



# City of Richmond

## Report to Committee

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**To:** Finance Committee **Date:** April 18, 2023  
**From:** Mike Ching **File:** 03-0905-01/2023-Vol  
Director, Finance, CPA, CMA 01  
**Re:** 2022 Consolidated Financial Statements

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### Staff Recommendation

That the 2022 City of Richmond Consolidated Financial Statements as presented in Attachment 2 be approved.

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

Att. 3

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

## Staff Report

### Origin

Sections 98 and 167 of the *Community Charter* require that the City of Richmond (the City) prepare annual audited financial statements. The City's audited consolidated financial statements for 2022 have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

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

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

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

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

### Analysis

KPMG LLP (KPMG) has been appointed by City Council to independently audit the City's consolidated financial statements. They have expressed an opinion, that the City's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2022, 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, 2022 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 (LIEC), a wholly owned government business enterprise (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.

An analysis of the consolidated financial statements as prepared by management is provided in the Financial Statement Discussion and Analysis (FSD&A) included in Attachment 3. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis is intended to be read in conjunction with the 2022 audited consolidated financial statements.

**Financial Impact**

None.

**Conclusion**

The City's audited consolidated financial statements for 2022 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, 2022, and its consolidated results of operation, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.



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

CG:cg

- Att. 1: Audit Findings Report for the year ended December 31, 2022
- 2: 2022 City of Richmond Consolidated Financial Statements
- 3: 2022 Financial Statement Discussion and Analysis



Attachment 1



# City of Richmond

Audit Findings Report for the  
year ended December 31, 2022

*KPMG LLP*

Prepared on April 18, 2023 for  
presentation on May 1, 2023

# 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 page.



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

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This report to Council is intended solely for the information and use of Management and Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to Management and Council has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.





# Highlights

## Purpose of this report

The purpose of this report is to assist you, as a member of the Richmond City Council ("Council"), in your review of the results of our audit of the 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, 2022. This audit findings report builds on the audit plan dated December 9, 2022.

### Status of the audit

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

- Completing our discussions with Council.
- Obtaining the signed management representation letter.
- Obtaining evidence of Council's acceptance of the financial statements.
- Completing subsequent event review procedures up to the date of 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 enclosed with this report, will be dated upon the completion of any remaining procedures.

### Significant changes to our audit plan

There were no significant changes to our audit plan from what was originally communicated to you in the audit planning report.

### Areas of audit focus

As part of our audit, we identified areas of audit focus, which include:

- Tangible capital assets
- Deferred revenue, and development cost charges
- Valuation of post-employment benefits
- Expenses, including payroll

### Significant risks

We have not identified significant risks of material misstatement for the audit, except for the presumed risk of fraud resulting from management override of controls, which is required by professional standards.

In accordance with professional standards, the newly revised risk assessment auditing standard (CAS 315) was implemented in the audit.



# Highlights (continued)

## Audit misstatements

Audit misstatements include presentation and disclosure misstatements, including omissions.

Uncorrected audit misstatements

We did not identify misstatements that remain uncorrected.

Corrected audit misstatements

We did not identify any misstatements that were communicated to management and subsequently corrected in the financial statements.

## Quality control and independence

We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2022, up to the date of this report.

## Control observations

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

## Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

## Current developments

There have been no updates to the current developments and thought leadership information provided in our Audit Planning Report.





# Audit findings - Significant risk



## Management override of controls

RISK OF  
  
 FRAUD

### Professional requirements

Fraud risk from management override of controls

### Why is this significant?

This is a presumed fraud risk. Although the level of risk of management override of controls will vary from entity to entity, professional standards presume the risk of management override of controls is nevertheless present in all entities and requires the performance of specific procedures to address this presumed risk.

We have not identified any specific additional risks of management override relating to this audit.

### Our response

Our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

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

### Significant findings

There were no issues noted in our testing.

# Audit findings - Areas of audit focus

## Area of audit focus

## Estimate?

### Tangible capital assets

Yes - the established useful lives of tangible capital assets

### Our response

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

### Significant findings

There were no issues noted in our testing.



## Audit findings - Areas of audit focus (continued)

### Area of audit focus

### Estimate?

#### Deferred revenue and development cost charges

No

### Our response

- We updated our understanding of the process activities and controls over deferred revenue and development cost charges.
- We performed a walkthrough of the deferred revenue and development cost charges 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 reconciled a sample of permits to new development cost charges recorded in the year and inspected bylaws showing appropriation for the specified purpose.
- We inspected a sample of contracts to determine whether there are stipulations or restrictions impacting revenue recognition. We assessed whether revenue was appropriately recognized or the amount was appropriately deferred.
- We assessed whether the appropriate stipulations have been met by inspecting and recalculating expenses incurred for certain projects.

### Significant findings

There were no issues noted in our testing.



# Audit findings - Areas of audit focus (continued)

## Area of audit focus

## Estimate?

### Valuation of post-employment benefits

Yes – Actuarial valuations of employee future benefits

## Our response

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

## Significant findings

There were no issues noted in our testing.



## Audit findings - Areas of audit focus (continued)

### Area of audit focus

### Estimate?

#### Expenses, including payroll

No

### Our response

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

### Significant findings

There were no issues noted in our testing.



# Significant accounting policies and practices



## Significant accounting policies

- There have been no initial selections of, or changes to, 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 previously described.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.



## Significant accounting estimates

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



## Significant disclosures and financial statement presentation

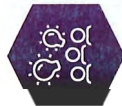
- There were no issues noted with the judgments made, in formulating particularly sensitive financial statement disclosures.
- There were no issues noted with the overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- There were no significant potential effects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



# Control observations

## Consideration of internal control over financial reporting ("ICFR")

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



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

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

## A deficiency in internal control over financial reporting

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



## Significant deficiencies in internal control over financial reporting

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



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

# Appendices

1 Required communications

2 Management representation letter







# Appendix 1: Required communications

## Draft auditor's report

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

## Management representation letter

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

## Independence

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



# Appendix 2: Management representation letter

## 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, 2022.

### *General:*

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

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

### *Responsibilities:*

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

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

*Internal control over financial reporting:*

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

*Fraud & non-compliance with laws and regulations:*

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

*Subsequent events:*

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

*Related parties:*

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

*Estimates:*

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

*Going concern:*

- 9) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 10) We confirm that we are not aware of material uncertainties related to events or conditions that may cast significant doubt upon the City's ability to continue as a going concern.

*Other information:*

- 11) We confirm that the final version of the 2022 annual report will be provided to you when available, and prior to issuance by the City, to enable you to complete your required procedures in accordance with professional standards.

*Non-SEC registrants or non-reporting issuers:*

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

*Employee future benefits:*

- 14) The employee future benefits costs, assets and obligation have been determined, accounted for and disclosed in accordance with the financial reporting framework.

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

Yours very truly,

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Jerry Chong, General Manager, Finance  
and Corporate Services

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Mike Ching, Director, Finance

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Cindy Gilfillan, Manager, Financial Reporting

cc: Richmond City Council

## ***Attachment I – Definitions***

### ***Materiality***

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

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

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

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

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

### ***Fraud & error***

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

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

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

***Attachment II – Summary of Audit Misstatements Schedules***

**Summary of Uncorrected Audit Misstatements**

There were no uncorrected audit misstatements noted.

**Summary of Corrected Audit Misstatements**

There were no corrected audit misstatements noted.





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Consolidated Financial Statements of

**CITY OF RICHMOND**

And Independent Auditor's Report thereon

Year ended December 31, 2022

## 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, 2022
- 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, 2022, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants

Vancouver, Canada

May 1, 2023

# CITY OF RICHMOND

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

December 31, 2022, with comparative information for 2021

	2022	2021
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 654,651	\$ 672,031
Investments (note 3)	921,493	696,886
Investment in Lulu Island Energy Company ("LIEC") (note 4)	35,028	33,647
Accrued interest receivable	14,676	8,932
Accounts receivable (note 5)	35,446	29,655
Taxes receivable	15,791	14,157
Development fees receivable	43,219	12,425
Debt reserve fund - deposits (note 6)	1,468	508
	<u>1,721,772</u>	<u>1,468,241</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	104,482	86,575
Post-employment benefits (note 7)	37,628	37,395
Development cost charges (note 8)	237,051	224,655
Deposits and holdbacks (note 9)	150,007	106,041
Deferred revenue (note 10)	59,063	56,186
Debt, net of sinking fund deposits (note 11)	107,816	17,386
	<u>696,047</u>	<u>528,238</u>
Net financial assets	1,025,725	940,003
<b>Non-Financial Assets</b>		
Tangible capital assets (note 12)	2,594,212	2,539,267
Inventory of materials and supplies	5,405	4,696
Prepaid expenses	3,827	3,921
	<u>2,603,444</u>	<u>2,547,884</u>
Accumulated surplus (note 13)	<u>\$ 3,629,169</u>	<u>\$ 3,487,887</u>

Contingent demand notes (note 6)  
Commitments and contingencies (note 17)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

\_\_\_\_\_  
General Manager, Finance and Corporate Services

# CITY OF RICHMOND

Consolidated Statement of Operations  
(Expressed in thousands of dollars)

