require follow up. These tools will support timely engagement with project managers to ensure that assets placed in service are accurately captured.</p> <p>As part of this ongoing effort, Finance will continue its regular communication practices, including requesting quarterly project updates from project managers and issuing a year end reminder to project managers to provide asset in service information within the year the assets are placed in service.</p>		

Control deficiencies – other observations (continued)

Description	Observation and implication	Potential effects and recommendation
<p>Standardization of Guidance for Capitalization of Project Costs</p>	<p>New in current year</p> <p>During our audit, we observed that the City relies on information provided by project managers to determine the capitalization of costs for capital projects. While training and guidance are provided, the nature and extent of their application vary amongst individual project managers and is not consistently applied or documented.</p> <p>As part of our audit procedures, we conducted interviews with a finance management and various project managers to gain and understanding of the current process. Based on the discussions, we noted that:</p> <ul style="list-style-type: none"> Project managers provided varying level of understanding the capitalization of project costs; and The frequency and consistency of project costs review performed by project managers varies across individuals. 	<p><u>Potential audit risk</u></p> <p>There is increased risk that costs may be inconsistently capitalized or expensed across projects. This could result in:</p> <ul style="list-style-type: none"> Misstatement of tangible capital assets and related expenses; Inconsistent application of the City's accounting policies and applicable accounting standards; and Increase reliance on compensating controls and post-year end audit adjustments rather than preventative processes. <p><u>Recommendation</u></p> <p>We recommend that the City formalize the Project Manager (PM) orientation training guide related to the capitalization of project costs. This could include:</p> <ul style="list-style-type: none"> Developing a formal administrative directive that clearly outline criteria for capitalizing versus expensing costs, aligned with the City's accounting policies and applicable accounting standard; Establishing mandatory training for all project managers regardless of experience level; and Establishing a consistent review and documentation process to support the assessment of costs incurred on capital projects. <p>Formalizing these processes will promote consistency across projects, support accurate financial reporting and reduce the risk of misclassification of project costs.</p>



Control deficiencies – other observations (continued)

Standardization of Guidance for Capitalization of Project Costs (continued)

Management response

Finance will continue to review capitalization information submitted by project managers. To enhance this process, Finance will provide standardized capitalization review instructions and remind project managers to verify the accuracy of project cost and asset information.

In addition, a centralized resource hub with training materials will also be developed to support project managers in completing their reviews. These materials will be shared with Human Resources for incorporation into mandatory training for all project managers and other relevant staff involved in capital project reviews. The Project Manager (PM) orientation training guide will be developed into an Administrative Directive.

Internal Audit will be reviewing the capital projects as part of the 2026 audit plan and further guidance may result from this review.

Accounting policies and practices

Initial selection of significant accounting policies and practices



- There were no initial or revised significant accounting policies and practices.
- 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, other than the items described in *Appendix 2 – Management Representation Letter*.
- 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.

Description of new or revised significant accounting policies and practices



- 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 qualitative aspects



- 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.

Our commitment to delivering audit quality

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.**

KPMG is committed to fulfilling our public interest role in providing robust assurance that can benefit investors and other stakeholders.

Businesses are integrating technology in ways once unimaginable. Geopolitical changes and inflationary pressures continue to drive uncertainty, and businesses need to take action to respond to societal threats like climate change.

The pace and scale of change only strengthens our resolve to ensure the quality, consistency and adaptability of our services are fit for this new future. Audit and assurance quality remains the highest priority at KPMG.

Through sustained innovation, we aim to consistently deliver superior audit quality. Across the global organization:

- KPMG firms have implemented a consistent risk-based approach to our system of quality management to drive audit and assurance quality, enabling us to meet the requirements of the International Standard on Quality Management 1 (ISQM 1).
- We are utilising powerful technologies on audit and assurance engagements, including artificial intelligence, and leveraging our alliances with technology leaders such as Microsoft to further enhance quality and provide even more value through deeper analysis of businesses, no matter their size.
- We believe the same level of rigour, quality, consistency and trust that is applied to financial statement information by companies should also apply to ESG reporting. Therefore, across the global organization we have deployed an assurance methodology, KPMG Clara workflow and learning tools to upskill and build teams to provide assurance on ESG reporting that helps our clients build a more sustainable future.

We encourage you to read our Transparency Report to learn more about our system of quality management and our firm's statement on the effectiveness of our SoQM:



[KPMG Canada Transparency Report](#)


How do we deliver audit quality?

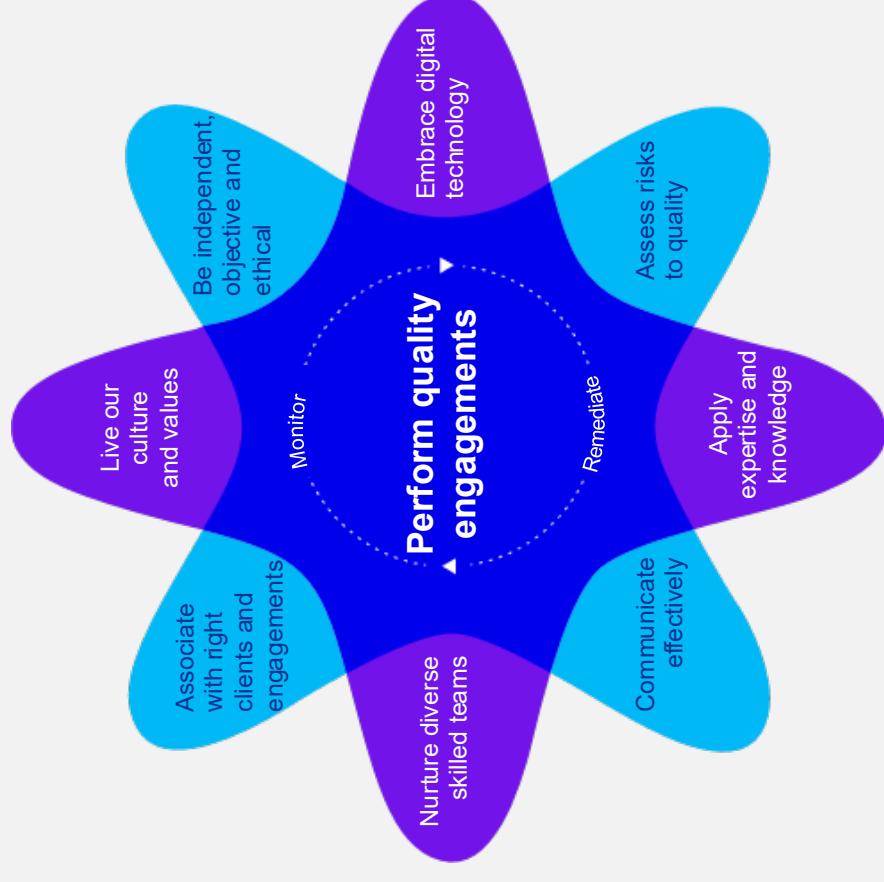
Quality essentially means doing the right thing and remains our highest priority. We have strengthened the consistency and robustness of our system of quality management to meet the requirements of ISQM 1 (CSQM 1), issued by the International Audit and Assurance Standards Board. Foundational for quality management, KPMG's globally consistent approach to ISQM 1 drives compliance with the standard and our efforts to strengthen trust and transparency with clients, the capital markets and the public we serve.

Aligned with ISQM 1 (CSQM 1), our SoQM meets 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 **Global Quality Framework** outlines how we deliver quality and how every KPMG professional contributes to its delivery.

 **'Perform quality engagements'** sits at the core, along with our commitment to continually monitor and remediate to fulfil our quality drivers.

 Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.



Doing the right thing. Always.

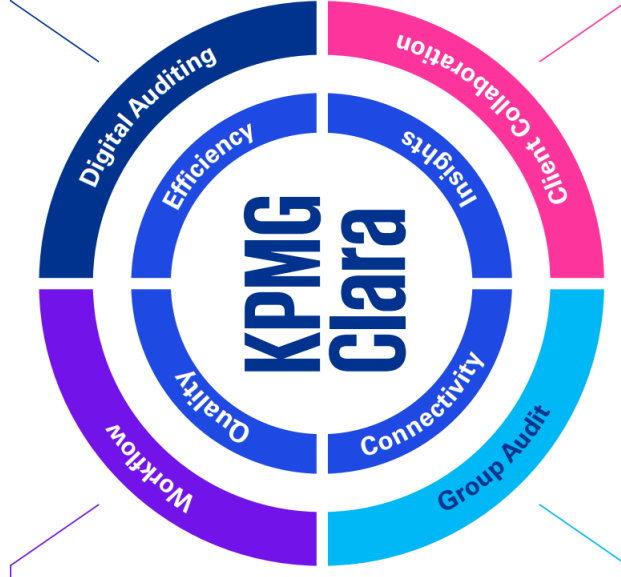
The KPMG Audit

Globally consistent audit and assurance methodology and tools

As a scalable, intuitive cloud-based platform, KPMG Clara is driving globally consistent execution across all KPMG member firms. It enables delivery of KPMG audit and assurance methodologies through data-enabled workflows, which align with the applicable audit and assurance standards and provide an improved experience to audit and assurance professionals.

- Data and AI-driven Audit & Assurance including ESG
- Global, risk-based methodology

- “Risk-to-response” analytics
- Gen AI integration
- Search knowledge base



- Enhanced two-way communication
- Tailored scoping
- Group audit connectivity

- Real-time alerts and task tracking
- Interaction with audit team
- Access to insights

- Methodology aligned with professional standards, laws and regulations
- Standardised methodology and guidance
- Deep technical expertise and knowledge
- Quality and risk management policies

- Meeting the applicable standards, including International Standards on Auditing (ISA), standards issued by the Public Company Accounting Oversight Board (PCAOB) and the American Institute of CPAs (AICPA) – supplemented by KPMG firms to comply with additional local auditing standards and regulatory or statutory requirements.
- Identifying risks of material misstatements and the necessary audit response.



Appendices

1

Required communications

2

Management Representation Letter

Appendix 1: Other required communications



Auditor's report

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

Engagement letter

The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter, copy of which has been provided to management.



Audit findings report

Represented by this report.

Management representation letter

In accordance with professional standards, copy of the management representation letter is included in Appendix 2.



Independence

Refer to page 4 for confirmation of independence.

Internal control deficiencies

We did not identify any significant control deficiencies. Refer to pages 14 to 16 for other control observations identified in current year.

Appendix 1: Required communications (continued)

Management's responsibilities



Under the auditing standards, we are required to obtain the agreement of management that it acknowledges and understands its responsibility. An audit of the annual financial statements does not relieve management or those charged with governance of their responsibilities. We have obtained management's acknowledgment and understanding of their responsibilities in the engagement letter and as described below:

- (a) *the preparation and fair presentation of the annual financial statements in accordance with the financial reporting framework referred to above.*
- (b) *providing us with all information of which management is 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*
 - *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 to be included in such summaries.*
- (c) *providing us with unrestricted access to such relevant information.*
- (d) *providing us with complete responses to all enquiries made by us during the engagement.*
- (e) *providing us with additional information that we may request from management for the purpose of the engagement*
- (f) *providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence*
- (g) *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. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.*
- (h) *ensuring that all transactions have been recorded and are reflected in the financial statements.*
- (i) *ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the entity, will not intervene in the work the internal auditors perform for us.*
- (j) *providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.*

Appendix 1: Independence communications (continued)

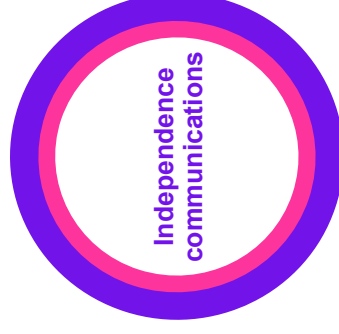
Auditor independence is a shared responsibility and most effective when management, audit committees, and audit firms work together in considering compliance with relevant independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and KPMG each play an important role. We apply the following ethical requirements, including independence requirements, in:

- the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by various professional accounting bodies in Canada (“CPA code”) that are relevant to audits of financial statements of non-reporting issuers; and
- the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA independence rule”) that are relevant to audits of financial statements of non-public interest entities.



The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information before the effective date of transactions or other business changes is necessary to effectively maintain the firm’s independence in relation to:

- New related entities
- Any former KPMG professional who are directors, officers, or employee in a position to exert significant influence over the preparation of the client’s accounting records or the financial statements.



- We will report to those charged with governance all relationships that may reasonably be thought to bear on our independence, including fees charged, and discuss the potential effects of such relationships on our independence. We will also report the related safeguards that have been applied, as applicable, to eliminate identified threats to independence or reduce them to an acceptable level.
- This communication, if any, will be provided during our year-end communications.



