City of Richmond

Audit Findings Report for the Year ended December 31, 2025

KPMG LLP

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

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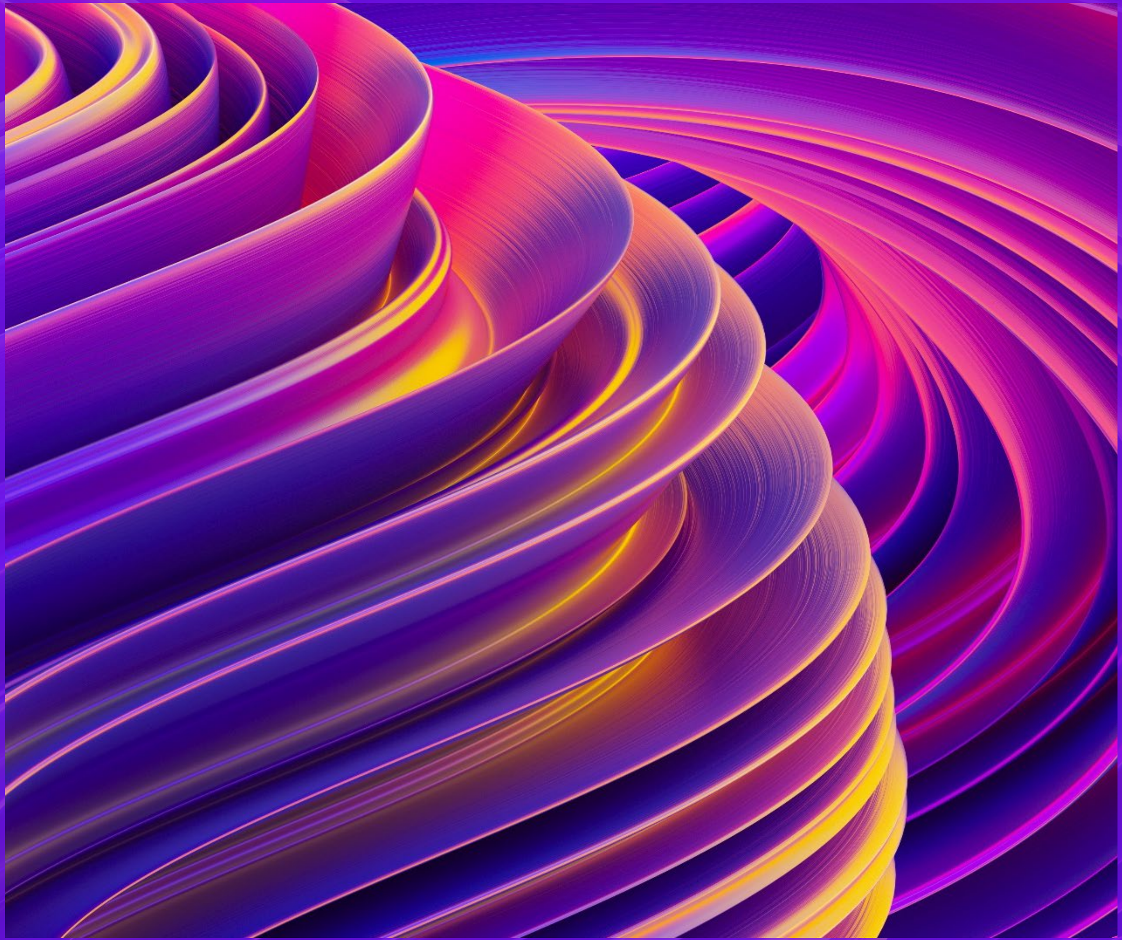

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The purpose of this report is to assist you, as a member of the Finance and Audit Commit(the “Committee”), in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of Management, 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.