Year ended December 31, 2022, with comparative information for 2021

	2022 Budget (notes 2(p) and 23)	2022	2021
<b>Revenue:</b>			
Taxation and levies (note 19)	\$ 268,044	\$ 269,582	\$ 255,837
Utility fees	124,190	127,965	118,144
Sales of services	44,600	44,494	35,601
Payments-in-lieu of taxes	14,650	21,314	14,789
Provincial and federal contributions	10,683	12,893	12,704
Development cost charges (note 8)	17,749	22,434	16,223
Other capital funding sources	71,162	51,220	64,695
<b>Other revenue:</b>			
Investment income	13,165	30,250	14,968
Gaming revenue	14,500	12,562	5,700
Licenses and permits	11,358	15,047	13,995
Other (note 20)	13,683	35,206	21,877
Equity income in LIEC (note 4)	946	1,381	911
	604,730	644,348	575,444
<b>Expenses:</b>			
Community safety	135,999	127,727	123,232
<b>Utilities:</b>			
Water, sewer and sanitation	114,406	110,490	106,519
Engineering, public works and project development	81,335	89,103	80,083
Community services	71,522	64,955	59,873
General government	66,058	59,492	52,995
Planning and development	25,874	23,890	25,166
Richmond Olympic Oval	16,290	16,844	14,079
Richmond Public Library	11,130	10,565	9,816
	522,614	503,066	471,763
Annual surplus	82,116	141,282	103,681
Accumulated surplus, beginning of year	3,487,887	3,487,887	3,384,206
<b>Accumulated surplus, end of year</b>	<b>\$ 3,570,003</b>	<b>\$ 3,629,169</b>	<b>\$ 3,487,887</b>

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, 2022, with comparative information for 2021

	2022 Budget (notes 2(p) and 23)	2022	2021
Annual surplus for the year	\$ 82,116	\$ 141,282	\$ 103,681
Acquisition of tangible capital assets	(113,051)	(87,100)	(61,150)
Contributed tangible capital assets	(54,782)	(41,332)	(61,004)
Amortization of tangible capital assets	68,561	72,722	68,519
Net loss on disposal of tangible capital assets	-	222	1,714
Proceeds on sale of tangible capital assets	-	543	793
	(17,156)	86,337	52,553
Acquisition of inventory of materials and supplies	-	(5,405)	(4,696)
Acquisition of prepaid expenses	-	(3,827)	(3,921)
Consumption of inventory of materials and supplies	-	4,696	4,285
Use of prepaid expenses	-	3,921	2,797
Change in net financial assets	(17,156)	85,722	51,018
Net financial assets, beginning of year	940,003	940,003	888,985
Net financial assets, end of year	\$ 922,847	\$ 1,025,725	\$ 940,003

See accompanying notes to consolidated financial statements.



# CITY OF RICHMOND

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

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 141,282	\$ 103,681
Items not involving cash:		
Amortization of tangible capital assets	72,722	68,519
Net loss on disposal of tangible capital assets	222	1,714
Contributions of tangible capital assets	(41,332)	(61,004)
Equity income in LIEC	(1,381)	(911)
Changes in non-cash operating working capital:		
Accrued interest receivable	(5,744)	765
Accounts receivable	(5,791)	(8,134)
Taxes receivable	(1,634)	262
Development fees receivable	(30,794)	16,092
Debt reserve fund	(960)	-
Inventory of materials and supplies	(709)	(411)
Prepaid expenses	94	(1,124)
Accounts payable and accrued liabilities	17,907	(70,400)
Post-employment benefits	233	2,274
Development cost charges	12,396	3,504
Deposits and holdbacks	43,966	8,596
Deferred revenue	2,877	7,162
Net change in cash from operating activities	203,354	70,585
Capital activities:		
Cash used to acquire tangible capital assets	(87,100)	(61,150)
Proceeds on disposal of tangible capital assets	543	793
Net change in cash from capital activities	(86,557)	(60,357)
Financing activities:		
Proceeds from issuance of debt	96,000	-
Repayments of debt	(5,570)	(5,355)
Net change in cash from financing activities	90,430	(5,355)
Investing activities:		
Net sale (purchase) of investments	(224,607)	137,124
Increase (decrease) in cash and cash equivalents	(17,380)	141,997
Cash and cash equivalents, beginning of year	672,031	530,034
Cash and cash equivalents, end of year	\$ 654,651	\$ 672,031

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, 2022

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## 1. Operations:

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

## 2. Significant accounting policies:

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

### (a) Basis of consolidation:

These consolidated financial statements reflect a combination of the City's General Revenue, General Capital and Loan, Waterworks and Sewerworks, and Reserve Funds consolidated with the Richmond Public Library (the "Library") and the Richmond Olympic Oval (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 interentity 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, 2022

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## 2. Significant accounting policies (continued):

(b) Basis of accounting:

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

(c) Government transfers:

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

(d) 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.

(e) Investments:

Investments are recorded at cost, adjusted for amortization of premiums or discounts. Provisions for losses are recorded when they are considered to be other than temporary.

(f) Investment in government business enterprises:

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

(g) Accounts receivable:

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

(h) Development cost charges:

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

(i) Post-employment benefits:

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

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

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## 2. Significant accounting policies (continued):

(i) Post-employment benefits (continued):

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

(j) Non-financial assets:

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

(i) Tangible capital assets:

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

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.

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

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## 2. Significant accounting policies (continued):

### (j) Non-financial assets (continued):

#### (v) Labour capitalization:

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

#### (vi) Leased tangible capital assets:

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

#### (vii) Impairment of tangible capital assets:

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

#### (viii) Inventory of materials and supplies:

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

### (k) Revenue recognition:

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

### (l) Taxes:

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

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

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

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

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## 2. Significant accounting policies (continued):

### (m) Deferred revenue:

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

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

### (n) Deposits:

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

### (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 (2022-2026) ("Consolidated Financial Plan") and was adopted through Bylaw No. 10327 on January 24, 2022.

### (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.

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

## 2. Significant accounting policies (continued):

### (r) Use of accounting estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenditures during the reporting period. Areas requiring the use of management estimates relate to performing the actuarial valuation of employee future benefits, the value of contributed tangible capital assets, value of developer contributions, useful lives for amortization, determination of provisions for accrued liabilities, performing the actuarial valuation of employee future benefits, 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.

### (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.

## 3. Investments:

	2022		2021	
	Cost	Market value	Cost	Market value
Short-term notes and deposits	\$ 379,378	\$ 379,378	\$ 257,701	\$ 257,701
Government and government guaranteed bonds	361,297	350,352	280,063	280,802
Other bonds	180,818	175,405	159,122	159,283
	<u>\$ 921,493</u>	<u>\$ 905,135</u>	<u>\$ 696,886</u>	<u>\$ 697,786</u>

## 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.

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

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

Summarized financial information relating to LIEC is as follows:

	2022	2021
Cash, cash equivalents, and investments	\$ 15,516	\$ 15,755
Accounts receivable	2,241	1,676
Tangible capital assets	45,745	38,905
<b>Total assets</b>	<b>63,502</b>	<b>56,336</b>
Accounts payable and accrued liabilities	3,853	2,671
Government grants	241	-
Deferred contributions	13,018	7,754
Project agreement/concession liability	11,362	12,264
<b>Total liabilities</b>	<b>28,474</b>	<b>22,689</b>
<b>Shareholder's equity</b>	<b>\$ 35,028</b>	<b>\$ 33,647</b>
Total revenue	\$ 7,608	\$ 6,431
Total expenses	6,227	5,520
<b>Net income</b>	<b>\$ 1,381</b>	<b>\$ 911</b>

Included in accounts payable and accrued liabilities in the City's consolidated statement of financial position are payables to LIEC in the amount of \$152,937 (2021 - \$151,454).

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



# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

## 5. Accounts receivable:

	2022	2021
Water and sewer utilities	\$ 14,760	\$ 13,243
Casino revenue	3,363	2,701
Capital grants	9,536	6,873
Other trade receivables	7,787	6,838
	\$ 35,446	\$ 29,655

## 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 debenture proceeds is withheld by the MFA in a Debt Reserve Fund. The City also executes demand notes in connection with each debenture whereby the City may be required to loan certain amounts to the MFA. These demand notes are contingent in nature and are not reflected in the City's accounts. The details of the cash deposits and contingent demand notes at December 31, 2022 are as follows:

	Cash deposits	Contingent demand notes
General Revenue Fund	\$ 1,468	\$ 5,147

## 7. Post-employment benefits:

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

	2022	2021
Accrued benefit obligation, beginning of year	\$ 35,324	\$ 35,414
Current service cost	2,698	2,644
Interest cost	872	728
Past service cost	21	992
Benefits paid	(2,923)	(2,035)
Actuarial gain	(3,255)	(2,419)
Accrued benefit obligation, end of year	\$ 32,737	\$ 35,324

An actuarial valuation for these benefits was performed to determine the City's accrued benefit obligation as at December 31, 2022. This actuarial gain is being amortized over a period equal to the employees' expected average remaining service lifetime of 11-years.