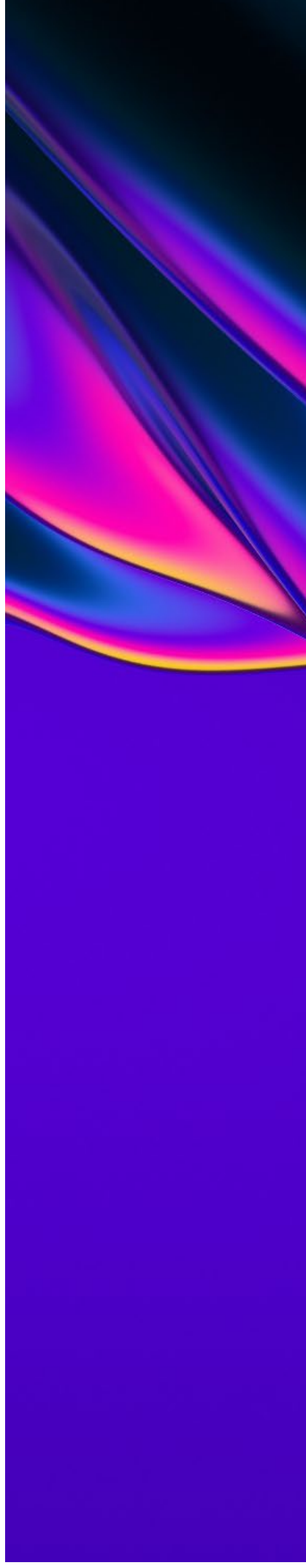
Appendix 1: Independence Communications (continued)



Under the newly effective *Narrow-scope Amendments to Canadian Auditing Standard (CAS) 700, Forming an Opinion and Reporting on Financial Statements, and CAS 260, Communication with Those Charged with Governance*, the auditor shall communicate with those charged with governance the relevant ethical requirements, including those related to independence, that the auditor applies for the audit engagement, including if applicable in the circumstances, any independence requirements specific to audits of financial statements of certain entities.

In accordance with this requirement, we communicate to the Committee that we apply the following ethical requirements, including independence requirements, in:

- the rules of professional conduct / code of ethics applicable to the practice of public accounting issued by various professional accounting bodies in Canada (“CPA Code”) that are relevant to audits of financial statements; and
- the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants that are relevant to audits of financial statements.





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, 2025.

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.
- i) ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that we, and others within the City, did not intervene in the work the internal auditors performed for you.

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, short-sellers, or others.
 - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, 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.
 - f) We have disclosed to you all information regarding investigations into possible fraud and/or non-compliance or suspected non-compliance with laws and regulations, including illegal acts, that we have undertaken at our discretion and completed, including the results of such investigations, and the resolution of the matters, if any, identified in such investigations.

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 2025 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.

Misstatements:

- 12) The effects of the uncorrected misstatements described in [Attachment II](#) are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- 13) We approve the corrected misstatement identified by you during the audit described in [Attachment II](#).

Non-SEC registrants or non-reporting issuers:

- 14) 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).
- 15) 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.

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: Finance and Audit Committee of the City of Richmond

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 Corrected Audit Misstatements 2025

	Uncorrected Misstatements	Annual Surplus (Increase) / Decrease	Asset Increase / (Decrease)	Liability (Increase) / Decrease	Opening Accumulated Surplus (Increase) / Decrease
1	Dr. Tangible capital assets Dr. Amortization expense Cr. Tangible capital assets – asset under construction Cr. Accumulated amortization expense <i>To record tangible capital assets and related amortization for assets with in- service dates in the current year and prior periods.</i>	- 895,193 - -	10,035,511 - (10,035,511) (895,193)	- - - -	- - - -
	Total	895,193	(895,193)	-	-

Summary of Uncorrected Audit Misstatements 2024 (updated)

	Uncorrected Misstatements	Annual Surplus (Increase) / Decrease	Asset Increase / (Decrease)	Liability (Increase) / Decrease	Opening Accumulated Surplus (Increase) / Decrease
1	Dr. Opening accumulated surplus Cr. Provincial and federal contributions <i>The roll over effects of an out-of-period adjustment to Major Road Network revenue of fiscal year 2024 made by management in order to record revenue in the period where the transfer stipulations have been satisfied. Identified during the 2024 audit.</i>	- (6,497,346)	- -	- -	6,497,346 -
2	Dr. Tangible capital assets Dr. Amortization expense Dr. Opening accumulated surplus Cr. Tangible capital assets – asset under construction Cr. Accumulated depreciation expense <i>The effects of out-of-period adjustments made by management in order to record tangible capital assets and related amortization for assets with in-service dates in prior periods. Identified during the 2025 audit.</i>	- 150,562 - - -	10,505,209 - - (10,505,209) (629,266) -	- - - - -	- - 478,704 - -
	Total	(6,346,784)	(629,266)	-	6,976,050



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

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Consolidated Financial Statements of

CITY OF RICHMOND

And Independent Auditor's Report thereon

Year ended December 31, 2025



KPMG LLP
777 Dunsmuir Street, 11th floor
Vancouver, BC V7Y 1K3
Canada
Tel 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, 2025
- 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, 2025, 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.



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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Chartered Professional Accountants

Vancouver, Canada

_____, 2026

CITY OF RICHMOND

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

December 31, 2025, with comparative information for 2024

	2025	2024
Financial Assets		
Cash and cash equivalents (note 3)	\$ 196,692	\$ 199,381
Investments (note 3)	1,595,351	1,590,310
Investment in Lulu Island Energy Company ("LIEC") (note 4)	42,174	39,855
Accrued interest receivable	21,582	22,681
Accounts receivable (note 5)	51,473	45,887
Taxes receivable	31,784	27,123
Development fees receivable (note 11)	18,000	18,084
Debt reserve fund - deposits (note 6)	960	960
Loans receivable (note 7)	881	-
	<u>1,958,897</u>	<u>1,944,281</u>
Liabilities		
Accounts payable and accrued liabilities (note 8)	106,930	125,784
Asset retirement obligations (note 9)	11,512	11,120
Post-employment benefits (note 10)	38,105	37,397
Development cost charges (note 11)	242,462	226,012
Deposits and holdbacks (note 12)	172,405	161,822
Deferred revenue (note 13)	87,258	80,586
Debt, net of sinking fund deposits (note 14)	85,455	89,092
	<u>744,127</u>	<u>731,813</u>
Net financial assets	1,214,770	1,212,468
Non-Financial Assets		
Tangible capital assets (note 15)	2,990,613	2,840,927
Inventory of materials and supplies	4,786	5,759
Prepaid expenses	6,304	5,393
	<u>3,001,703</u>	<u>2,852,079</u>
Accumulated surplus (note 16)	<u>\$ 4,216,473</u>	<u>\$ 4,064,547</u>

Contingent demand notes (note 6)
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, 2025, with comparative information for 2024

	2025 Budget (notes 2(p) and 25)	2025	2024
Revenue:			
Taxation and levies (note 21)	\$ 327,170	\$ 337,668	\$ 318,093
Utility fees	172,472	169,506	150,823
Sales of services	61,378	59,692	57,450
Payments-in-lieu of taxes (note 21)	15,001	22,052	20,054
Provincial and federal contributions	31,396	27,708	22,048
Development cost charges (note 11)	16,747	13,826	70,450
Other capital funding sources	83,619	33,640	31,237
Other revenue:			
Investment income	30,636	62,123	69,853
Gaming revenue	11,500	11,390	11,971
Licences and permits	14,014	15,822	19,856
Other (note 22)	16,313	29,056	39,892
Equity income in LIEC (note 4)	215	2,319	2,757
	780,461	784,802	814,484
Expenses:			
Law and community safety	171,545	160,652	152,746
Utilities: flood, sanitation, sewer and water	167,715	166,501	144,647
Parks, recreation and culture	86,660	87,504	78,173
General government	81,950	86,185	74,564
Engineering, transportation, public works and project development	78,284	77,996	71,322
Planning and development	44,179	21,045	27,427
Richmond Olympic Oval	20,963	19,933	20,351
Richmond Public Library	13,058	13,060	12,239
	664,354	632,876	581,469
Annual surplus	116,107	151,926	233,015
Accumulated surplus, beginning of year	4,064,547	4,064,547	3,831,532
Accumulated surplus, end of year	\$ 4,180,654	\$ 4,216,473	\$ 4,064,547

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, 2025, with comparative information for 2024

	2025 Budget (notes 2(p) and 25)	2025	2024
Annual surplus for the year	\$ 116,107	\$ 151,926	\$ 233,015
Acquisition of tangible capital assets	(157,061)	(194,697)	(187,379)
Contributed tangible capital assets	(62,803)	(32,256)	(31,065)
Amortization of tangible capital assets	74,070	76,492	71,703
Asset retirement obligation	-	(170)	(103)
Net loss (gain) on disposal of tangible capital assets	-	433	(2,514)
Proceeds on sale of tangible capital assets	-	512	3,333
	(29,687)	2,240	86,990
Acquisition of inventory of materials and supplies	-	(4,786)	(5,759)
Acquisition of prepaid expenses	-	(6,304)	(5,393)
Consumption of inventory of materials and supplies	-	5,759	6,146
Use of prepaid expenses	-	5,393	4,909
Change in net financial assets	(29,687)	2,302	86,893
Net financial assets, beginning of year	1,212,468	1,212,468	1,125,575
Net financial assets, end of year	\$ 1,182,781	\$ 1,214,770	\$ 1,212,468

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 151,926	\$ 233,015
Items not involving cash:		
Amortization of tangible capital assets	76,492	71,703
Asset retirement obligation	222	(876)
Net loss (gain) on disposal of tangible capital assets	433	(2,514)
Contributions of tangible capital assets	(32,256)	(31,065)
Equity income in LIEC	(2,319)	(2,757)
Changes in non-cash operating working capital:		
Accrued interest receivable	1,099	3,933
Accounts receivable	(5,586)	(10,820)
Taxes receivable	(4,661)	(6,590)
Development fees receivable	84	2,215
Loans receivable	(881)	-
Inventory of materials and supplies	973	387
Prepaid expenses	(911)	(484)
Accounts payable and accrued liabilities	(18,854)	22,550
Post-employment benefits	708	(484)
Development cost charges	16,450	(15,622)
Deposits and holdbacks	10,583	13,084
Deferred revenue	6,672	5,229
Net change in cash from operating activities	200,174	280,904
Capital activities:		
Cash used to acquire tangible capital assets	(194,697)	(187,379)
Proceeds on disposal of tangible capital assets	512	3,333
Net change in cash from capital activities	(194,185)	(184,046)
Financing activities:		
Repayments of debt	(3,637)	(9,537)
Debt reserve fund	-	508
Net change in cash from financing activities	(3,637)	(9,029)
Investing activities:		
Purchase of investments	(5,041)	(209,927)
Net change in cash from investing activities	(5,041)	(209,927)
Decrease in cash and cash equivalents	(2,689)	(122,098)
Cash and cash equivalents, beginning of year	199,381	321,479
Cash and cash equivalents, end of year	\$ 196,692	\$ 199,381
Non-cash transactions, related to asset retirement obligations:		
Tangible capital asset additions	\$ 170	\$ 103

See accompanying notes to 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, 2025

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 Board (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, 2025

2. Significant accounting policies (continued):

(b) Basis of accounting:

The City follows the accrual method of accounting for revenue and expenses. Revenues are normally recognized in the year in which they are earned. 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, loans 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, 2025 and December 31, 2024. 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 are recorded at cost and expensed as incurred.

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

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

Concessionary loans are recorded at net present value at issue and related present value discounts are expensed. The loan discount amortization is recorded to revenue using the effective interest rate method over the term of the loan. Valuation allowances are made when collectability is considered doubtful. Interest is accrued on loans receivable only when collection is certain.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

2. Significant accounting policies (continued):

(d) Financial Instruments (continued):

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.

(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 and development fees receivable:

Accounts receivable and development fees 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, 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.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(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:

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.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(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.

(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:

(i) Property taxes, penalties and interest:

The Community Charter provides the City with the ability to impose and enforce collection of property taxes and levies. Tax revenues are recognized when they meet the definition of an asset, have been authorized and the taxable event occurs. Annual property tax levies and payments-in-lieu of taxes are recorded as taxes for municipal services in the year which they are levied. The British Columbia Assessment Authority's (BCAA) appeal process may affect current year property assessments by supplementary roll adjustments. Adjustments on taxes are recognized in the year when the appeals are settled.

Property taxes collected in advance of the taxation year to which it relates are recorded in deferred revenue. Amounts collected on behalf of other governments and entities are recorded in the City's consolidated financial statements on a net basis.

The City is entitled to collect interest and penalties on overdue taxes. This revenue is recorded in the period the interest and penalties are levied

(ii) Licence and development fees:

Revenue from building and development permits and rezoning fees received in advance of services are provided, is initially deferred and recognized as the performance obligations are fulfilled. The nature of the permit determines the number and type of performance obligation and when the revenue is recognized.