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

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Audit highlights

No matters to report — Matters to report – see link for details

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 (No matters to report)

Risks and results & Significant unusual transactions

Significant risks (Matters to report)

- Presumed risk of management override of controls

Other risks of material misstatement (Matters to report)

- Revenue, deferred revenue, and development cost charges
- Expenses, including salary and benefits expense
- Tangible capital assets

Other areas of audit focus (Matters to report)

- Valuation of post-employment benefit liability

Going concern matters (No matters to report)

Significant unusual transactions (No matters to report)

Control deficiencies

Significant deficiencies (No matters to report)

Other control observations (Matters to report)

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 (Matters to report)

Other financial reporting matters (No matters to report)

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)

No matters to report

Matters to report – see link for details

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.

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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	Estimate?
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.	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.

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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 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.

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.

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Control deficiencies – other observations (continued)

Description	Observation and implication	Potential effects and recommendation
Timeliness of Asset Capitalization and Amortization Commencement	**New in current year** 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. 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.	<u>Potential audit risk</u> If depreciation commencement dates are not addressed consistently and supported by appropriate documentation, there is an increased risk of: ▪ 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. <u>Recommendation</u> We recommend that the City strengthen its processes for determining and documenting assets in-service: ▪ 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. These processes will support more consistent application of amortization policies and improve the accuracy of financial reporting.

Management response

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.

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.

Control deficiencies – other observations (continued)

Description	Observation and implication	Potential effects and recommendation
Standardization of Guidance for Capitalization of Project Costs	**New in current year** 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. 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: ▪ 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.	<u>Potential audit risk</u> There is increased risk that costs may be inconsistently capitalized or expensed across projects. This could result in: ▪ 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. <u>Recommendation</u> We recommend that the City formalize the Project Manager (PM) orientation training guide related to the capitalization of project costs. This could include: ▪ 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. Formalizing these processes will promote consistency across projects, support accurate financial reporting and reduce the risk of misclassification of project costs.

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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.

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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

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How do we deliver audit quality?

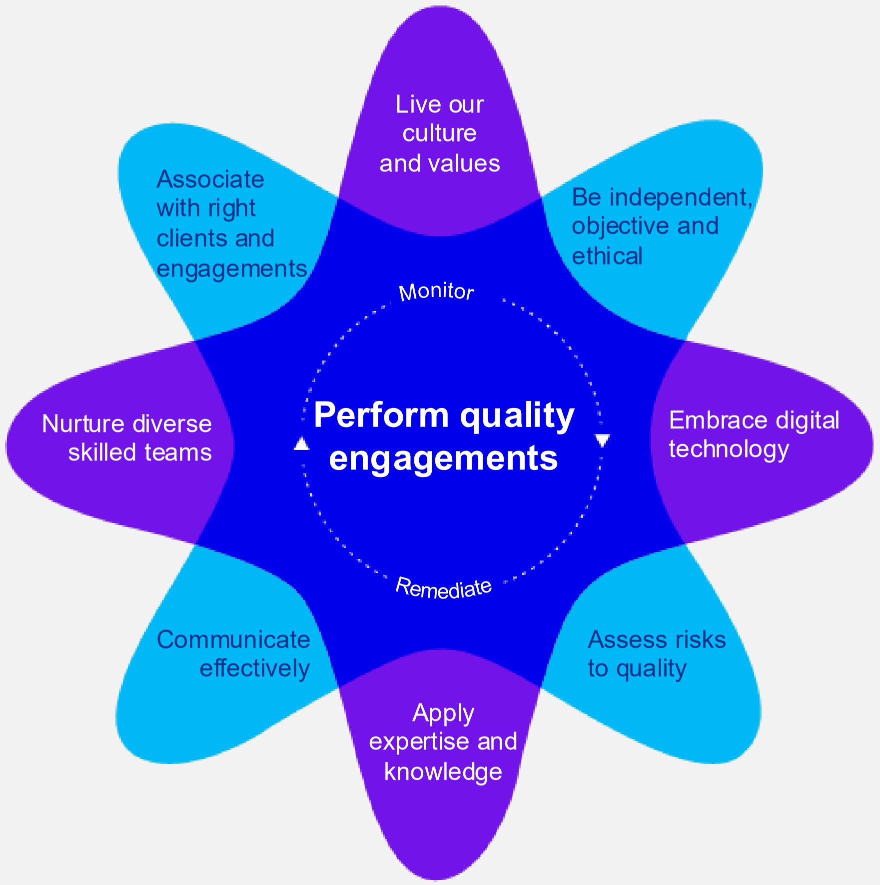
Quality essentially means doing the right thing and remains our highest priority. We have strengthened the consistency and robustness of our system of quality management to meet the requirements of ISQM 1 (CSQM 1), issued by the International Audit and Assurance Standards Board. Foundational for quality 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.