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

## 7. Post-employment benefits (continued):

	2022	2021
Accrued benefit obligation, end of year	\$ 32,737	\$ 35,324
Unamortized net actuarial gain	4,891	2,071
Accrued benefit liability, end of year	\$ 37,628	\$ 37,395

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

	2022	2021
Discount rate	4.40%	2.40%
Expected future inflation rate	2.50%	2.00%
Expected wage and salary range increases	2.50% to 3.00%	2.50% to 3.00%

## 8. Development cost charges:

	2022	2021
Balance, beginning of year	\$ 224,655	\$ 221,151
Contributions	30,053	16,873
Interest	4,777	2,854
Revenue recognized	(22,434)	(16,223)
Balance, end of year	\$ 237,051	\$ 224,655

## 9. Deposits and holdbacks:

	Balance December 31, 2021	Deposit contributions / interest earned	Refund/ expenditures	Balance December 31, 2022
Security deposits	\$ 84,096	\$ 47,514	\$ (5,329)	\$ 126,281
Developer contributions	7,912	17	(10)	7,919
Damage deposits	5,793	3,533	(2,183)	7,143
Contract holdbacks	3,860	4,778	(3,849)	4,789
Other	4,380	677	(1,182)	3,875
	\$ 106,041	\$ 56,519	\$ (12,553)	\$ 150,007

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

## 10. Deferred revenue:

	Balance December 31, 2021	Externally restricted inflows	Revenue earned	Balance December 31, 2022
Taxes and utilities	\$ 25,116	\$ 26,231	\$ (25,116)	\$ 26,231
Building permits/development	14,265	10,052	(7,198)	17,119
Oval	1,551	2,048	(478)	3,121
Capital grants	6,074	6,824	(9,887)	3,011
Business licenses	2,637	2,300	(2,256)	2,681
Parking easement/leased land	2,418	60	(50)	2,428
Other	4,125	4,587	(4,240)	4,472
	\$ 56,186	\$ 52,102	\$ (49,225)	\$ 59,063

## 11. Debt, net of MFA sinking fund deposits:

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

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

MFA issue	Loan authorization bylaw	Gross amount borrowed	Repayments and actuarial adjustments	Net debt 2022	Net debt 2021
127	9075	\$ 50,815	\$ 38,999	\$ 11,816	\$ 17,386
158	10334	96,000	-	96,000	-
		\$ 146,815	\$ 38,999	\$ 107,816	\$ 17,386

Current borrowing includes:

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

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

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

Interest expense incurred for the year on the long-term debt was \$2,750,689 (2021 - \$1,676,895). Repayments on net outstanding debt over the next five years and thereafter are as follows:

2023	\$ 9,187
2024	9,538
2025	3,636
2026	3,764
2027	3,895
Thereafter	77,796
	\$ 107,816

## 12. Tangible capital assets:

Cost	Balance December 31, 2021	Additions and transfers	Disposals	Balance December 31, 2022
Land	\$ 1,077,254	\$ 44,227	\$ -	\$ 1,121,481
Building and building improvements	576,752	22,907	(4,048)	595,611
Infrastructure	1,912,378	45,169	(6,370)	1,951,177
Vehicles, machinery and equipment	166,131	12,419	(1,602)	176,948
Library's collections, furniture and equipment	10,710	1,029	(613)	11,126
Assets under construction	60,690	2,681	-	63,371
	\$ 3,803,915	\$ 128,432	\$ (12,633)	\$ 3,919,714

Accumulated amortization	Balance December 31, 2021	Disposals	Amortization expense	Balance December 31, 2022
Building and building improvements	\$ 229,433	\$ (3,548)	\$ 20,340	\$ 246,225
Infrastructure	916,345	(6,233)	41,043	951,155
Vehicles, machinery and equipment	111,216	(1,474)	10,408	120,150
Library's collections, furniture and equipment	7,654	(613)	931	7,972
	\$ 1,264,648	\$ (11,868)	\$ 72,722	\$ 1,325,502

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

## 12. Tangible capital assets (continued):

<b>Net book value</b>	December 31, 2022	December 31, 2021
Land	\$ 1,121,481	\$ 1,077,254
Buildings and building improvements	349,386	347,319
Infrastructure	1,000,022	996,033
Vehicles, machinery and equipment	56,798	54,915
Library's collection, furniture and equipment	3,154	3,056
Assets under construction	63,371	60,690
<b>Balance, end of year</b>	<b>\$ 2,594,212</b>	<b>\$ 2,539,267</b>

(a) Assets under construction:

Assets under construction having a value of \$63,371,507 (2021 - \$60,690,017) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair market value at the date of contribution and recorded in other capital funding revenue on the statement of operations. The value of contributed assets received during the year is \$41,331,921 (2021 - \$61,004,232) comprised of land in the amount of \$30,863,846 (2021 - \$17,281,008), infrastructure in the amount of \$5,123,075 (2021 - \$20,810,489), buildings in the amount of \$5,345,000 (2021 - \$22,682,598). There were no machinery and equipment contributed in 2022 (2021 - \$230,137).

(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 2022 (2021 - nil).

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

## 13. Accumulated surplus:

	General and Reserve Fund	Waterworks Utility Fund	Sewerworks Utility Fund	Richmond Olympic Oval	Library	2022 Total	2021 Total
Investment in tangible capital assets	\$ 2,570,222	\$ -	\$ -	\$ 7,872	\$ 3,155	\$ 2,581,249	\$ 2,521,629
Reserves (note 14)	693,338	-	-	9,846	-	703,184	647,209
Appropriated surplus	245,113	19,157	11,775	1,166	3,351	280,562	256,020
Investment in LIEC	35,028	-	-	-	-	35,028	33,647
Surplus	14,954	885	6,621	610	830	23,900	24,826
Other equity	5,246	-	-	-	-	5,246	4,556
<b>Balance, end of year</b>	<b>\$ 3,563,901</b>	<b>\$ 20,042</b>	<b>\$ 18,396</b>	<b>\$ 19,494</b>	<b>\$ 7,336</b>	<b>\$ 3,629,169</b>	<b>\$ 3,487,887</b>

## 14. Reserves:

	Balance, December 31, 2021	Change during year	Balance, December 31, 2022
Affordable housing	\$ 14,293	\$ 1,134	\$ 15,427
Arts, culture and heritage	3,526	47	3,573
Capital building and infrastructure	122,720	6,905	129,625
Capital reserve	244,445	19,380	263,825
Capstan station	11,149	3,433	14,582
Child care development	10,078	91	10,169
Community legacy and land replacement	1,458	87	1,545
Drainage improvement	57,159	2,581	59,740
Equipment replacement	25,206	1,682	26,888
Hamilton area plan community amenity	3,007	598	3,605
Leisure facilities	18,970	8,798	27,768
Local improvements	7,571	189	7,760
Neighborhood improvement	8,037	551	8,588
Oval	8,100	1,746	9,846
Public art program	4,405	423	4,828
Sanitary sewer	49,611	3,907	53,518
Steveston off-street parking	336	3	339
Steveston road ends	155	(8)	147
Waterfront improvement	187	(6)	181
Watermain replacement	56,796	4,434	61,230
	<b>\$ 647,209</b>	<b>\$ 55,975</b>	<b>\$ 703,184</b>

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

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## 15. 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, 2021, the plan has about 227,000 active members and approximately 118,000 retired members. Active members include approximately 42,000 contributors from local governments.

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

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

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

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

The City paid \$13,914,367 (2021 - \$14,125,356) for employer contributions while employees contributed \$12,078,813 (2021 - \$11,777,413) to the plan in fiscal 2022.

## 16. 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, 2022. 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, 2022

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## 16. Contingent assets and contractual rights (continued):

(b) Contractual rights:

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

---

2023	\$ 37,876
2024	13,377
2025	2,947
2026	1,707
2027	1,729
Thereafter	5,778

---

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.

## 17. 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:

---

2023	\$ 3,839
2024	3,545
2026	2,305
2026	2,173
2027 and thereafter	4,012

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# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

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## 17. Commitments and contingencies (continued):

(c) Litigation:

As at December 31, 2022, there were a number of claims or risk exposures in various stages of resolution. The City has made no specific provision for those where the outcome is presently not determinable.

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

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

(e) Contractual obligation:

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

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

The City is a shareholder of the E-Comm whose services provided include: regional 9-1-1 call centre for the Greater Vancouver Regional District; Wide Area Radio network; dispatch operations; and records management. The City has 2 Class A shares and 1 Class B share (of a total of 37 Class A and 18 Class B shares issued and outstanding as at December 31, 2022). 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.

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

## 18. Trust funds:

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

	2022	2021
Richmond Community Associations	\$ 696	\$ 1,928

## 19. Taxation and levies:

	2022	2021
Taxes collected:		
Property taxes	\$ 524,934	\$ 496,172
Payment-in-lieu of taxes and grants	37,860	24,326
Local improvement levies	84	84
	562,878	520,582
Less transfers to other authorities:		
Province of British Columbia - School taxes	(210,071)	(192,631)
TransLink	(45,904)	(42,926)
Metro Vancouver	(9,116)	(8,029)
BC Assessment Authority	(6,741)	(6,297)
Sewer debt collect via payment in lieu of taxes	(114)	(43)
Other	(36)	(30)
	(271,982)	(249,956)
Less payment-in-lieu of taxes retained by the City	(21,314)	(14,789)
	\$ 269,582	\$ 255,837

## 20. Other revenue:

	2022	2021
Developer contributions	\$ 14,957	\$ 6,580
Tangible capital assets gain on sale of land	260	722
Penalties and fines	6,382	4,210
Parking program	1,781	1,343
Recycle BC	3,083	2,884
Other	8,743	6,138
	\$ 35,206	\$ 21,877

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

## 21. 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:

	2022	2021
Operating		
Province of British Columbia	\$ 19,273	\$ 12,590
TransLink	3,891	3,815
Government of Canada	2,291	1,999
Capital		
Province of British Columbia	8,619	6,069
TransLink	885	2,947
Government of Canada	1,410	567
	\$ 36,369	\$ 27,987