(A) Single performance obligation:

When a permit includes a single performance obligation, revenue is recognized at the time the performance obligation is fulfilled, being either issuance or completion of the permit.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

2. Significant accounting policies (continued):

(k) Revenue recognition (continued):

(ii) Licence and development fees (continued):

(B) Multiple performance obligations:

For permits with multiple performance obligations, the first performance obligation is the issuance of the permit, subsequent performance obligations include activities such as inspections or compliance related tasks. Revenue is recognized as each performance obligation is fulfilled. When multiple performance obligations exist, revenue is allocated between the performance obligations based on the estimated cost to satisfy each performance obligation.

(iii) Cost recoveries:

Fees from sewer and water connection permits are initially deferred and subsequently recognized as revenue when the installation of the connection is completed.

(iv) Donations:

Donations for specified purposes are recognized when the related expenditures are incurred. Unrestricted donations are recognized when the donation is received.

(v) Restricted non-government grants:

Grants from non-government sources with externally imposed restrictions are recognized as revenue when spent in accordance with the funder's specified purpose or when the restriction is fulfilled.

(vi) Development cost charges (DCC's):

The City collects development cost charges in accordance with Council-approved bylaws to finance growth-related projects including parks and engineering infrastructure, which includes roads, drainage, sewer and water. DCC's must be spent on projects within defined area boundaries and are recognized as revenue as Council approved expenditures are incurred.

(vii) Prepaid leases:

The City has land leases with terms ranging from 3 to 99 years, some of which have been prepaid. These amounts are recognized as revenue on a straight-line basis over the lease term.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

2. Significant accounting policies (continued):

(k) Revenue recognition (continued):

(viii) Capital contributions, government transfers:

Contributions are recognized as revenue as the related expenditures are incurred. Restricted transfers from governments are initially deferred and subsequently 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.

(ix) All other revenues:

Unilateral transactions are recognized as revenue when the City has the authority to retain the inflow of economic resources and identifies a past transaction or event giving rise to an asset. Exchange transactions are recognized as revenue when the City's performance obligation, which is usually to provide goods and/or services, is fulfilled.

(l) Taxes and Payments-in-lieu of taxes

Property tax rates are calculated based on assessment values provided by the BCAA and are approved annually by Council. Assessment values are determined as of July 1st of each year.

Payments in Lieu of Taxes ("PILT") for federal properties are calculated based on 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, licences and other fees and recognizes this revenue in the year in which related performance obligations are met, 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, 2025

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 (2025-2029) ("Consolidated Financial Plan") and was adopted through Bylaw No. 10622 on January 27, 2025.

(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, the 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, 2025

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 City's asset retirement obligations includes the removal for asbestos and lead in buildings, removal of fuel tanks owned by the City and end-of-life decommissioning costs for certain leases.

Measurement of the asset retirement obligation is recorded at the best estimate of the expenditures required to retire a tangible capital asset. Where available, assessment reports are used with experience and expert advice to determine the liability. The resulting costs are capitalized as part of the carrying amount of the related tangible capital asset that are in productive use. 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.

The carrying value of the liability is reviewed at each financial reporting date and adjusted for any revisions to the timing or amount required to settle the obligation. Changes in the liability due to the passage of time are recorded as an accretion expense in the Consolidated Statement of Operations and all other changes are adjusted to the tangible capital asset. 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.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

3. Cash, cash equivalents and investments:

	2025	2024
Cash and cash equivalents	\$ 196,692	\$ 199,381
Investments:		
Deposits	444,147	489,091
Government and government guaranteed bonds	719,664	755,104
Bank bonds	408,924	333,646
Municipal Finance Authority bonds	12,473	12,469
Municipal Finance Authority pooled investment fund	10,143	-
	1,595,351	1,590,310
Total cash, cash equivalents and investments	\$ 1,792,043	\$ 1,789,691
	2025	2024
Unrestricted operating, appropriated surplus and reserve funds	\$ 470,601	\$ 509,121
Restricted statutory and development cost charge reserve funds	1,149,037	1,118,748
Deposits and holdbacks	172,405	161,822
Total cash, cash equivalents and investments	\$ 1,792,043	\$ 1,789,691

Average investment portfolio yield is 4.01% (2024 – 4.33%). The average total cash, cash equivalents and investment portfolio yield is 3.92% (2024 – 4.48%).

The City has available a revolving credit facility up to a maximum of \$15,000,000 which bears interest at an annual rate of bank prime less 0.50% per annum, with standby letters of credit up to a maximum of \$500,000 for its ongoing operating requirements. The City also has available a revolving credit facility of \$4,500,000 which bears interest at an annual rate of the bank's leasing base rate plus 0.60% per annum for its ongoing capital requirements. The City also has available a commercial card credit facility of \$2,000,000, with overdue payment subject to an annual rate of bank prime plus 12%. No amounts are outstanding under these banking facilities as of December 31, 2025 or December 31, 2024.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

4. 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.

Summarized financial information relating to LIEC, prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, is as follows:

	2025	2024
Cash, cash equivalents, and investments	\$ 22,438	\$ 21,305
Accounts receivable	4,379	4,385
Tangible capital assets	87,427	58,128
Total assets	114,244	83,818
Deferred contributions	39,107	22,789
Project agreement	29,527	19,283
Accounts payable and accrued liabilities	1,940	1,291
Government grants	1,360	514
Post-employment benefits	136	86
Total liabilities	72,070	43,963
Shareholder's equity	\$ 42,174	\$ 39,855
Total revenue	\$ 11,364	\$ 9,760
Total expenses	9,045	7,003
Net income	\$ 2,319	\$ 2,757

Included in accounts payable and accrued liabilities in the City's Consolidated Statement of Financial Position are payables to LIEC in the amount of \$187,181 (2024 - \$166,301).

On September 22, 2022, the LIEC entered into a new concession project agreement with City Centre Energy Limited Partnership ("Project Contractor") 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 Project Contractor is a wholly owned subsidiary of Corix District Energy Holdings GP Inc.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

5. Accounts receivable:

	2025	2024
Water and sewer utilities	\$ 20,073	\$ 17,903
Grants	18,167	12,728
Trade receivables	5,369	6,877
Casino revenue	2,819	2,918
Airport policing	2,429	3,622
Other receivables	2,616	1,839
	\$ 51,473	\$ 45,887

6. Debt reserve fund deposits and contingent demand notes:

The City issues its debt instruments through the Municipal Finance Authority (the "MFA"). As a condition of these borrowings, a portion of the debt proceeds is withheld by the MFA in a Debt Reserve Fund. The City also executes demand notes in connection with each debt 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, 2025 are as follows:

	Cash deposits	Contingent demand notes
General Revenue Fund	\$ 960	\$ 2,701

7. Loans receivable:

In 2025, the City entered into a concessionary loan agreement with the Richmond Caring Place Society (the "Society") for facility repairs. The Society received funding in the amount of \$1,300,000 to be repaid through equal monthly payments over the 20-year loan term. Payments of interest will not be required unless there is a default, which would result in interest being payable at the Prime Rate on the outstanding principal. The City holds security in the amount of \$65,000 and has the right to terminate the land occupancy lease in the event of default. The loan receivable is recorded at present value using the City's long-term borrowing rate at the loan date of 4.08%. The 2025 valuation allowance is \$nil.

	2025	2024
Construction loan	\$ 881	\$ -

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

8. Accounts payable and accrued liabilities:

	2025	2024
Trade and other accounts payable	\$ 59,519	\$ 81,520
Property tax payable	25,193	23,138
Payroll accrual	22,218	21,126
	\$ 106,930	\$ 125,784

9. Asset retirement obligations:

The City's asset retirement obligation consists of the following obligations:

- Asbestos and Lead Obligation:** Once disturbed, the City has a legal obligation to properly remove and dispose of asbestos and lead. As such, asset retirement obligations have been recognized for various City buildings that are known and/or suspected of containing asbestos and lead.
- Fuel Tank Obligation:** The City has a legal obligation to adhere to particular practices when removing aboveground storage tanks and underground storage tanks. Asset retirement obligations have been recognized for all known land or buildings where an aboveground storage tank and underground storage tank is known to exist.
- Contractual Obligation:** The City is party to various contracts and agreements with entities that dictate various end-of life decommissioning activities associated with properties the City is leasing. Asset retirement obligations have been recognized for the estimated cost of adhering to these contracts.

The City has recognized liabilities related to the legal obligations to incur costs to retire a tangible capital asset. A significant part of the City's asset retirement obligations result from the removal and disposal of designated materials from buildings and fuel tanks. The City estimates that the majority of the obligations will be paid during fiscal years 2048 to 2073.

	2025	2024
Asset retirement obligation, opening balance	\$ 11,120	\$ 11,893
Accretion expense during the year	222	195
Asset retirement obligation recorded during the year	170	103
Asset retirement obligation expenditure incurred during the year	-	(1,059)
Asset retirement obligation settled during the year	-	(12)
Asset retirement obligation, closing balance	\$ 11,512	\$ 11,120

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

9. Asset retirement obligations (continued):

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 2025 is 4.40% (2024 - 4.30%). There are no liabilities recorded using the present value of future cash flows at December 31, 2025 (2024 - \$nil).

10. Post-employment benefits:

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

	2025	2024
Accrued benefit obligation, beginning of year	\$ 35,147	\$ 34,813
Current service cost	2,537	2,514
Interest cost	1,514	1,463
Past service (credit) / cost	(442)	411
Benefits paid	(2,812)	(4,056)
Actuarial loss	2,952	2
Accrued benefit obligation, end of year	\$ 38,896	\$ 35,147

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2025. The actuarial gain (loss) is being amortized over a period equal to the employees' expected average remaining service lifetime of 11 years (2024 – 11 years).

	2025	2024
Accrued benefit obligation, end of year	\$ 38,896	\$ 35,147
Unamortized net actuarial (loss) gain	(791)	2,250
Accrued benefit liability, end of year	\$ 38,105	\$ 37,397

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

	2025	2024
Discount rate	4.40%	4.30%
Expected future inflation rate	2.50%	2.50%
Expected wage and salary range increases	2.50% to 3.00%	2.50% to 3.00%

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

11. Development cost charges:

	2025	2024
Balance, beginning of year	\$ 226,012	\$ 241,634
Contributions	21,463	44,832
Interest	8,813	9,996
Revenue recognized	(13,826)	(70,450)
Balance, end of year	\$ 242,462	\$ 226,012

	2025	2024
Drainage	\$ 74,804	\$ 65,486
Parks acquisition	4,877	4,867
Parks development	17,598	17,579
Roads	90,588	86,308
Sanitary sewer	41,869	39,498
Water	12,726	12,274
Balance, end of year	\$ 242,462	\$ 226,012

Development cost charges are comprised of restricted cash, cash equivalents and investments of \$224,462,425 (2024 - \$207,928,660) and restricted development fees receivable of \$18,000,063 (2024 - \$18,083,640).

12. Deposits and holdbacks:

	Balance December 31, 2024	Deposit contributions / interest earned	Refund/ expenditures	Balance December 31, 2025
Security deposits	\$ 138,835	\$ 16,097	\$ (8,774)	\$ 146,158
Developer contributions	8,091	83	(406)	7,768
Damage deposits	6,527	(114)	1,037	7,450
Contract holdbacks	4,708	6,939	(4,448)	7,199
Other	3,661	289	(120)	3,830
	\$ 161,822	\$ 23,294	\$ (12,711)	\$ 172,405

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

13. Deferred revenue:

	Balance December 31, 2024	Externally restricted inflows	Revenue earned	Balance December 31, 2025
Taxes and utilities	\$ 33,197	\$ 34,805	\$ (33,197)	\$ 34,805
Grants	19,921	29,023	(22,172)	26,772
Building permits/development	17,322	3,393	(6,722)	13,993
Oval	2,893	15,311	(15,612)	2,592
Parking easement/leased land	2,535	100	(56)	2,579
Licences	843	2,160	(1,631)	1,372
Other	3,875	7,362	(6,092)	5,145
	\$ 80,586	\$ 92,154	\$ (85,482)	\$ 87,258

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	Sinking fund	Net debt 2025	Net debt 2024
158	10334	\$ 96,000	\$ 10,545	\$ 85,455	\$ 89,092
		\$ 96,000	\$ 10,545	\$ 85,455	\$ 89,092

Current borrowing includes:

MFA issue	Issue date	Term (years)	Maturity date	Interest rate	Refinancing date
158	September 23, 2022	20	September 23, 2042	4.09%	September 23, 2032

Interest expense incurred for the year on the long-term debt was \$3,926,400 (2024 - \$4,764,848). Repayments on net outstanding debt over the next five years and thereafter are as follows:

2026	\$ 3,764
2027	3,895
2028	4,032
2029	4,173
2030	4,319
Thereafter	65,272
	\$ 85,455

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

15. Tangible capital assets:

Cost	Balance December 31, 2024	Additions and transfers	Disposals	Balance December 31, 2025
Land	\$ 1,285,310	\$ 56,588	\$ -	\$ 1,341,898
Building and building improvements	651,969	74,612	(3,132)	723,449
Infrastructure	2,034,574	69,305	(7,559)	2,096,320
Vehicles, machinery and equipment	196,125	18,125	(5,165)	209,085
Library's collections, furniture and equipment	12,784	951	(968)	12,767
Assets under construction	107,673	7,542	-	115,215
	\$ 4,288,435	\$ 227,123	\$ (16,824)	\$ 4,498,734

Accumulated amortization	Balance December 31, 2024	Disposals	Amortization expense	Balance December 31, 2025
Building and building improvements	\$ 286,912	\$ (2,872)	\$ 24,373	\$ 308,413
Infrastructure	1,016,181	(7,316)	39,345	1,048,210
Vehicles, machinery and equipment	135,341	(4,723)	11,706	142,324
Library's collections, furniture and equipment	9,074	(968)	1,068	9,174
	\$ 1,447,508	\$ (15,879)	\$ 76,492	\$ 1,508,121

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

15. Tangible capital assets (continued):

Net book value	December 31, 2025	December 31, 2024
Land	\$ 1,341,898	\$ 1,285,310
Buildings and building improvements	415,036	365,057
Infrastructure	1,048,110	1,018,393
Vehicles, machinery and equipment	66,761	60,784
Library's collection, furniture and equipment	3,593	3,710
Assets under construction	115,215	107,673
Balance, end of year	\$ 2,990,613	\$ 2,840,927

(a) Assets under construction:

Assets under construction having a value of \$115,215,211 (2024 - \$107,673,230) 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 value at the date of contribution. The value of contributed assets received during the year is \$32,255,906 (2024 - \$31,065,021) comprised of land in the amount of \$11,285,873 (2024 - \$23,144,146), and infrastructure in the amount of \$15,166,753 (2024 - \$7,920,875) and building in the amount of \$5,803,280 (2024 - \$nil).