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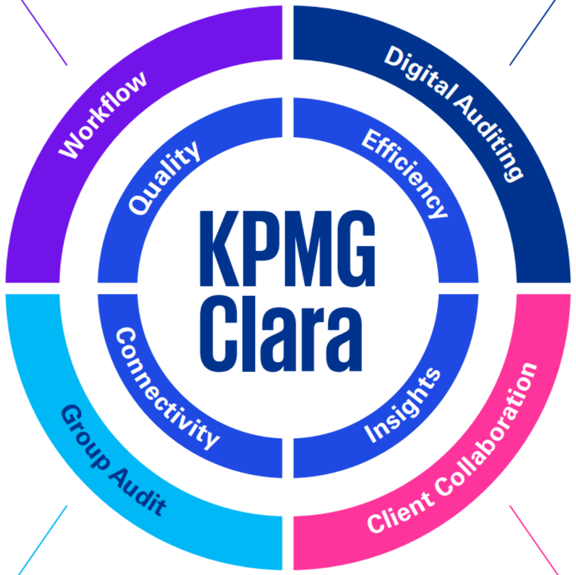
The KPMG Audit

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

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Auditor's report	Engagement letter
The conclusion of our audit is set out in the draft auditor's report attached to the draft financial statements.	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	**Management representation letter**
Represented by this report.	In accordance with professional standards, copy of the management representation letter is included in Appendix 2.
Independence	**Internal control deficiencies**
Refer to page 4 for confirmation of independence.	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.

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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.

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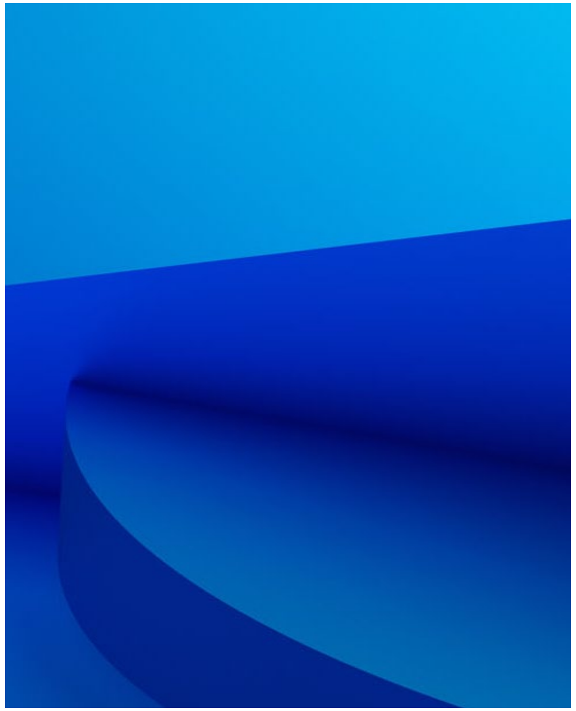
System of independence quality controls

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.

Independence communications

- 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.

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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 *To record tangible capital assets and related amortization for assets with in-service dates in the current year and prior periods.*	- 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 *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.*	- (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 *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.*	- 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