## 22. Segmented reporting:

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

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

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

## 22. Segmented reporting (continued):

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

	Community safety	Utilities	Engineering public works and project development	Community services	General government	Planning and development	Total city subtotal
<b>Revenue:</b>							
Taxation and levies	\$ -	\$ -	\$ -	\$ -	\$ 269,582	\$ -	\$ 269,582
User fees	-	113,417	14,548	-	-	-	127,965
Sales of services	9,062	2,269	2,439	10,996	10,280	1,778	36,824
Payments-in-lieu of taxes	-	-	-	-	21,314	-	21,314
Provincial and federal grants	219	15	4,061	220	3,724	65	8,304
Development cost charges	-	415	2,392	12,527	2,202	4,898	22,434
Other capital funding sources	350	1,275	10,086	501	30,864	8,144	51,220
<b>Other revenue:</b>							
Investment income	-	272	-	-	29,959	-	30,231
Gaming revenue	753	-	-	-	11,809	-	12,562
Licenses and permits	4,681	41	295	-	15	10,015	15,047
Other	2,037	4,092	1,137	673	11,268	240	19,447
Equity income	-	-	-	-	1,381	-	1,381
	17,102	121,796	34,958	24,917	392,398	25,140	616,311
<b>Expenses:</b>							
Wages and salaries	53,029	15,694	28,210	34,955	31,909	13,634	177,431
Public works maintenance	21	6,793	6,230	2,324	(1,483)	479	14,364
Contract services	68,317	10,010	5,367	2,971	4,331	2,058	93,054
Supplies and materials	2,965	37,634	1,686	11,644	12,548	933	67,410
Interest and finance	103	28,707	9	146	2,370	1	31,336
Transfer from (to) capital for tangible capital assets	(68)	2,654	12,910	2,364	483	3,207	21,550
Amortization of tangible capital assets	3,294	8,947	34,792	10,318	9,100	3,558	70,009
Loss (gain) on disposal of tangible capital assets	66	51	(101)	233	234	20	503
	127,727	110,490	89,103	64,955	59,492	23,890	475,657
<b>Annual surplus (deficit)</b>	\$ (110,625)	\$ 11,306	\$ (54,145)	\$ (40,038)	\$ 332,906	\$ 1,250	\$ 140,654

DRAFT April 18, 2023

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

## 22. Segmented reporting (continued):

	Total City subtotal	Richmond Public Library	Richmond Olympic Oval	2022 Consolidated	2021 Consolidated
<b>Revenue:</b>					
Taxation and levies	\$ 269,582	\$ -	\$ -	\$ 269,582	\$ 255,837
User fees	127,965	-	-	127,965	118,144
Sales of services	36,824	57	7,613	44,494	35,601
Payments-in-lieu of taxes	21,314	-	-	21,314	14,789
Provincial and federal grants	8,304	377	4,212	12,893	12,704
Development cost charges	22,434	-	-	22,434	16,223
Other capital funding sources	51,220	-	-	51,220	64,695
<b>Other revenue:</b>					
Investment income	30,231	19	-	30,250	14,968
Gaming revenue	12,562	-	-	12,562	5,700
Licenses and permits	15,047	-	-	15,047	13,995
Other	19,447	10,448	5,311	35,206	21,877
Equity income	1,381	-	-	1,381	911
	616,311	10,901	17,136	644,348	575,444
<b>Expenses:</b>					
Wages and salaries	177,431	7,789	10,396	195,616	179,260
Public works maintenance	14,364	26	-	14,390	13,011
Contract services	93,054	409	-	93,463	89,086
Supplies and materials	67,410	1,771	4,666	73,847	68,056
Interest and finance	31,336	4	-	31,340	30,301
Transfer from (to) capital for tangible capital assets	21,550	(344)	-	21,206	21,094
Amortization of tangible capital assets	70,009	931	1,782	72,722	68,519
Loss (gain) on disposal of tangible capital assets	503	(21)	-	482	2,436
	475,657	10,565	16,844	503,066	471,763
Annual surplus (deficit)	\$ 140,654	\$ 336	\$ 292	\$ 141,282	\$ 103,681

## 23. 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 24, 2022. The table below reconciles the adopted Consolidated Financial Plan to the budget amounts reported in these consolidated financial statements.

	Financial plan Bylaw No. 10327	Financial statement budget
<b>Consolidated financial plan:</b>		
Revenue	\$ 604,730	\$ 604,730
Expenses	522,614	522,614
Annual surplus	82,116	82,116
<b>Less:</b>		
Acquisition of tangible capital assets	(255,375)	-
Contributed tangible capital assets	(54,782)	-
Transfer to reserves	(78,319)	-
Debt principal	(5,570)	-
<b>Add:</b>		
Capital funding	303,542	-
Transfer from surplus	8,388	-
Annual surplus	\$ -	\$ 82,116

# CITY OF RICHMOND

Notes to Consolidated Financial Statements

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

Year ended December 31, 2022

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## **24. Comparative information:**

Certain comparative information has been reclassified to conform to the consolidated financial statement presentation adopted for the current year.

## **25. Subsequent events:**

In March 2023, the City received \$20,354,000 from the Province of B.C. relating to the Growing Communities Fund grant. The Growing Communities Fund grant is a one-time grant that can be used to address the City's infrastructure and amenity needs. This amount will be recognized as revenue in 2023.

2022 | City of Richmond

# **FINANCIAL STATEMENT DISCUSSION & ANALYSIS**

Prepared by Management

To be read in conjunction with the 2022  
Financial Statements







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# Introduction

The *Community Charter* requires that annual audited financial statements be prepared and presented to Council. The City's audited consolidated financial statements for the year ended December 31<sup>st</sup>, 2022 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 2022 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<sup>st</sup>, 2021 and 2022.
- **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 2022 allowing for flexibility and financial sustainability into the future.

- Financial Assets increased by \$253.5M to \$1.72B
- Liabilities increased by \$167.8M to \$696.0M
- Net financial assets increased by \$85.7M to \$1.03B
- Non-financial assets increased by \$55.6M to \$2.60B
- Accumulated surplus increased by \$141.3M to \$3.63B

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 annual surplus and is included on the Consolidated Statement of Operations.

# Financial Assets

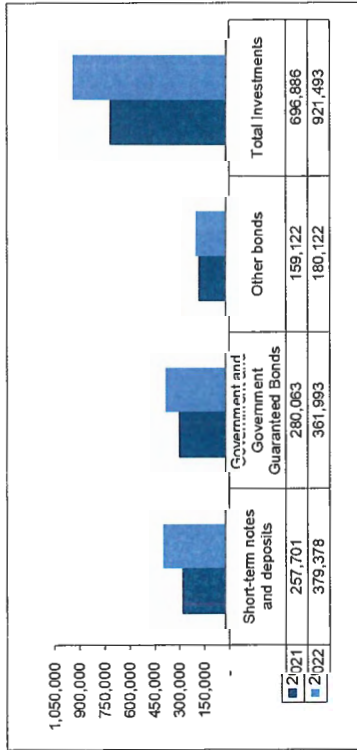
## Cash

The cash balance of \$654.7M is comprised of deposits in high interest savings products. The City was able to optimize the higher investment yields on short term funds during the year due to the inversion of the yield curve. Cash decreased by \$17.4M due to the timing of cash flows.

## Investments

Investments increased by \$224.6M to \$921.5M primarily due to the City's investment strategy in repositioning its fixed income investment balances by extending the investment portfolio's duration during the high interest rate environment. The increase in investment balance was primarily due to the receipt of \$96M in loan proceeds along with cash flow timing difference of capital expenditures.

## Investment Portfolio by Type (\$000's)



The breakdown cash and investments include \$725M of Council approved capital projects and committed funds, \$370M of amounts collected from developments to pay for current and future capital infrastructure required to support

growth and towards the City's operational or contractual requirements concerning future obligations. The remaining amount is set aside in the City's reserves, which are subject to restrictions as prescribed by the City's reserve bylaw, the *Local Government Act* and the *BC Community Charter*.

## 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 \$35.0M (2021 – \$33.6M).

## Accrued interest receivable

Accrued interest receivable increased by \$5.7M to \$14.7M due to the increased rate of return on cash and investments.

## Accounts receivable

Accounts receivable increased by \$5.8M to \$35.4M primarily due to revenues from the casino, capital grants and metered utility billings that reflect increased water consumption as many businesses reopened after pandemic restrictions were removed.

	2022	2021	Change
<b>Accounts Receivable (\$000's)</b>			
Water and sewer utilities	\$ 14,760	\$ 13,243	\$1,517
Casino revenues	3,363	2,701	662
Capital grants	9,536	6,873	2,663
Other trade receivables	7,787	6,838	949
<b>Total</b>	<b>\$ 35,446</b>	<b>\$ 29,655</b>	<b>\$ 5,791</b>

# Financial Assets

## Taxes receivable

Taxes receivable decreased by \$1.6M to \$15.8M due to the timing of collections.

## Development fees receivable

Development fees receivable increased by \$30.8M to \$43.2M due to the timing of collections of Development Cost Charges (DCC) during the year and from new developments.

Developers have the option to pay DCCs upfront, or in installments over a two year period. When paying in installments, 1/3 of the total DCC is paid upfront, the next 1/3 installment is paid one year after the originating date, and the final 1/3 installment is paid at the two year anniversary date. The second and third payment amounts are secured by a letter of credit.

The net DCC contributions received by the City in 2022 was \$13.2M more than 2021. The increase was a result of more multi-family developments.

## Debt reserve fund - deposits

The debt reserve fund balance of \$1.5M increased by \$0.96M from 2021 as the City received payments from the Municipal Finance Authority (MFA) for new debt incurred in 2022.



# Liabilities

## Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased by \$17.9M to \$104.5M. The increase is mainly attributable to the timing of the payments for School Tax, Metro Vancouver and RCMP contract accruals.

## Post employment benefits

Post employment benefits increased by \$0.2M to \$37.6M. The increase is mainly attributable to the unamortized net actuarial gain for 2022 of \$2.8M offset by an adjustment to decrease the accrued obligation by \$2.6M.

## Development cost charges

The DCC balance of \$237.1M (2021 - \$224.7M) is restricted by Section 566 of the *Local Government Act* and may only be used on authorized capital expenditures.

Net contributions of \$30.1M and interest earned of \$4.8M were received in 2022. The balance was offset by \$22.4M for capital project expenses funded by DCC during the year.