(c) Tangible capital assets disclosed at nominal values:

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

(d) Works of art and historical treasures:

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

(e) Write-down of tangible capital assets:

There were no write-down of tangible capital assets in 2025 (2024 - \$nil).

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

16. Accumulated surplus:

	General and Reserve Funds	Waterworks Utility Fund	Sewerworks Utility Fund	Richmond Olympic Oval	Library	2025 Total	2024 Total
Investment in tangible capital assets	\$ 2,938,723	\$ -	\$ -	\$ 8,315	\$ 3,594	\$ 2,950,632	\$ 2,826,079
Reserves (note 17)	743,166	77,920	70,372	15,117	-	906,575	892,736
Appropriated surplus	250,780	18,685	11,695	989	2,720	284,869	273,054
Investment in LIEC	42,174	-	-	-	-	42,174	39,855
Surplus	18,530	1,113	6,653	770	494	27,560	27,215
Other equity	4,663	-	-	-	-	4,663	5,608
Balance, end of year	\$ 3,998,036	\$ 97,718	\$ 88,720	\$ 25,191	\$ 6,808	\$ 4,216,473	\$ 4,064,547

17. Reserves:

	Balance, December 31, 2025	Balance, December 31, 2024
Affordable housing	\$ 18,681	\$ 16,848
Arts, culture and heritage	4,457	4,310
Capital building and infrastructure	180,290	166,411
Capital reserve	305,735	337,547
Capstan station	22,174	21,468
Child care development	13,105	12,773
Community legacy and land replacement	1,929	1,800
Flood protection BL 7812 and BL 10403	80,651	71,177
Equipment replacement	32,654	31,390
Growing communities fund	21,705	21,528
Hamilton area plan community amenity	4,092	3,935
Leisure facilities	36,705	35,155
Local improvements	8,809	8,470
Neighborhood improvement	10,250	9,831
Oval	15,117	13,133
Public art program	5,652	5,302
Sanitary sewer BL 7812 and BL 10401	70,832	63,116
Solid waste	776	256
Steveston off-street parking	391	359
Steveston road ends	34	112
Transportation demand management	20	-
Waterfront improvement	199	195
Water supply BL 7812 and BL 10402	72,317	67,620
	\$ 906,575	\$ 892,736

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

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, 2024, the plan has about 273,000 (2024 - 256,000) active members and approximately 133,000 (2024 - 129,000) retired members. Active members include approximately 47,000 (2024 - 45,000) contributors from local governments. 1,943 (2024 - 1,902) of the City's employees are active members of the plan.

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, 2024, indicated a \$2,675 million funding surplus for basic pension benefits on a going concern basis.

The next valuation will be as at December 31, 2027.

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 \$18,106,887 (2024 - \$17,271,458) for employer contributions while employees contributed \$15,875,142 (2024 - \$15,100,313) to the plan in fiscal 2025.

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, 2025. 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, 2025

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, licences, 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:

2026	\$ 46,406
2027	9,152
2028	6,679
2029	5,514
2030	2,795
Thereafter	10,610

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:

2026	\$ 5,013
2027	3,078
2028	2,728
2029	1,354
2030	1,143
Thereafter	11,793

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

20. Commitments and contingencies (continued):

(c) Litigation:

As at December 31, 2025, 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 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 Metro Vancouver; 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, 2025). 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. The City does not control the community associations, and their financial information is not included in the City financial statements.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

21. Taxation and levies:

	2025	2024
Taxes collected:		
Property taxes	\$ 656,644	\$ 621,165
Payment-in-lieu of taxes and grants	38,968	35,264
Municipal and Regional District Tax (MRDT)	9,276	9,315
Local improvement levies	74	74
	<u>704,962</u>	<u>665,818</u>
Less transfers to other authorities:		
Ministry of Education and Child Care, Province of British Columbia - school taxes	(255,460)	(247,616)
South Coast British Columbia Transportation Authority	(69,610)	(60,588)
Metro Vancouver Regional District	(12,133)	(11,701)
British Columbia Assessment Authority	(7,996)	(7,724)
Other	(43)	(42)
	<u>(345,242)</u>	<u>(327,671)</u>
Less payment-in-lieu of taxes retained by the City	(22,052)	(20,054)
	<u>\$ 337,668</u>	<u>\$ 318,093</u>

22. Other revenue:

	2025	2024
Penalties and fines	\$ 6,541	\$ 5,958
Recycle BC	4,964	3,326
Rental properties recoveries	3,959	1,601
Parking program	3,849	2,930
Oval - other revenue	2,633	2,712
Donations	2,581	60
Developer reserve contribution	2,572	15,967
Tangible capital assets gain on sale of land	-	3,008
Other	1,957	4,330
	<u>\$ 29,056</u>	<u>\$ 39,892</u>

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

23. 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:

	2025	2024
Operating:		
Government of British Columbia	\$ 19,967	\$ 16,650
Government of Canada	4,633	8,468
Capital:		
Government of British Columbia	13,196	7,099
Government of Canada	1,837	1,405
	\$ 39,633	\$ 33,622

24. 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) **Law and community safety** brings together the City's public safety providers such as police (RCMP), fire-rescue, emergency programs, and community bylaws along with sections responsible for legal and regulatory matters. It is responsible for ensuring safe communities by providing protection services with a focus on law enforcement, crime prevention, emergency response, protection of life and properties and legal services.
- (b) **Utilities** provide such services as planning, designing, constructing, operating, and maintaining the City's infrastructure of water and sewer networks, flood protection and sanitation and recycling.
- (c) **Engineering, transportation, public works and project development** comprises of general public works, roads and construction, fleet operations, engineering, transportation, project development and facility management. The services provided are construction and maintenance of the City's infrastructure and 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.
- (d) **Parks, recreation and culture** 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 arts, culture and community issues that the City encounters.

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

24. Segmented reporting (continued):

- (e) **General government** comprises of Mayor and Council, corporate administration, finance and corporate services. It is responsible for adopting bylaws, effectively administering city operations, levying taxes, 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 and includes the Housing Office which oversees the affordable housing strategies.
- (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 five branches throughout the City.

	Law and Community safety	Utilities: Flood, sanitation, sewer and water	Parks, recreation and culture	General government	Engineering, transportation, public works and project development	Planning and development	Total city subtotal
Revenue:							
Taxation and levies	\$ -	\$ -	\$ 400	\$ 337,268	\$ -	\$ -	\$ 337,668
User fees	-	169,491	-	(1)	16	-	169,506
Sales of services	8,730	5,258	13,908	15,487	2,923	918	47,224
Payments-in-lieu of taxes	-	-	-	22,052	-	-	22,052
Provincial and federal grants	1,034	4,121	362	4,076	11,333	2,256	23,182
Development cost charges	-	601	2,100	2,822	8,303	-	13,826
Other capital funding sources	-	7,017	1,422	17,089	8,112	-	33,640
Other revenue:							
Investment income	-	366	-	61,723	-	-	62,089
Gaming revenue	979	-	-	10,411	-	-	11,390
Licences and permits	5,806	22	-	24	685	9,285	15,822
Other	4,134	6,545	241	(1,259)	1,144	147	10,952
Equity income in LIEC	-	-	-	2,319	-	-	2,319
	20,683	193,421	18,433	472,011	32,516	12,606	749,670
Expenses:							
Wages and salaries	69,846	25,284	46,845	37,165	31,395	16,266	226,801
Contract services	82,069	11,641	6,564	15,186	6,486	1,409	123,355
Regional district utility charges	-	82,212	-	-	-	-	82,212
Supplies and materials	4,733	11,926	12,760	17,735	374	1,327	48,855
Public works maintenance	80	10,511	2,439	(1,427)	4,380	2	15,985
Interest and finance	981	1	206	6,723	1	-	7,912
Non-capital project costs	(503)	6,523	6,700	298	7,673	(6)	20,685
Amortization of tangible capital assets	3,279	18,249	11,891	10,540	27,624	2,047	73,630
Loss (gain) on disposal of tangible capital assets	167	154	99	(35)	63	-	448
	160,652	166,501	87,504	86,185	77,996	21,045	599,883
Annual surplus (deficit)	\$ (139,969)	\$ 26,920	\$ (69,071)	\$ 385,826	\$ (45,480)	\$ (8,439)	\$ 149,787

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

24. Segmented reporting (continued):

	Total city subtotal	Richmond Olympic Oval	Richmond Public Library	2025 Consolidated	2024 Consolidated
Revenue:					
Taxation and levies	\$ 337,668	\$ -	\$ -	\$ 337,668	\$ 318,093
User fees	169,506	-	-	169,506	150,823
Sales of services	47,224	12,353	115	59,692	57,450
Payments-in-lieu of taxes	22,052	-	-	22,052	20,054
Provincial and federal grants	23,182	4,091	435	27,708	22,048
Development cost charges	13,826	-	-	13,826	70,450
Other capital funding sources	33,640	-	-	33,640	31,237
Other revenue:					
Investment income	62,089	-	34	62,123	69,853
Gaming revenue	11,390	-	-	11,390	11,971
Licences and permits	15,822	-	-	15,822	19,856
Other	10,952	6,207	11,897	29,056	39,892
Equity income in LIEC	2,319	-	-	2,319	2,757
	749,670	22,651	12,481	784,802	814,484
Expenses:					
Wages and salaries	226,801	12,642	9,317	248,760	236,245
Contract services	123,355	-	682	124,037	115,205
Regional district utility charges	82,212	-	-	82,212	66,161
Supplies and materials	48,855	5,557	2,071	56,483	59,652
Public works maintenance	15,985	(60)	45	15,970	16,444
Interest and finance	7,912	-	5	7,917	6,681
Non-capital project costs	20,685	-	(113)	20,572	8,877
Amortization of tangible capital assets	73,630	1,794	1,068	76,492	71,703
Loss (gain) on disposal of tangible capital assets	448	-	(15)	433	501
	599,883	19,933	13,060	632,876	581,469
Annual surplus (deficit)	\$ 149,787	\$ 2,718	\$ (579)	\$ 151,926	\$ 233,015

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

25. 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 27, 2025. The table below reconciles the adopted Consolidated 5 Year Financial Plan to the budget amounts reported in these consolidated financial statements.

	Financial plan Bylaw No. 10622	Financial statement budget
Revenue from Consolidated financial plan	\$ 780,461	\$ 780,461
Expenses from Consolidated financial plan	664,354	664,354
Annual surplus	116,107	116,107
Less:		
Acquisition of tangible capital assets - current year	(157,061)	-
Acquisition of tangible capital assets - prior years	(279,031)	-
Contributed tangible capital assets	(62,803)	-
Transfer to reserves	(109,720)	-
Debt principal	(3,710)	-
Add:		
Capital funding	481,288	-
Operating reserve funding	8,567	-
Transfer from surplus	6,363	-
Annual surplus	\$ -	\$ 116,107

26. Financial risk management:

Financial instruments include cash and cash equivalents, investments, receivables, payables and debt. The City has exposure to the following financial risks from its use of financial instruments: credit risk, market risk, interest rate risk and liquidity risk. Management is responsible for safeguarding resources, managing risks and implementing appropriate policies and framework. This note presents information on how the City manages those financial risks.