Development Cost Charges (\$000's)	2022	2021	Change
Balance, beginning of year	\$ 224,655	\$ 221,151	\$ 3,504
Contributions	30,053	16,873	13,180
Interest	4,777	2,854	1,923
Revenue recognized	(22,434)	(16,223)	(6,211)
Balance, end of year	\$ 237,051	\$ 224,655	\$ 12,396

The \$237.1M balance includes amounts that have been allocated to active capital projects but that remain unspent. At December 31<sup>st</sup>, 2022 there is \$79.1M (2021 - \$70.5M) committed to active capital projects. Additional DCC funding of \$20.3M was approved as part of the 2023 Capital Budget included in the Consolidated 5 Year Financial Plan (2023-2027) Bylaw No. 10429.

## Deposits and holdbacks

Deposits and holdbacks increased by \$44.0M to \$150.0M mainly due to an increase of development related security deposits.

Deposits and Holdbacks (\$000's)	2022	2021	Change
Security deposits	\$ 126,281	\$ 84,096	\$ 42,185
Developer contribution	7,919	7,912	7
Damage deposits	7,143	5,793	1,350
Contract holdbacks	4,789	3,860	929
Other	3,875	4,380	(505)
Total deposits and holdbacks	\$ 150,007	\$ 106,041	\$ 43,966

# Liabilities

Deferred revenues are funds that are set aside for specific purposes by legislation, regulation or agreement, and may only be used for the specified work.

Deferred Revenue (\$000's)	2022	2021	Change
Taxes and utilities	\$ 26,231	\$ 25,116	\$ 1,115
Building permits / development	17,119	14,265	2,854
Capital grants	3,011	6,074	(3,063)
Oval	3,121	1,551	1,570
Other	9,581	9,180	401
<b>Total deferred revenue</b>	<b>\$ 59,063</b>	<b>\$ 56,186</b>	<b>\$ 2,877</b>

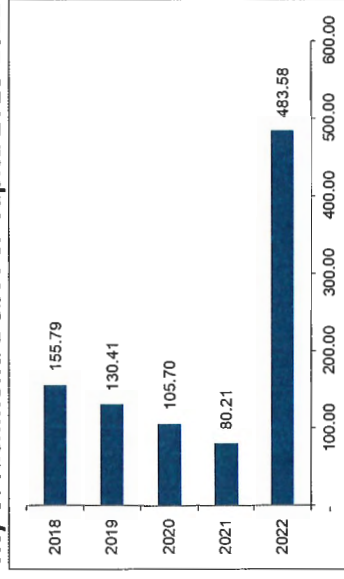
Deferred revenues decreased due to capital grants offset by increases in Oval's deferred revenue, building permits/developments and other revenues, resulting in an overall \$2.9M increase compared to 2021.

## Debt, net of MFA sinking fund deposits

Debt increased by \$90.4M to \$107.8M as a result of the new \$96M debt acquired for the construction of the Steveston Community Centre and Branch Library. The new debt has a 20 year term and was obtained in 2022 at a rate of 4.09% for the duration of the first ten years of the term. The increase was offset by the annual repayment of \$5M made in 2022 towards the borrowing for the construction of the Minoru Center for Active Living facility.

The debt per capita increased to \$483.58 per person in 2022 from \$80.21 as of December 31, 2021. The increase in debt per capita is the combined result of acquiring new debt, principal payments reducing the current debt balance along with an increase in population.

**City of Richmond Debt Per Capita 2018-2022**

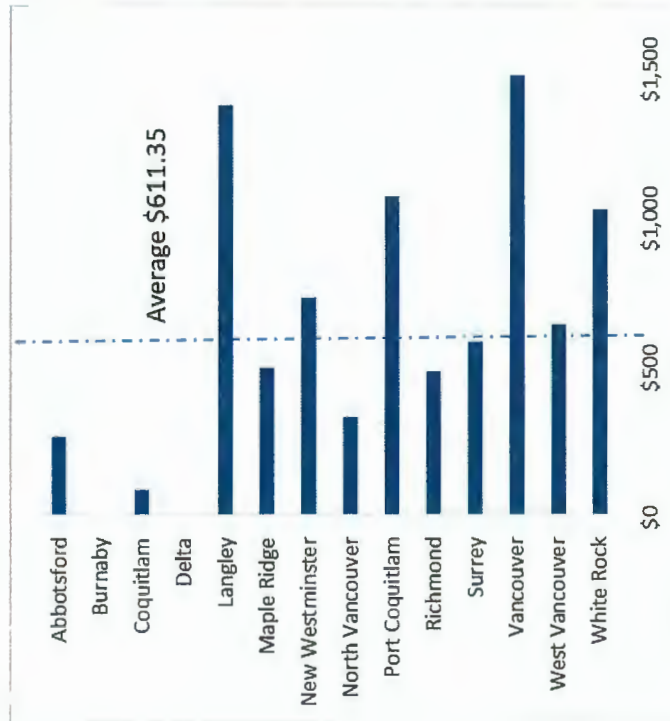


Graph has been updated with population estimates from BC Stats, Demographic Analysis Section, April 2023.

The 2021 values for the other municipalities are the most current figures available from the Local Government Statistics. For comparative purposes, Richmond's 2022 debt per capita of \$483.58 is included below and continues to be under the 2021 regional average of \$611.35.

# Liabilities

Debt Per Capita by City 2021 (compared to Richmond 2022)



Long-Term debt data obtained from the Ministry of Municipal Affairs and Housing - 2021 Local Government Statistics. Population estimates for 2021 obtained from BC Stats, Demographic Section, April 2023.





# 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 12 of the consolidated financial statements.

TCA increased by \$54.9M to \$2.6B. The change is a result of \$128.4M of asset additions and current year amortization expense of \$72.7M.

Tangible Capital Assets (\$000's)	2022	2021	Change
Land	\$1,121,481	\$1,077,254	\$ 44,227
Buildings and building improvements	349,386	347,319	2,067
Infrastructure	1,000,022	996,033	3,989
Vehicles, machinery and equipment	56,798	54,915	1,883
Library's collections, furniture and equipment	3,154	3,056	98
Assets under construction	63,371	60,690	2,681
<b>Total</b>	<b>\$2,594,212</b>	<b>\$2,539,267</b>	<b>\$ 54,945</b>

Land increased by \$44.2M mainly due to land under roads received through rezoning, property acquisition of the Hummingbird Child Care received as a contributed asset through development and other land purchases.

Buildings increased by \$2.1M mainly due to \$22.9M increase in additions offset by \$20.3M of amortization expenses. Net disposal in 2022 was \$0.5M. The additions in 2022 included \$5.3M for the developer contributed building for Hummingbird Child Care Center and \$5.6M for the Animal Shelter Replacement.

Infrastructure increased by \$4.0M mainly due to \$45.2M increase in additions offset by \$41.0M of amortization expenses. Net disposal in 2022 was \$0.1M. The additions in 2022 included \$5.1M of contributed assets received through development and \$6.6M for drainage pump station upgrades.

Vehicles, machinery and equipment increased by \$1.9M mainly due to \$12.4M increase in additions offset by \$10.4M of amortization expenses. Net disposal in 2022 was \$0.1M. The additions in 2022 include \$3.5M for various vehicle and equipment purchases and \$2.9M for two fire trucks.

Library's collections, furniture and equipment increased by \$0.1M mainly due to \$1.0M of additions, offset by \$0.9M of amortization expenses.

Assets under construction increased by \$2.7M mainly due to the reduction relating to the capitalization of the Animal Shelter for \$3.9M, Aberdeen Park for \$1M and offset by the increase in work in progress for the Minoru Parks Lakes Renewal project by \$7.2M.

**Inventory of materials and supplies**

Inventory increased by \$0.7M to \$5.4M based on timing of materials issued.

**Prepaid expenses**

Prepaid expenses decreased by \$0.1M to \$3.8M due to timing of expenses.



# Accumulated Surplus

The accumulated surplus increased by \$141.3M to \$3.6B. The annual increase is presented on the Consolidated Statement of Operations.

Accumulated Surplus (\$000's)	2022	2021	Change
Investment in TCA	\$ 2,581,249	\$ 2,521,629	\$ 59,620
Reserves	703,184	647,209	55,975
Appropriated surplus	280,562	256,020	24,542
Investment in LIEC	35,028	33,647	1,381
Surplus	23,900	24,826	(926)
Other equity	5,246	4,556	690
<b>Total</b>	<b>\$ 3,629,169</b>	<b>\$ 3,487,887</b>	<b>\$ 141,282</b>

## 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.

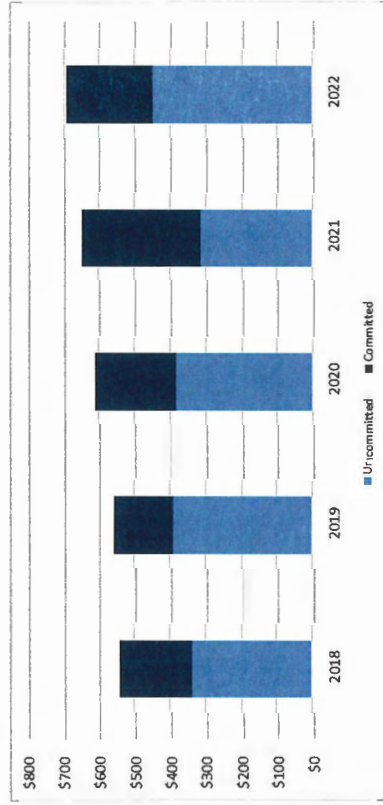
In accordance with accounting standards, this balance is accounted for using the cost method, net of accumulated amortization. It does not reflect market value or replacement value of the assets.