(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 primarily through its cash and cash equivalents, investments, accounts receivables and loans receivable. 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, 2025

26. 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 high credit ratings, of which a minimum of 90% of the portfolio is required to carry a Dominion Bond Rating Service credit rating of A (high) or higher. The City only deposits with reputable Canadian financial institutions, from which management believes the risk of loss to be remote.

The City mitigates credit risk in its investments by adhering to its restrictive investment Policy 3703 which limits the type and distribution of investments.

Accounts receivables mainly consist of property taxes, utilities, trade and other receivables. The Community Charter grants legislative authority for the City to enforce the collection of unpaid property taxes. As at December 31, 2025 and 2024, there were no significant collection issues related to outstanding receivable accounts. The City assesses, on a continuous basis, accounts receivables and provides for any amounts that are not collectible.

Credit risk associated with the loan receivable relating to the concessionary loan arrangement the City entered into during 2025 is minimized by the City holding security and having the right to terminate an existing land lease in the event of default. The City assesses the likelihood of default and provides a valuation allowance for collectability or risk of loss. At December 31, 2025, there were no collection issues identified.

(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 fixed income bonds, terms deposits and money market instruments held by the City. The City manages interest rate risk through its investment policy, which limits the terms of investments and staggers maturity dates to maintain liquidity and reduce exposure to interest rate fluctuations.

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

CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2025

26. Financial risk management (continued):

(b) Market risk (continued):

(ii) Currency risk:

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

The City's exposure to currency risk is limited to its holdings of U.S. dollar cash and occasional payments to U.S.-based suppliers.

At year-end, the City held approximately \$8 million in U.S. dollar cash balance. Given the low value of U.S.-dollar transactions, the City does not employ foreign exchange hedging strategies and considers its currency risk to be minimal.

(iii) General risk:

Tariffs, other potential changes to tariff and import/export regulations, and ongoing trade disputes between the United States and other jurisdictions may have a negative effect on global economic conditions and the stability of global financial markets.

These tariffs are relatively recent and are subject to a number of uncertainties as they are implemented, and the impact cannot be predicted at this time.

(c) Liquidity risk:

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

There has been no significant change to the risk exposure from 2024.

27. 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

Schedule 1 – Unaudited Statement of Growing Communities Fund
(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2025

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.

	2025	2024
Growing Communities Fund opening balance	\$ 21,528	\$ 21,067
Total eligible costs incurred	(518)	(7)
Interest earned	695	468
Balance, end of year	\$ 21,705	\$ 21,528

CITY OF RICHMOND

Schedule 2 – Unaudited Statement of Local Government Housing Initiatives Capacity Fund
(Tabular amounts expressed in thousands of dollars, unless otherwise indicated)

Year ended December 31, 2025

In 2023, the Provincial Government announced funding of \$51 million in grant-based funding to help facilitate implementation and support local governments' implement of the legislative changes to support housing initiatives, including small-scale multi-unit housing and proactive planning, development finance, and transit-oriented development.

In 2025, the City received the Local Government Housing Initiatives Capacity Fund of \$1.1 million. A requirement of the Local Government Housing Initiatives Capacity Fund is to include a schedule to the financial statements. A schedule will continue to be reported annually until funds are fully drawn down.

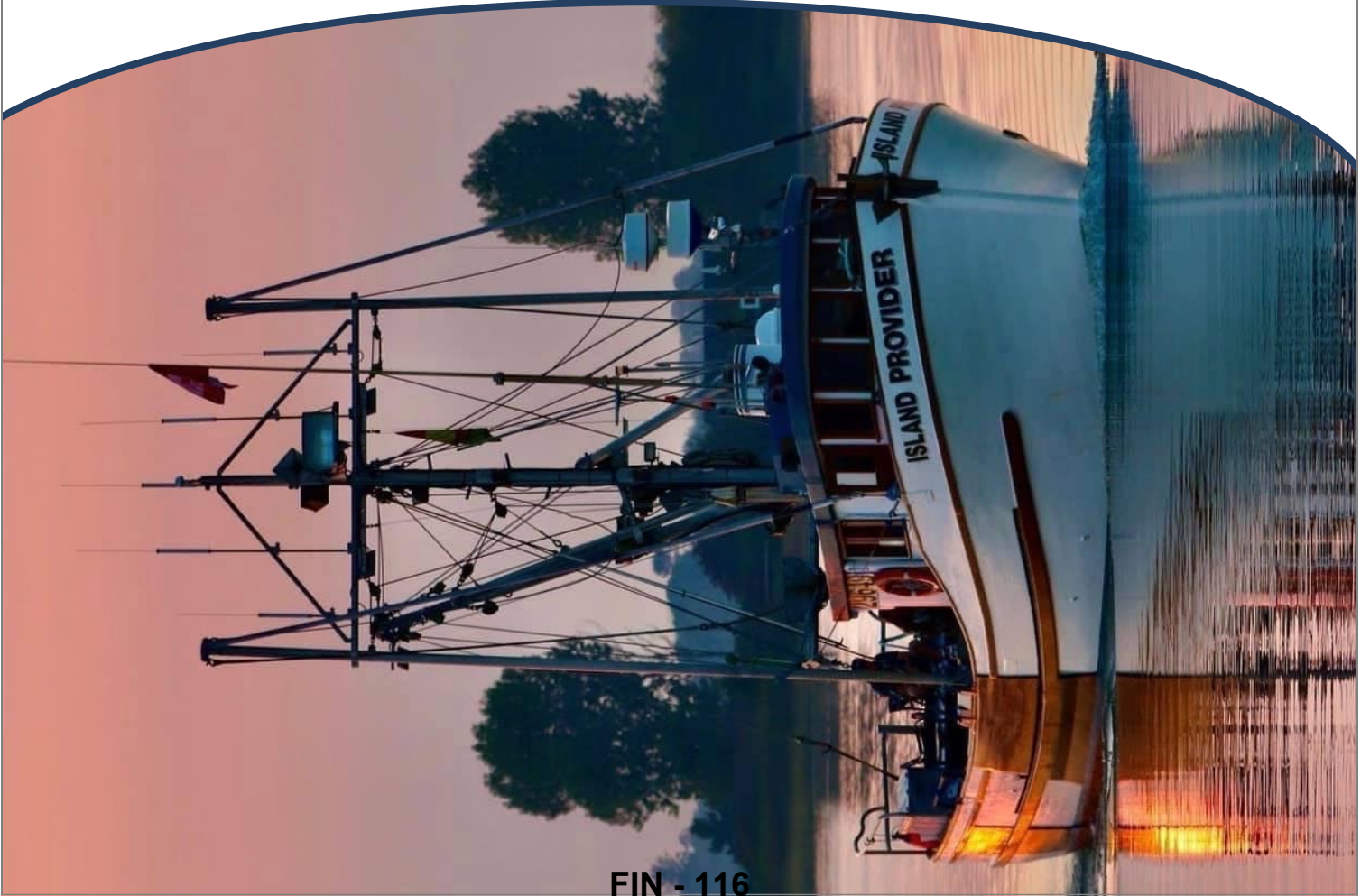
		2025
Local Government Housing Initiatives Capacity Fund received	\$	1,146
Total eligible costs incurred		(773)
Balance December 31, 2025	\$	373

2025 | City of Richmond

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

Prepared by Management

To be read in conjunction with the 2025
Consolidated Financial Statements





Richmond City H

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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 31, 2025 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 2025 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 31, 2025 and 2024.
- **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 2025 allowing for flexibility and financial sustainability into the future.

- Financial assets increased by \$14.6M to \$2.0B
- Liabilities increased by \$12.3M to \$744.1M
- Net financial assets increased by \$2.3M to \$1.2B
- Non-financial assets increased by \$149.6M to \$3.0B
- Accumulated surplus increased by \$151.9M to \$4.2B

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

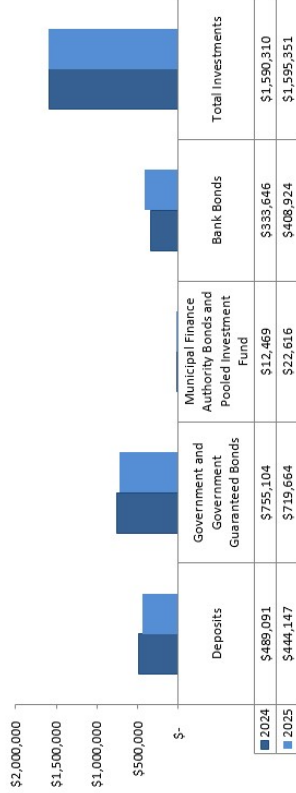
Cash and cash equivalents

The cash and cash equivalents balance of \$196.7M is mainly comprised of deposits in high interest savings products. Cash decreased by \$2.7M due to repositioning to the investment portfolio. This investment strategy allows the City to lock funds into longer-term and higher return investments.

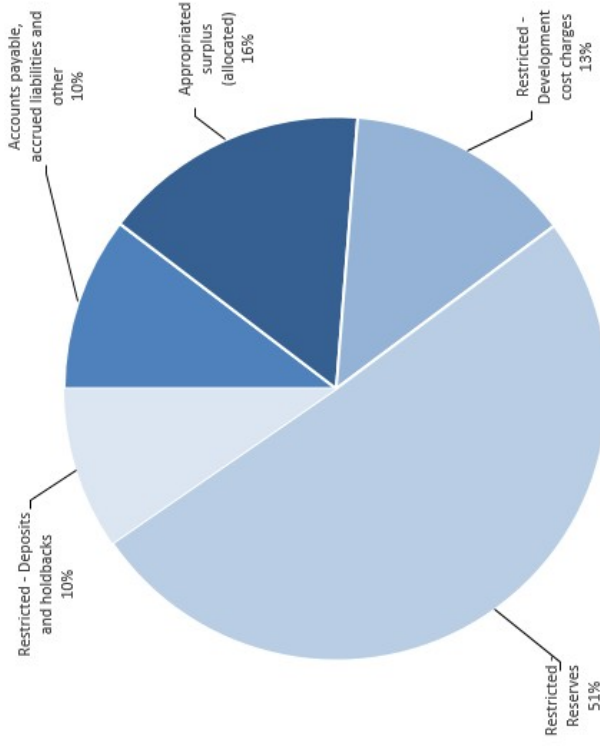
Investments

Investments increased by \$5.0M to \$1.6B primarily due to the allocation of its investment in fixed income and term deposits from its available cash balance. 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 \$42.2M (2024 - \$39.9M).

Accrued interest receivable

Accrued interest receivable decreased by \$1.1M to \$21.6M due to the lower interest rate environment.

Accounts receivable

Accounts receivable increased by \$5.6M to \$51.5M primarily due to the increase in transportation grants. A breakdown of accounts receivable is shown below.

Financial Assets

second and third payment amounts are secured by a letter of credit. This format will change effective January 1, 2026 due to changes enacted by the Province.

Accounts Receivable (\$000's)	2025	2024	Change
Water and sewer utilities	\$20,073	\$17,903	\$2,170
Grants	18,167	12,728	5,439
Trade receivables	5,369	6,877	(1,508)
Casino revenues	2,819	2,918	(99)
Airport policing	2,429	3,622	(1,193)
Other receivables	2,616	1,839	777
Total	\$51,473	\$45,887	\$5,586

Taxes receivable

Taxes receivable increased by \$4.7M to \$31.8M primarily due to the timing of property tax collections.

Loans receivable

A new concessionary loan was set up in 2025 for the Richmond Caring Place Society of \$1.3M for facility repairs. At December 31, 2025, its present value is \$0.9M.

Development fees receivable

Development fees receivable decreased by \$0.1M to \$18.0M 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

Debt reserve fund – deposits

The debt reserve fund balance remained the same in 2025 at \$1.0M due to no changes in the debt maturity.



Liabilities

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased by \$18.9M to \$106.9M mainly due timing of payments and accruals.

Asset retirement obligations

Asset retirement obligation increased by \$0.4M to \$11.5M mainly due to annual estimate revaluations recorded during the year.

Post-employment benefits

Post-employment benefits increased by \$0.7M to \$38.1M mainly due to an updated actuarial valuation performed in 2025 which increased the unamortized net actuarial gain as a result of a higher headcount and increased salaries.

Development cost charges

The DCC balance of \$242.5M (2024 - \$226.0M) is restricted by Section 566 of the *Local Government Act* and may only be used on authorized capital expenditures.

Net contributions of \$21.5M and interest earned of \$8.8M were received in 2025. The balance is offset by \$13.8M for capital project expenses funded by DCCs during the year, which was lower than last year due to the 2024 acquisition of future parkland.

Development Cost Charges (\$000's)	2025	2024	Change
Balance, beginning of year	\$226,012	\$241,634	(\$15,622)
Contributions	21,463	44,832	(23,369)
Interest	8,813	9,996	(1,183)
Revenue recognized	(13,826)	(70,450)	56,624
Balance, end of year	\$242,462	\$226,012	\$16,450

The \$242.5M balance includes amounts which have been allocated to active capital projects but that remain unspent. As at December 31, 2025, there is \$60.6M (2024 - \$56.4M) committed to active capital projects. The Consolidated 5 Year Financial Plan (2026-2030), Bylaw No. 10727 includes \$12.3M approved toward the 2026 Capital Budget and an additional \$69.3M is estimated for the remaining four years (2027-2030).

Deposits and holdbacks

Deposits and holdbacks increased by \$10.6M to \$172.4M mainly due to an increase of development-related security deposits. A breakdown of deposits and holdbacks is shown below.

Deposits and holdbacks (\$000's)	2025	2024	Change
Security deposits	\$146,158	\$138,835	\$7,323
Developer contribution	7,768	8,091	(323)
Damage deposits	7,450	6,527	923
Contract holdbacks	7,199	4,708	2,491
Other	3,830	3,661	169
Total deposits and holdbacks	\$172,405	\$161,822	\$10,583

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)	2025	2024	Change
Taxes and utilities	\$34,805	\$33,197	\$1,608
Grants	26,772	19,921	6,851
Building permits/development	13,993	17,322	(3,329)
Oval	2,592	2,893	(301)
Parking easement/leased land	2,579	2,535	44
Licences	1,372	843	529
Other	5,145	3,875	1,270
Total deferred revenue	\$87,258	\$80,586	\$6,672

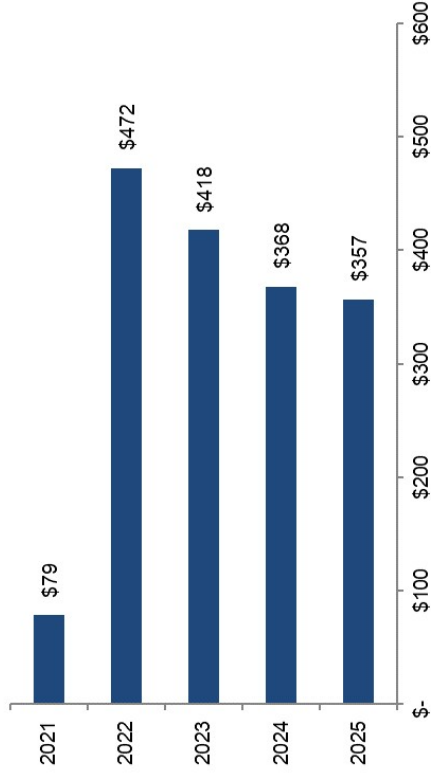
Deferred revenue increased by \$6.7M mainly due to increases in prepaid taxes and grants. This was mainly offset by a decrease in building permits.

Debt, net of MFA sinking fund deposits

Debt decreased by \$3.6M to \$85.5M due to the annual repayment in 2025 towards the borrowing for the construction of the Steveston Community Centre and Library.

The debt per capita decreased to \$357 per person in 2025 from \$368 as at December 31, 2024. The decrease in debt per capita is due to principal payments reducing the current debt balance, along with a decrease in population.

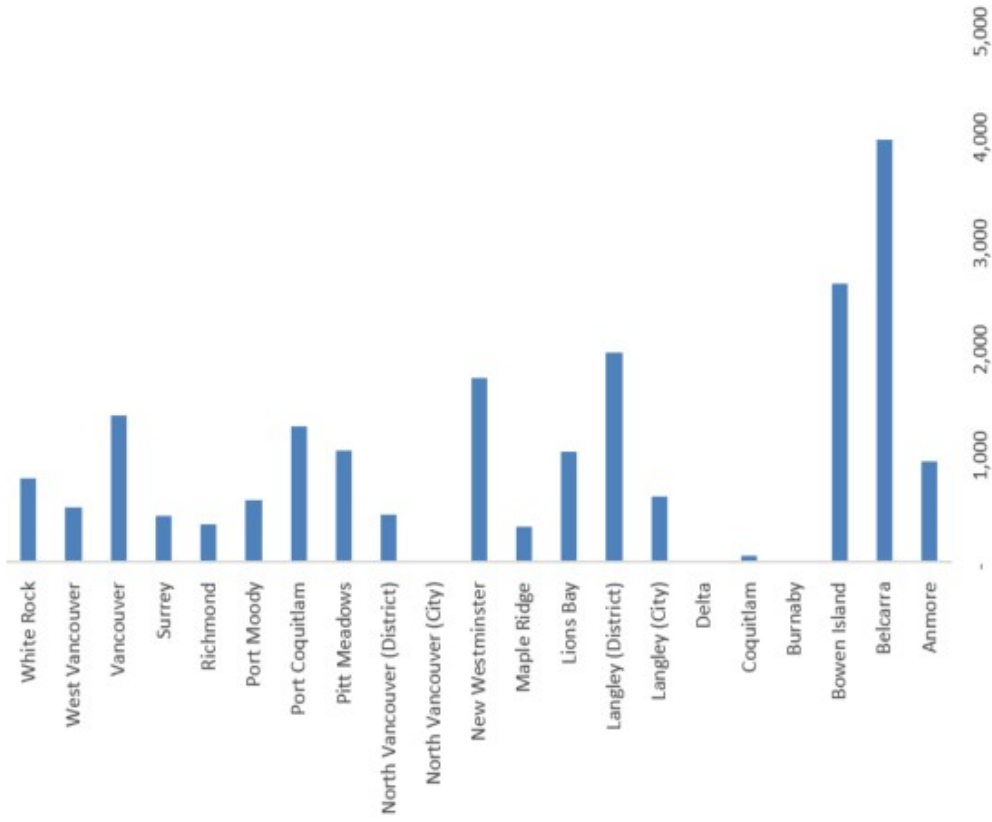
City of Richmond Debt Per Capita 2021-2025



The 2024 values for the other municipalities are the most current figures available from the Local Government Statistics. For comparative purposes, Richmond's 2025 debt per capita of \$357 is included below, and continues to be under the 2024 regional average of \$958.

Liabilities

Debt Per Capita by City 2024 (compared to Richmond 2025)



Long-Term debt data obtained from the Ministry of Municipal Affairs and Housing - 2024 Local Government Statistics. Population figures obtained from BC Stats, BC Regional District and Municipal Population Estimates as of 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 \$149.7M to \$3.0B. The change is primarily a result of \$227.1M of asset additions and current year amortization expense of \$76.5M.

Tangible Capital Assets (\$000's)	2025	2024	Change
Land	\$1,341,898	\$1,285,310	\$56,588
Buildings and building improvements	415,036	365,057	49,979
Infrastructure	1,048,110	1,018,393	29,717
Vehicles, machinery and equipment	66,761	60,784	5,977
Library's collections, furniture and equipment	3,593	3,710	(117)
Assets under construction	115,215	107,673	7,542
Total	\$2,990,613	\$2,840,927	\$149,686

Land increased by \$56.6M mainly due to land acquisitions, as well as \$11.3M in land under roads received through rezoning.

Buildings increased by \$50.0M mainly due to \$74.6M in additions offset by \$24.4M of amortization expense and \$0.3M in net disposals. The additions in 2025 included properties acquired via land acquisitions, various City Hall infrastructure renewals of \$7.2M and the Bowling Green Community Activity Centre of \$5.6M.

Infrastructure increased by \$30.0M mainly due to \$69.3M in additions offset by \$39.3M of amortization expense and net disposals of \$0.2M. The additions in 2025 included \$6.5M for Steveston Multi-Use Pathway (Mortfield-No. 2 Road), \$4.0M for Sidaway Road from Blundell Road and \$3.5M for contributed assets received through a development on Park Road.

Vehicles, machinery and equipment increased by \$6.0M mainly due to \$18.1M in additions offset by \$11.7M of amortization expense and net disposals of \$0.4M. The additions in 2025 included \$5.4M for various vehicle and equipment purchases, \$5.9M for various traffic signal assets and \$3.6M in Information Technology assets including the Demo/Tree Removal Permits Application.

Library's collections, furniture and equipment decreased by \$0.1M mainly due to \$1.0M of additions, offset by \$1.1M of amortization expense.

Non-Financial Assets

Assets under construction increased by \$7.5M mainly due ongoing major infrastructure projects such as the Steveston Community Centre and Library of \$28.8M, Gilbert Road Off-Road Cycling Facility of \$2.3M, Granville Avenue to Elmbridge Way of \$2.3M, Floor Protection and Dike Improvement projects of \$2.3M, Richmond Curling Club repairs of \$2.0M, Works Yard replacement of \$1.6M, Vehicle and Equipment Reserve Purchases of \$1.2M, Watermain Replacement Upgrades Program of \$1.1M, Fire Hall No. 7 System Renewal of \$1.0M and Richmond Ice Centre projects of \$1.0M, offset by net capitalizations for assets placed into service.

Inventory of materials and supplies

Inventory decreased by \$1.0M to \$4.8M based on the timing of materials issued.

Prepaid expenses

Prepaid expenses increased by \$0.9M to \$6.3M due to the timing of expenses.



Accumulated Surplus

The accumulated surplus increased by \$151.9M to \$4.2B. The annual increase is presented on the Consolidated Statement of Operations.

Accumulated Surplus (\$000's)	2025	2024	Change
Investment in TCA	\$2,950,632	\$2,826,079	\$124,553
Reserves	906,575	892,736	13,839
Appropriated surplus	284,869	273,054	11,815
Investment in LIEC	42,174	39,855	2,319
Surplus	27,560	27,215	345
Other equity	4,663	5,608	(945)
Total	\$4,216,473	\$4,064,547	\$151,926

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.

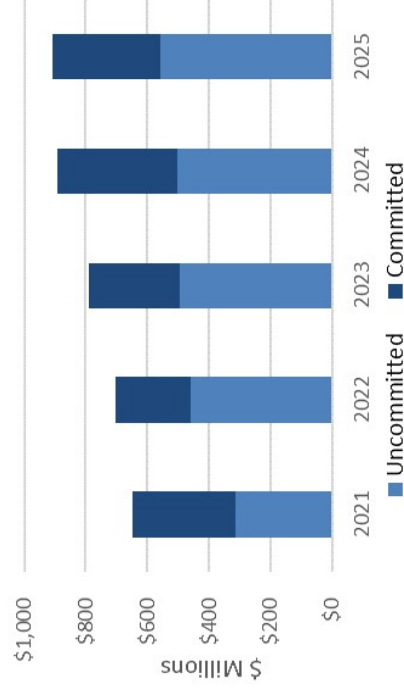
In accordance with accounting standards, this balance is accounted for using the cost method, net of accumulated amortization. It does not reflect market value or replacement value of the assets.

The investment in TCA balance increased by \$124.6M. 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 \$906.6M includes amounts that have been approved for expenditure, but remain unspent as at December 31. The uncommitted reserve balance is \$558.0M (2024 - \$502.5M).

Reserve Balance 2021-2025



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, Richmond Curling Club repairs, Richmond Ice Centre Repairs, Works Yard replacement, Britannia Shipyards and the Phoenix Net Loft that have reserve funds allocated, but have not been spent as of the reporting date December 31, 2025.

Accumulated Surplus

From the available \$558.0M at December 31, 2025, \$189.5M has been approved for the City's 2026 Capital Budget and is included in the Consolidated 5 Year Financial Plan (2026-2030), Bylaw No. 10727. An additional \$539.7M is estimated for the remaining four years (2027-2030) of the 5 Year Capital Plan.

Appropriated Surplus

Appropriated surplus is internally restricted for future commitments and potential liabilities. The balance increased by \$11.8M to \$284.9M primarily due to the transfer of the 2024 operating surplus of \$8.5M to the Rate Stabilization Account and 2025 appropriations of \$3.6M Sanitation and Recycling surplus and \$2.4M of Policing Contract surplus, which will be used to offset the policing contract as detailed in the 2026 Operating budget.

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 31, 2025 of \$42.2M, an increase of \$2.3M from the 2024 balance of \$39.9M.

Surplus

The consolidated surplus increased by \$0.3M to \$27.6M in 2025 primarily due to the net impact of transferring the 2024 operating surplus of \$8.5M (\$5.7M excluding adjustments relating to the implementation of the new accounting standard PS 3400) to the Rate Stabilization Account, offset by the 2025 operating surplus of \$8.3M.

Other Equity

Other equity relates to the City's inventory. The balance decreased by \$0.9M to \$4.7M in 2025.



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 2025 budget amounts presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified 'cash requirements' basis, and amounts recorded in these financial statements on a 'full accrual' basis.

Note 25 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

2025 Budget to Actual Comparison

Total consolidated revenues are \$784.8M compared to the budgeted revenues of \$780.5M. 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.