The investment in TCA balance increased by \$59.6M. 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 \$703.2M includes amounts that have been approved for expenditure but remain unspent as at December 31<sup>st</sup>. The uncommitted reserve balance is \$448.3M (2021 - \$313.7M).

### Reserve Balance 2018-2022



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 and the Phoenix Net Loft that have reserve funds allocated towards the project but have not been spent as of the reporting date December 31<sup>st</sup>, 2022.

From the available \$448.3M at December 31<sup>st</sup>, 2022, \$75.4M has been approved for the City's 2023 Capital Budget and is

# Accumulated Surplus

included in the Consolidated 5 Year Financial Plan (2023-2027) Bylaw No. 10429. An additional \$313.5M is estimated for the remaining four years (2024-2027) of the 5 Year Capital Plan.

## Appropriated Surplus

Appropriated surplus is internally restricted for future commitments and potential liabilities. The balance increased by \$24.5M to \$280.6M primarily due to the \$7.5M relating to future debt payments and the transfer of the 2021 operating surplus of \$5.8M to the Rate Stabilization provision.

## Investment in LIEC

The City's investment in LIEC is recorded under the modified equity method. The balance reflects the City's share equity in LIEC on December 31<sup>st</sup>, 2022 at \$35.0M, an increase of \$1.4M from the 2021 balance of \$33.6M.

## Surplus

The consolidated surplus decreased by \$0.9M to \$23.9M in 2022 due to the offsetting impact of transferring the 2021 operating surplus of \$5.8M to the Rate Stabilization provision and the increase due to the 2022 operating surplus of \$5.5M.

## Other Equity

Other equity relates to the City's inventory. The balance increased by \$0.7M to \$5.2M in 2022.



# 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 2022 budget amounts presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified 'cash requirement' basis and amounts recorded in these financial statements on a 'full accrual' basis.

Note 23 outlines the adjustments to the approved budget, particularly the exclusion of transfers to reserves and other funds, and 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, investment 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

## 2022 Budget to Actual Comparison

Total consolidated revenues are \$644.3M compared to the budgeted revenues of \$604.7M. Certain revenues will always be difficult to accurately budget due to the unpredictability of the source, development timing and use of funds for capital. Budget to actual variance explanations are below.

Revenues (\$000's)	2022		Variance
	Budget	Actual	
Taxation and levies	\$ 268,044	\$ 269,582	\$ 1,538
Utility fees	124,190	127,965	3,775
Sales of services	44,600	44,494	(106)
Payments-in-lieu of taxes	14,650	21,314	6,664
Provincial and federal grants	10,683	12,893	2,210
Development cost charges	17,749	22,434	4,685
Other capital funding sources	71,162	51,220	(19,942)
Investment income	13,165	30,250	17,085
Gaming revenue	14,500	12,562	(1,938)
Licences and permits	11,358	15,047	3,689
Other	13,683	35,206	21,523
Equity income	946	1,381	435
Total	\$ 604,730	\$ 644,348	\$ 39,618

Taxation and levies had a favourable variance of \$1.5M mainly due to higher than expected new growth and supplementary roll adjustments.

Utility fees had a favourable variance of \$3.8M mainly due to

unbudgeted preconstruction revenue, higher customer counts for water, sewer, recycling and garbage offset by lower metered billings due to lower than budgeted consumption.

Sales of services is on budget with a variance from budget of only \$0.1M.

Payments in lieu of taxes had a favourable variance of \$6.7M mainly due to the one-time receipt of \$5.7M for properties previously under dispute, which was settled relating to the years 2007 to 2020.

Provincial and federal contributions were favourable by \$2.2M mainly due to the new Local Government Climate Action Program grant received, traffic fine revenue, Oval revenue from the 2010 Games Operating Trust Fund and various other grants higher than budgeted.

Development cost charges had a favourable variance of \$4.7M due to the timing of capital expenditures as revenue is recognized when the capital expenditures are incurred.

Other capital funding had an unfavourable variance of \$20.0M due to lower than budgeted amounts relating to contributed assets received through development and the timing of externally funded capital expenditures. The revenue recognition relating to contributed assets is based on the timing of the development and when the ownership of assets are transferred to the City which is difficult to estimate.

## Revenues

Investment income had a favourable variance of \$17.1M due to higher interest rates in 2022 and earned from the loan proceeds of \$96.0M received in September 2022 for the Steveston Community Centre and Branch Library.

Gaming revenue had an unfavourable variance of \$1.9M due to actual revenue received from net gaming activities at the River Rock Casino being less than estimated in the budget.

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

Other revenue had a favourable variance of \$21.5M mainly due to unbudgeted developer reserve contributions, higher interest and tax penalties revenue from the one-time Payment in Lieu of Taxes received in 2022 relating to the years 2007 to 2020, higher hotel tax revenue as travel resumes and higher external cost recoveries.

Equity income relates to the City's investment in LIEC. LIEC's net income for the year was favourable to budget by \$0.4M.



# Revenues

## 2022 to 2021 Actual Comparison

Total 2022 consolidated revenues were \$644.3M compared to \$575.4M in 2021.

Revenues (\$000's)	2022 Actual	2021 Actual	Change
Taxation and levies	\$269,582	\$255,837	\$ 13,745
Utility fees	127,965	118,144	9,821
Sales of services	44,494	35,601	8,893
Payments-in-lieu of taxes	21,314	14,789	6,525
Provincial and federal grants	12,893	12,704	189
Development cost charges	22,434	16,223	6,211
Other capital funding sources	51,220	64,695	(13,475)
Investment income	30,250	14,968	15,282
Gaming revenue	12,562	5,700	6,862
Licences and permits	15,047	13,995	1,052
Other	35,206	21,876	13,330
Equity income	1,381	911	470
<b>Total</b>	<b>\$644,348</b>	<b>\$575,443</b>	<b>\$68,905</b>

Taxation and levies increased by \$13.7M due to higher than expected new growth and the approved tax rate increase.

Utility fees increased by \$9.8M due to higher preconstruction activity, higher metered billings, higher drainage and dyke utility revenue, higher recycling and recycling commission revenue, higher regional sewer debt levy and garbage revenue.

Sales of services increased by \$8.9M mainly due to recreational program revenue, higher facility revenue as activities return to pre-pandemic levels, higher recovery of general expenses, higher rental and lease revenue resulting from renewal increases and new leases, offset by lower admin fee revenue.

Payments in lieu of taxes increased by \$6.5M mainly due to a one-time payment of \$5.7M for properties previously under dispute relating to the years 2007 to 2020.

Provincial and federal contributions are consistent with 2021 with a slight increase of \$0.2M.

Development cost charges increased by \$6.2M due to timing of capital expenditures as development cost charges revenue is recognized when the amounts are spent most notably from activity on the Minoru Park Lakes Renewal project.

The other capital funding decreased by \$13.5M mainly due to decrease in donated assets by developers, offset by an increase in capital funding from external sources.

Investment income increased by \$15.3M due to higher interest rates in 2022. Bank of Canada has raised its policy rates from 0.25% to 4.25% in 2022, which has resulted in higher yield rates for City's investments. A larger investment balance in 2022 also resulted in higher investment income.