	2025		
Revenues (\$000's)	Budget	Actual	Variance
Taxation and levies	\$327,170	\$337,668	\$10,498
Utility fees	172,472	169,506	(2,966)
Sales of services	61,378	59,692	(1,686)
Payments-in-lieu of taxes	15,001	22,052	7,051
Provincial and federal grants	31,396	27,708	(3,688)
Development cost charges	16,747	13,826	(2,921)
Other capital funding sources	83,619	33,640	(49,979)
Investment income	30,636	62,123	31,487
Gaming revenue	11,500	11,390	(110)
Licences and permits	14,014	15,822	1,808
Other	16,313	29,056	12,743
Equity income	215	2,319	2,104
Total	\$780,461	\$784,802	\$4,341

Taxation and levies had a favourable variance of \$10.5M of which \$9.3M relates to the inclusion of Municipal & Regional District Tax Program revenue as a result of a change to its revenue recognition, and \$1.2M due to higher than expected new growth.

Utility fees had an unfavourable variance of \$3.0M mainly due to lower than expected metered billings resulting from lower consumption.

Sales of services had an unfavourable variance of \$1.7M mainly due to lower than budgeted external recoveries offset by favourable program revenue. The majority of this variance relates to YVR policing costs and recovery.

Payments-in-lieu of taxes had a favourable variance of \$7.1M mainly due to higher revenue received from Federal and Provincial entities.

Provincial and federal grants had an unfavourable variance of \$3.7M due to lower than anticipated recognition of grants, which is aligned with the timing of spending.

Development cost charges had an unfavourable variance of \$2.9M due to the timing of capital expenditures, as development cost charges revenue is recognized when the amounts are spent.

Other capital funding had an unfavourable variance of \$50.0M mainly due to estimated contributed assets and road dedications being higher than what was received during 2025. 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.

Revenues

Investment income had a favourable variance of \$31.5M due to higher interest rates and higher investment balances than estimated in the budget. The majority of this increase was transferred to reserves in accordance with *Community Charter* requirements.

Gaming revenue had a slightly unfavourable variance of \$0.1M 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 \$1.8M due to higher building permit revenue, business licencing revenue, underpinning revenue and other permits.

Other revenue had a favourable variance of \$12.7M due to unbudgeted developer reserve contributions, donations and external cost recovery for rental properties and favourable variances from the renegotiated Recycle BC agreement and parking program revenue.

Equity income relates to the City's investment in LIEC. LIEC's net income for the year was favourable compared to budget by \$2.1M.



Revenues

2025 to 2024 Actual Comparison

Total 2025 consolidated revenues were \$784.8M compared to \$814.5M in 2024.

Revenues (\$'000's)	2025 Actual	2024 Actual	Change
Taxation and levies	\$337,668	\$318,093	\$19,575
Utility fees	169,506	150,823	18,683
Sales of services	59,692	57,450	2,242
Payments-in-lieu of taxes	22,052	20,054	1,998
Provincial and federal grants	27,708	22,048	5,660
Development cost charges	13,826	70,450	(56,624)
Other capital funding sources	33,640	31,237	2,403
Investment income	62,123	69,853	(7,730)
Gaming revenue	11,390	11,971	(581)
Licences and permits	15,822	19,856	(4,034)
Other	29,056	39,892	(10,836)
Equity income	2,319	2,757	(438)
Total	\$784,802	\$814,484	(\$29,682)

Taxation and levies increased by \$19.6M due to the approved tax rate increase and new growth compared to the prior year.

Utility fees increased by \$18.7M due to higher revenue for sanitary sewer, water, flood protection and sanitation and recycling based on approved rate increases to recover higher Metro Vancouver costs and to fund infrastructure upgrades. The majority of this increase is attributable to the North Shore Wastewater Treatment Plant Levy representing \$11.9M.



Revenues

Sales of services increased by \$2.2M due to higher rental and lease revenue resulting from the acquisition of additional rental properties.

Payments-in-lieu of taxes increased by \$2.0M due to higher revenue received in 2025 from federal and provincial agencies than in 2024.

Provincial and federal contributions increased by \$5.7M mainly due to grants received in 2025 for capital projects.

Development cost charges decreased by \$56.6M due to the timing of parkland acquisition in 2024 as development cost charges revenue are recognized when the amounts are spent.

Other capital funding increased by \$2.4M due to the timing of assets contributed and road dedications received and recognition of external grants.

Investment income decreased by \$7.7M due to the lower interest rate environment compared to 2024 and timing of capital expenditures allowing funds to be invested.

Gaming revenue decreased by \$0.6M due to the activity at River Rock Casino Resort in 2025 compared to 2024.

Licences and permits decreased by \$4.0M mainly due to less building permit revenue recognized in 2025 compared to 2024, and additional revenue recognized in 2024 due to the adoption of PS 3400 Revenue standard for business licenses.

Other revenue decreased by \$10.8M mainly due to lower developer reserve contributions received compared to 2024, offset against higher donation revenue received in 2025.

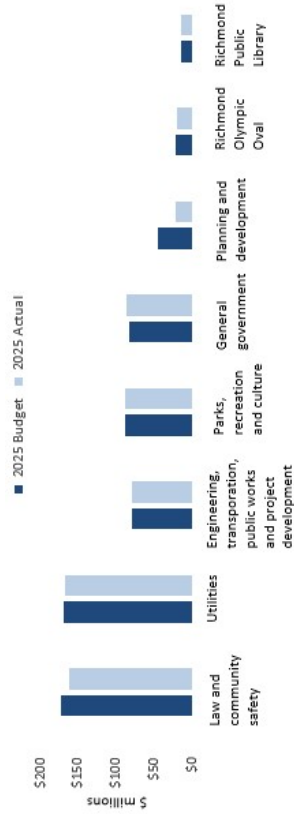
Equity income relates to the City's investment in LIEC. LIEC's net income for 2025 decreased by \$0.4M.

Expenses

2025 Budget to Actual Comparison

Total consolidated expenses are \$632.9M compared to the budget of \$664.4M.

2025 Expenses by Function



General government had an unfavourable variance of \$4.2M mainly due to the MRDT contract which was not budgeted.

Engineering, transportation, public works and project development was on budget.

Planning and development had a favourable variance of \$23.1M mainly due to unspent Housing Accelerator fund and cancellation of the Sexsmith supportive housing, as well as vacant positions.

Richmond Olympic Oval favourable variance of \$1.0M mainly due to lower than budgeted wages and salaries expenses.

Library was on budget.

Note that the following comparisons described below relate to balances before transfers to provisions and/or reserves.

Law and community safety had a favourable variance of \$10.9M due to lower policing contract costs than budgeted due to the number of officers billed being less than budgeted.

Utilities had a favourable variance of \$1.2M due to vacant positions as well as lower water consumption.

Parks, recreation and culture had an unfavourable variance of \$0.8M mainly due to more transfers from capital to operating expenses that did not meet the capitalization threshold.

Expenses

2025 to 2024 Actual Comparison

Total 2025 consolidated expenses were \$632.9M compared to \$581.5M in 2024.

	2025 Actual	2024 Actual	Change
Expenses (\$000's)			
Law and community safety	\$160,652	\$152,746	\$7,906
Utilities: flood, sanitation, sewer and water	166,501	144,647	21,854
Parks, recreation and culture	87,504	78,173	9,331
General government	86,185	74,564	11,621
Engineering, transportation, public works and project development	77,996	71,322	6,674
Planning and development	21,045	27,427	(6,382)
Richmond Olympic Oval	19,933	20,351	(418)
Richmond Public Library	13,060	12,239	821
Total	\$632,876	\$581,469	\$51,407

Law and community safety expenses increased by \$7.9M mainly due to an increase in policing contract and E-Comm costs, collective agreement wage increases and filling vacant positions.

Utilities expenses increased by \$21.9M mainly due to increases in Metro Vancouver rates for water purchase, higher debt levy relating to the North Shore Wastewater Treatment Plant and maintenance costs, more transfers from capital to operating expenses that did not meet the capitalization threshold, collective agreement wage increases and filling vacant positions.

Parks, recreation and culture increased by \$9.3M mainly due to more transfers from capital to operating expenses that did not meet the capitalization threshold, Steveston Harbour dredging costs, an increase in collective agreement labour costs and vacant positions being filled.

General government expenses increased by \$11.6M mainly due to an increase in labour costs in accordance with collective agreements, additional property costs due to new acquisitions and higher contract costs.

Engineering, transportation, public works and project development expenses increased by \$6.7M mainly due to more transfers from capital to operating expenses that did not meet the capitalization threshold.

Planning and development costs decreased by \$6.4M mainly due to the Rapid Housing grant-related expenses in 2024 that were greater than related 2025 expenses, offset against collective agreement wage increases and vacant positions being filled.

Oval expenses decreased by \$0.4M due to lower supplies and services expenses.

Library services expenses increased by \$0.8M mainly due to an increase in collective agreement wage increases and vacant positions being filled.

Expenses

Expenses by Object

Expenses (\$000's)	2025 Actual	2024 Actual	Change
Wages and salaries	\$248,760	\$236,245	\$12,515
Contract services	124,037	115,205	8,832
Regional district utility charges	82,212	66,161	16,051
Supplies and materials	56,483	59,652	(3,169)
Public works maintenance	15,970	16,444	(474)
Interest and finance	7,917	6,681	1,236
Non-capital project costs	20,572	8,877	11,695
Amortization of tangible capital assets	76,492	71,703	4,789
Loss on disposal of tangible capital assets	433	501	(68)
Total	\$632,876	\$581,469	\$51,407

Wages and salaries increased by \$12.5M due to wage increases per the CUPE 718 and 394 collective agreements which increased by 4.0% for 2025, estimates for IAFF 1286, step increases and vacancies being filled.

Contract services increased by \$8.8M mainly due to higher policing contract costs and E-Comm costs, Steveston Harbour dredging costs and software contracts.

Regional district utility charges increased by \$16.1M mainly due to \$11.9M debt servicing costs for the North Shore Wastewater Treatment Plant which is new in 2025, an

increase of \$1.8M due to the Gilbert Trunk Sewer project and Iona Wastewater Treatment and an increase of \$1.2M resulting from a 13.4% increase in the water purchase rate from Metro Vancouver.

Supplies and materials decreased by \$3.2M mainly due to affordable housing contributions related to the Rapid Housing Grant that did not recur in 2025, offset against rental property expenses and higher insurance costs.

Public works maintenance decreased by \$0.5M mainly due to projects that vary from year to year.

Interest and finance increased by \$1.2M mainly due to unfavorable foreign exchange of US dollars.

Non-capital project costs increased by \$11.7M due to the timing of items not meeting the capitalization threshold.

Amortization of tangible capital assets increased by \$4.8M due to higher value of infrastructure in 2025.

Loss on the disposal of tangible capital assets is consistent with prior year.

Annual Surplus

The 2025 consolidated annual surplus of \$151.9M 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 \$151.9M annual surplus is the change in investment in capital assets of \$124.6M. This is primarily the net activity of asset additions \$227.1M offset by amortization expense of \$76.5M, disposals and debt reduction.

Investment in LIEC increased by \$2.3M.

Appropriated surplus increased by \$11.8M due to the transfer of 2024 operating surplus of \$8.5M to the Rate Stabilization Account and 2025 appropriations of \$3.6M Sanitation and Recycling surplus and \$2.4M of Policing Contract surplus.

Reserves increased by \$13.8M due to the timing of capital expenditures. Included in the total reserve balance is \$348.6M committed towards active capital projects.

Surplus increased by \$0.3M mainly due to the net impact of transferring the 2024 operating surplus of \$8.5M (\$5.7M excluding adjustments relating to the implementation of the new accounting standard PS 3400) to the Rate Stabilization Account, offset by the 2025 operating surplus of \$8.3M.

Other equity relating to the City's inventory decreased 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 31, 2025 increased by \$2.3M to \$1.2B (2024 - \$1.2B).

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 \$2.7M to \$196.7M and investments increased by \$5.0M to \$1.6B.

In 2025, cash provided by operating activities was \$200.2M, compared to \$280.9M in 2024. This was mainly due to changes in accounts payable and accrued liabilities, development cost charges, deposits and holdbacks, taxes and accounts receivable.

Cash used in capital activities was \$194.2M compared to \$184.0M in 2024.

Cash used in financing activities was \$3.6M compared to \$9.0M in 2024.

Cash used in investing activities was \$5.0M, compared to \$209.9M in 2024.

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 of 2023-2025:

Assessment of sustainability

- 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.
- In 2022, the City acquired debt of \$96.0M for the construction of the Steveston Community Centre and Library. The annual debt servicing costs are funded from \$6.4M gaming revenue.
- Net debt to the total assessment indicates the relationship between the level of debt and the state of

	2025	2024	2023
Sustainability ratios:			
Assets to liabilities (times)	6.7	6.6	6.3
Financial assets to liabilities (times)	2.6	2.7	2.6
Net debt to total revenues	10.9%	10.9%	13.2%
Net debt to the total assessment	0.06%	0.06%	0.07%
Expenses to the total assessment	0.4%	0.4%	0.4%
Flexibility ratios:			
Debt charges to revenues	0.5%	0.5%	0.7%
Net book value of capital assets to cost	66.5%	66.2%	66.1%
Net book value of capital assets (excluding land) to cost	52.2%	51.8%	52.1%
Own source revenue to the assessment	0.5%	0.4%	0.4%
Vulnerability ratios:			
Government transfers to total revenues	5.1%	4.1%	7.9%
Government transfers (excluding gaming revenue) to total revenues	3.6%	2.7%	6.1%

An explanation of each of the ratios is provided below.

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.
- Government transfers (excluding gaming revenue) to total revenues indicates the degree to which the local government is dependent on provincial or federal grants, excluding gaming revenue. 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:

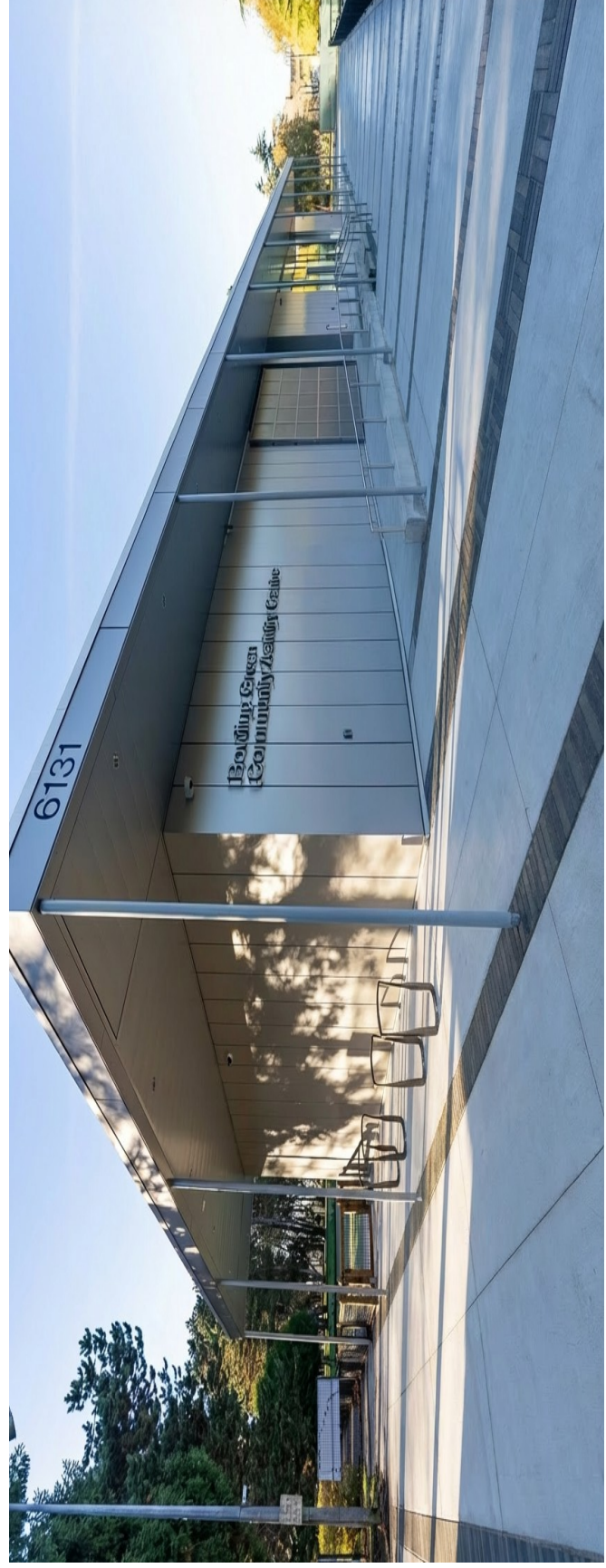
- 1. Proactive in Stakeholder and Civic Engagement**
Proactive stakeholder and civic engagement to foster understanding and involvement and advance Richmond's interests.
- 2. Strategic and Sustainable Community Growth**
Strategic and sustainable growth that supports long-term community needs and a well-planned 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.

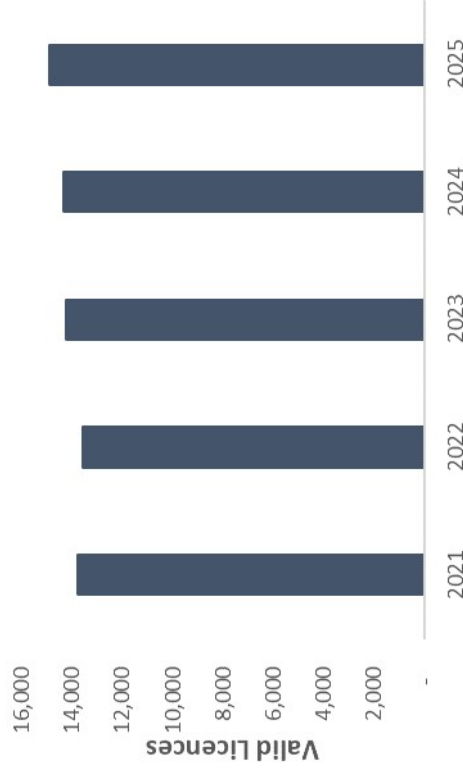


Environment

Business Licences

The total number of business licences issued increased to 14,882 in 2025 compared to 14,317 licences issued in 2024.

Business Licences 2021 – 2025



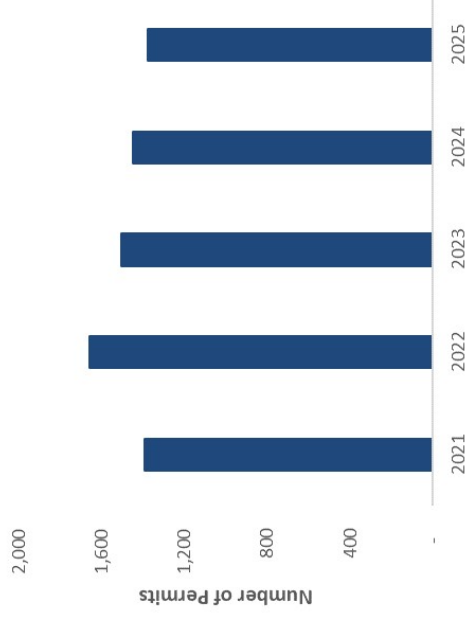
Housing Activity

Richmond housing prices decreased by 5.4%, with a 2025 detached median house price of \$1,950,000. The total number of sales decreased year-over-year by 14.0% to 2,536 from 2,949 in 2024.

In 2025, the total number of building permits issued was 1,377, which was a 5.1% decrease from 2024. 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 2025 was \$6.4M.

Building Permits 2021-2025



The construction value of building permits issued in 2025 was \$434.7M, which decreased by approximately 67.2% from 2024 of \$1.3B. The activities in 2024 were notably higher as many developers opted to expedite payment in advance of the DCC rate increase in July 2024, which is further supported by the significant increase in DCC collections in 2024.

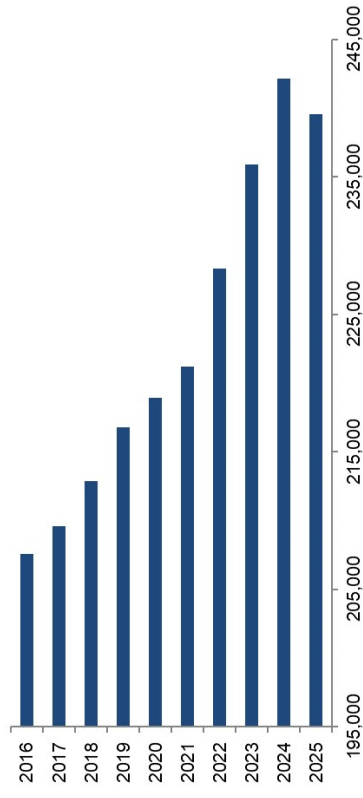
The number of development applications received in 2025 decreased by 14.5% to 112 applications from 131 applications in 2024. Total fees collected in 2025 decreased by 20.7%.

City Services

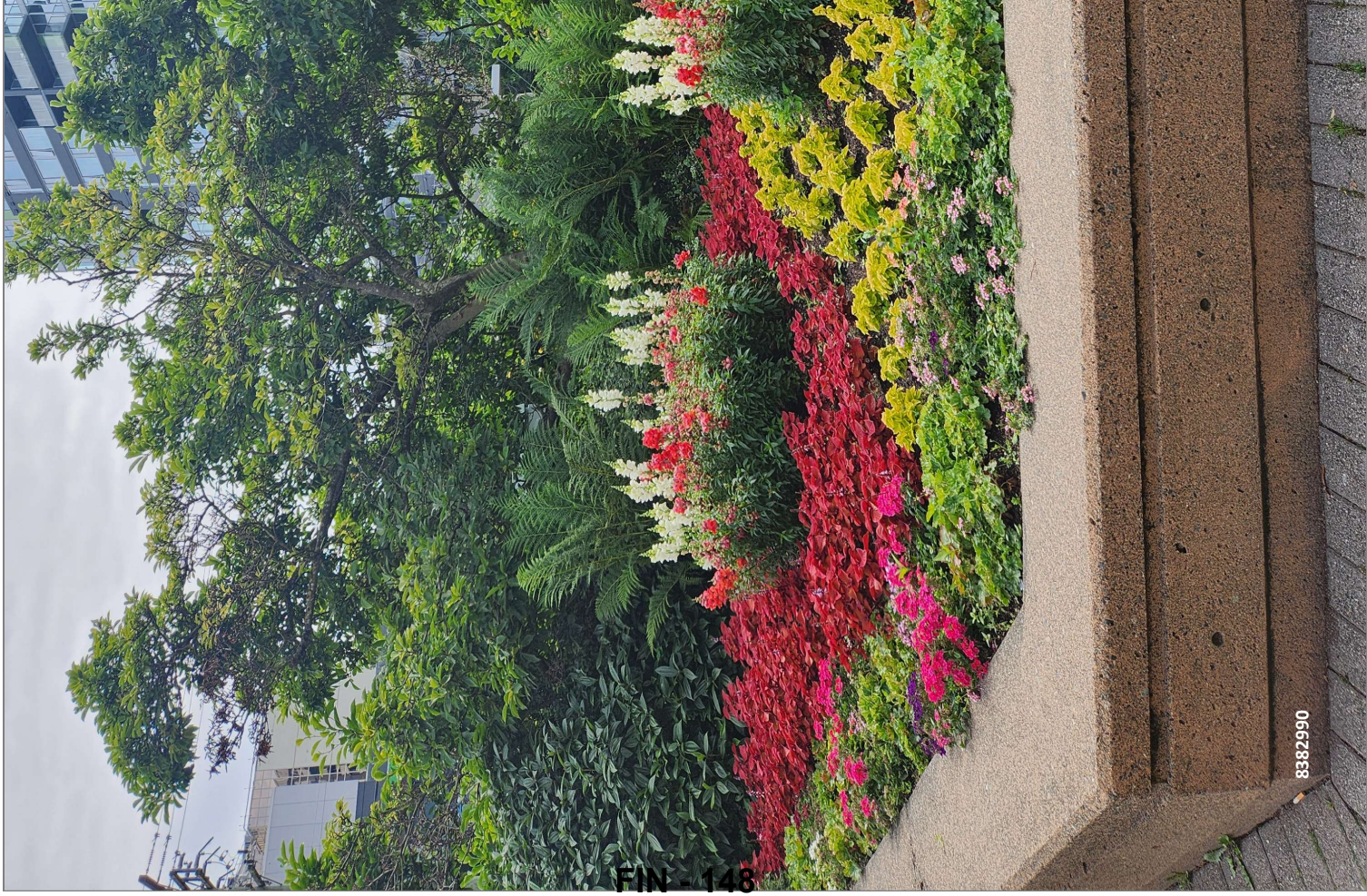
Population

Richmond's current population is estimated at 239,584 which is a 1.0% decrease from 2024. According to the latest Statistics Canada Census, Richmond is the fourth most populous municipality in the Greater Vancouver region.

Richmond Population 2016-2025



Graph has been updated with population figures from BC Stats, Demographic Analysis Section, updated March 2026.



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

These services are provided through the use of funds as approved by Council in the 2025 operating, capital and utility budgets.

	2023	2024	2025
Population growth (per annum) ¹	2.34%	2.63%	(1.06%)
Capital construction costs (\$mil) ²	\$156.40	\$276.19	\$174.17
City Grants Program (\$mil)	\$0.91	\$0.93	\$0.95
Other grants (\$mil) ³	\$1.80	\$1.85	\$1.88
RCMP calls for services	66,403	68,033	65,269
Fire Rescue Responses	12,262	13,512	13,027

¹Annual growth based on updated population figures from BC Stats, Demographic Analysis Section, March 2026.

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

³Other 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 carrying out and meeting 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 31 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 2026-2030 Five Year Financial Plan combines the Operating, Capital and Utility 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>.