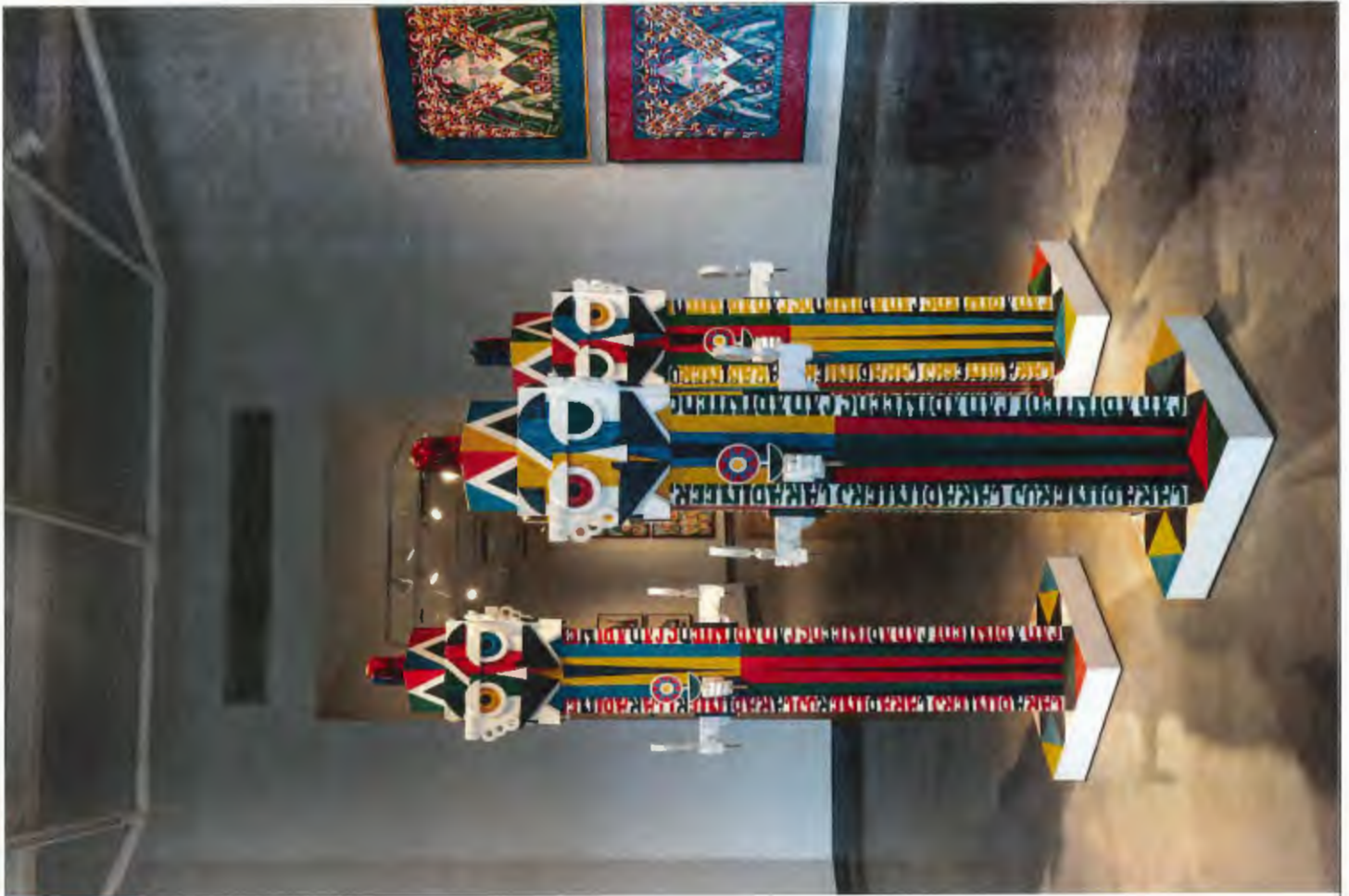
## Revenues

Gaming revenue increased by \$6.9M in 2022 due to River Rock Casino being open for the full year in 2022 compared to being open for only half of the year in 2021.

Licences and permits increased by \$1.1M mainly due to higher building permits revenue recognized due to higher building activity in 2022 vs in 2021.

Other revenue increased by \$13.3M due to higher developer reserve contributions and higher interest and tax penalties revenue from the one-time Payment in Lieu of Taxes received in 2022 relating to the years 2007 to 2020.

Equity income relates to the City's investment in LIEC. LIEC's net income for 2022 increased by \$0.5M.

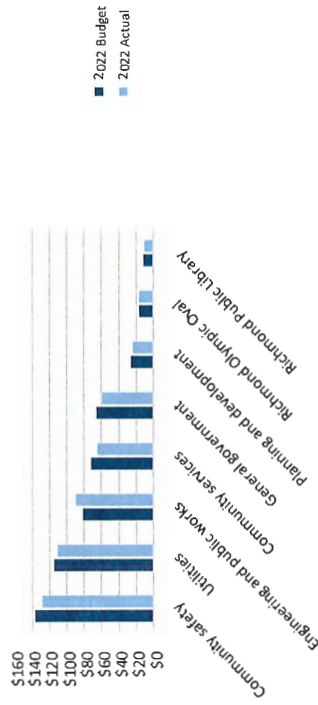


# Expenses

## 2022 Budget to Actual Comparison

Total consolidated expenses are \$503.1M compared to the budget of \$522.6M.

### 2022 Expenses by Function



expenses, processing fees, lower waste management and container collection fees and vacant positions.

Engineering and public works had an unfavourable variance of \$7.8M mainly due to higher capital expenditures that did not meet the capitalization criteria including box culvert repairs, railway crossing environmental works and contribution to New Westminster's Boundary Road Pump Station, higher amortization expenses due to dike upgrade additions, offset by lower operating expenses.

Community Services had a favourable variance of \$6.6M mainly due to savings in salaries and contract expenses as operations have not fully returned to pre-pandemic levels.

General Government had a favourable variance of \$6.6M mainly due to vacant positions and unspent contingencies.

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

Community Safety had a favourable variance of \$8.3M mainly due to lower policing contract costs than budgeted as a result of RCMP unionization costs being conservatively budgeted, the number of officers invoiced being less than budgeted, and staff vacancies.

Utilities had a favourable variance of \$3.9M mainly due to lower spends on receivable projects, less labour costs as more was spent on capital projects, and less water purchased than budgeted due to lower consumption, lower consulting

Planning and Development had a favourable variance of \$2.0M mainly due to lower transfer from capital expenses than budgeted, less labour expense than budgeted, lower operating expenses, partially offset by higher than budgeted amortization expense.

Library services had a favourable variance of \$0.6M mainly due to staff vacancies.

Oval had an unfavourable variance of \$0.6M mainly due to salaries and other expenses being higher than budget.

# Expenses

## 2022 to 2021 Actual Comparison

Total 2022 consolidated expenses were \$503.1M compared to \$473M in 2021.

	2022 Actual	2021 Actual	Change
<b>Expenses (\$000's)</b>			
Community safety	\$ 127,727	\$ 123,232	\$ 4,495
Utilities: water, sewer and sanitation	110,490	106,519	3,971
Engineering, public works and project development	89,103	80,083	9,020
Community services	64,955	59,873	5,082
General government	59,492	52,996	6,496
Planning and development	23,890	25,166	(1,276)
Richmond Olympic Oval	16,844	14,079	2,765
Richmond Public Library	10,565	9,816	749
<b>Total</b>	<b>\$ 503,066</b>	<b>\$ 471,764</b>	<b>\$ 31,302</b>

Engineering, Public Works and Project Development expenses increased by \$9.0M mainly due to capital expenditures that did not meet criteria for capitalization, higher amortization in 2022 due to dike upgrade additions, higher operating and maintenance expenses due to more road maintenance projects, increased snow response costs and higher facility repairs costs.

Community services increased by \$5.1M mainly due to reopening of facilities and increased operational levels towards the pre-pandemic levels which resulted in higher labour expense, services and supplies and contract expenses. The increase was partially offset by transactions in 2021 that did not recur including Phoenix Net Loft Stabilization expenses and loss on disposal of the Minoru Aquatic Centre building.

General government expenses increased by \$6.5M mainly due to higher labour and fringe expense as operations return toward pre-pandemic levels, including fringe benefits and collective agreement step increases. Increased operating expenses mainly due to higher rental property costs, professional and legal fees, insurance costs, 2022 election costs and employee training costs.

Planning and development costs decreased by \$1.3M as 2021 included a \$3.0M contribution to TransLink for the Capstan Canada Line Station which did not recur in 2022, partially offset by higher labour costs and amortization expense due to the first full year of new childcare facilities being operational.

Community Safety expenses increased by \$4.5M mainly due to higher fire rescue costs as a result of the 12 additional firefighters authorized in 2021 working their first full year and new equipment being amortized for the first full year and due to higher policing costs.

Utilities expenses increased by \$4.0M mainly due to higher Greater Vancouver Sewerage and Drainage District operating and maintenance costs, increase in labour and materials expense, and an increase in Metro Vancouver water purchase costs due to an increase in the summer bulk rate.

# Expenses

Library services expenses increased by \$0.7M mainly due to filling staff vacancies.

Oval expenses increased by \$2.8M mainly due to higher labour and programming expenses as activities return to pre-pandemic levels.

## Expenses by Object

Expenses (\$000's)	2022		2021		Change
	Actual		Actual		
Wages and salaries	\$195,616	\$	179,260		\$16,356
Public works maintenance	14,390		13,011		1,379
Contract services	93,463		89,086		4,377
Supplies and materials	73,847		68,056		5,791
Interest and finance	31,340		30,301		1,039
Transfer from (to) capital for tangible capital assets	21,206		21,094		112
Amortization of tangible capital assets	72,722		68,519		4,203
Loss on disposal of tangible capital assets	482		2,436		(1,954)
<b>Total</b>	<b>\$ 503,066</b>	<b>\$</b>	<b>471,763</b>		<b>\$31,303</b>

Wages and salaries increased by \$16.4M due to vacancies being filled as operations continue to return to pre-pandemic levels, including fringe benefits and collective agreement increases.

Public Works maintenance increased by \$1.4M due to higher material and equipment costs incurred for catch-up of

maintenance projects that were put on hold due to the COVID-19 pandemic.

Contract services increased by \$4.4M mainly to programs resuming towards pre-pandemic levels including higher policing costs, expenses and consulting expenses.

Supplies and Materials increased by \$5.8M due to higher services and supplies costs and higher other operating costs as operations return toward pre-pandemic levels.

Interest and finance increased by \$1.0M mainly due to an accrual of interest expense for Steveston Community Centre and Library debt.

Transfer from (to) capital for tangible capital assets increased by \$0.1M, which is consistent with the prior year.

Amortization of tangible capital assets increased by \$4.2M due to more capital assets added and full year amortization for assets than were capitalized in 2021 including dike upgrades, childcare facilities and fire rescue equipment.

Loss on the disposal of tangible capital assets decreased by \$2.0M mainly due to lower loss realized on asset retirement of building, infrastructure, machinery, and equipment compared to 2021, which included the disposal of the Minoru Aquatic Centre building.

# Annual Surplus

The 2022 consolidated annual surplus of \$141.3M 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 \$141.3M annual surplus is the change in investment in capital assets of \$59.6M. This is the net activity of asset additions \$128.4M offset by amortization expense of \$72.7M, disposals and debt reduction.

Investment in LIEC increased by \$1.4M.

Appropriated surplus increased by \$24.5M relating to future commitments and potential liabilities.

Reserves increased by \$56.0M due to the timing of capital expenditures. Included in the total reserve balance is \$254.9M committed towards active capital projects.

Surplus decreased by \$0.9M mainly due to net impact of transferring the 2021 operating surplus of \$5.8M to Rate Stabilization provision offset by the 2022 operating surplus of \$5.5M.

Other surplus increased by \$0.7M.



# 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<sup>st</sup>, 2022 increased by \$85.7M to \$1.025B (2021 - \$940M).

# 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 \$17.4M to \$654.7M and investments increased by \$224.6M to \$921.5M.

In 2022, cash provided by operating activities was \$203.4M, compared to \$70.6M in 2021. This was mainly due to the change in accounts payable and deposits and holdbacks.

Cash used in capital activities was \$86.6M, compared to \$60.4M in 2021.

Cash from financing activities was \$90.4M compared to \$5.4M used in 2021, and was due to the proceeds from new debt less payments on existing debt.

Cash used for investing activities was \$224.6M, compared to cash received from investing activities of \$137.1M in 2021.

## 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, settles 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 2020-2022:

**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.

<b>Sustainability ratios:</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Assets to liabilities (times)	6.2	7.6	6.8
Financial assets to liabilities (times)	2.5	2.8	2.5
Net debt to total revenues	16.7%	3.0%	3.9%
Net debt to the total assessment	0.09%	0.02%	0.02%
Expenses to the total assessment	0.4%	0.5%	0.6%

**Flexibility ratios:**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Debt charges to revenues	0.4%	0.3%	0.3%
Net book value of capital assets to cost	66.2%	66.8%	67.3%
Net book value of capital assets (excluding land) to cost	52.6%	53.6%	54.1%
Own source revenue to the assessment	0.5%	0.5%	0.5%

**Vulnerability ratios:**

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Government transfers to total revenues	4.0%	3.2%	3.4%
Government transfers (excluding gaming revenue) to total revenues	2.0%	2.2%	2.9%

An explanation of each of the ratios is provided below.

- 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 revenue, indicates the financial burden over the earning capacity and also indicates how future revenues will be needed for financing of past transactions and events. A lower percentage indicates a lesser reliance on future revenues to finance existing debt.
- The increase in the 2022 ratio is due to the \$96.0M debt acquired for the Steveston Community Centre and Branch Library. Though this ratio has increased, the burden over the earning capacity is partially mitigated due to the use of gaming revenue to fund the annual debt servicing costs as opposed to relying on taxation revenue. The annual debt servicing costs

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

- Net debt to total assessment, indicates the relationship between the level of debt and the state of the local economy. A lower percentage indicates a lesser reliance on the current assessment base to finance existing debt.
- Expenses to 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 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 revenue, indicates the degree to which the local government is dependent on provincial or federal grants. A higher ratio indicates a higher proportion of grants.

# Environmental Analysis

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

The following section highlights:

- Council Strategic Plan 2018-2022
- Council Strategic Plan 2022-2026
- Environment
  - Business Licences
  - Housing Activity
  - Population
- City Services

# Strategic Plans

Council decisions guide and influence the City's social and physical development, the quality of life and lifestyle choices available to residents, the relative safety and protection of residents and businesses, and the role the City plays within the region. To help Council manage this important agenda, the "Council Strategic Plan" process is undertaken at the start of each new term of office to determine Council's desired focus and priorities in order to ensure City work programs are appropriately aligned. This process forms an integral part of City operations, and helps to ensure a focused and productive workforce that makes the most effective use of public resources. In alphabetical order, the eight strategic focus areas for the Council Strategic Plan 2018-2022 include:

- 1. A Safe and Resilient City**  
Continue enhancing and protecting the safety and well-being of Richmond.
- 2. A Supported Economic Sector**  
Continue facilitation of diversified economic growth through innovative and sustainable policies, practices, and partnership.
- 3. A Sustainable and Environmentally Conscious City**  
Adapt environmentally conscious decision-making that demonstrates leadership in implementing innovative, sustainable practices and supports the City's unique biodiversity and island ecology.

#### **4. An Active and Thriving Richmond**

Support an active and thriving community characterized by diverse social and wellness programs, services and spaces that foster health and well-being for all.

#### **5. An Engaged and Informed Community**

Ensure that the citizenry of Richmond is well-informed and engaged about City business and decision-making.



# Strategic Plans

## **6. One Community Together**

Continue support on vibrant and diverse arts and cultural activities and opportunities for community engagement and connection.

## **7. Sound Financial Management**

Maintain the City's strong financial position with clear accountability through transparent budgeting practices and effective public communication that supports the needs of the community into the future.

## **8. Strategic and Well-Planned Growth**

Continue leadership in effective and sustainable growth that supports the City's physical and social needs.



# Strategic Plans

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.

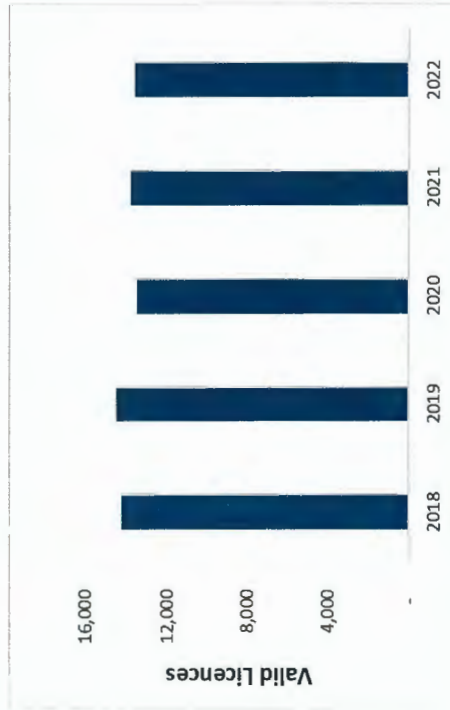


# Environment

## Business Licences

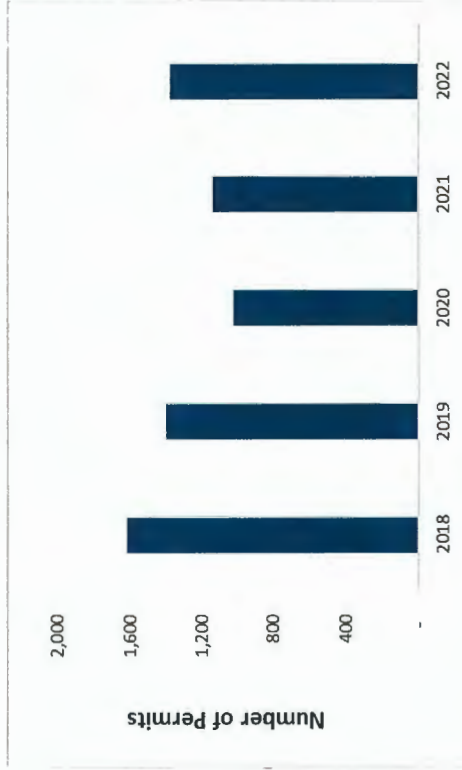
The total number of business licences issued decreased to 13,574 in 2022 compared to 13,792 licences issued in 2021.

### Business Licences 2018-2022



year, changes are cyclical. The increase is a result of increases in all types permits issued including single family dwellings, multi-family developments, commercial and industrial. The actual permit fees collected for 2022 was \$13.1M.

### Building Permits 2018-2022



## Housing Activity

Richmond house prices increased by 10.9%, with a 2022 detached median house price of \$2,020,000. The total number of sales decreased year-over-year by 36.4% to 3,669 from 5,770 in 2021.

In 2022, the total number of building permits issued was 1,382, which was a 21.3% increase from 2021. The year over

The construction value of building permits issued in 2022 was \$926.6M, which increased by approximately 28.9% from 2021 of \$719.1M.

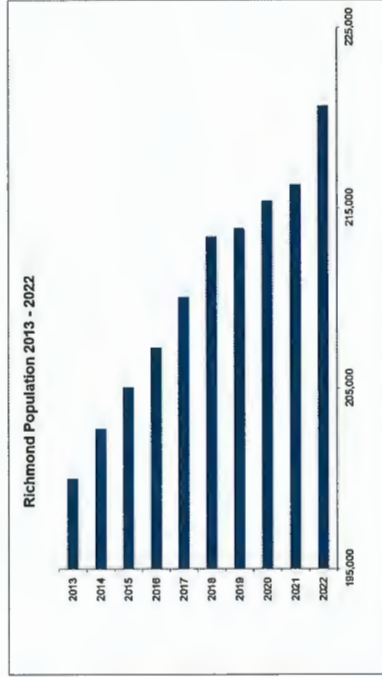
The number of development applications received in 2022 decreased by 3.4% to 143 applications from 148 applications in 2021. Total fees collected in 2022 decreased by 22.6%.



## Population

Richmond's current population is estimated at 222,954 which is a 2.9% increase from 2021. According to the latest Statistics Canada Census, Richmond is the fourth most populous municipality in the Greater Vancouver region.

### Richmond Population 2013-2022



*Graph has been updated with population figures from BC Stats, Demographic Analysis Section, updated April 2023.*



# Services

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

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

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

These services are provided through the use of funds as approved by Council in the 2022 operating, capital and utility budgets.

	2020	2021	2022
Population growth (per annum) <sup>1</sup>	0.71%	0.75%	2.86%
Capital construction costs (\$mil) <sup>2</sup>	\$158.88	\$210.56	\$95.77
City Grants Program (\$mil)	\$0.82	\$0.85	\$0.88
Other grants (\$mil) <sup>3</sup>	\$1.59	\$1.54	\$1.74
RCMP calls for services	55,085	57,888	55,711
Fire Rescue Responses	6,412	9,494	11,317

<sup>1</sup> Annual growth based on updated population figures from BC Stats, Demographic Analysis Section, April 2023.

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

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

# Conclusion

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

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

The Consolidated Financial Statements and FSD&A provide details about past activity and the balances at December 31<sup>st</sup> 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 2022 – 2026 Five Year Financial Plan combines the Operating, Utility and Capital Budgets. It provides details on the services provided, anticipated revenues and expenses, and planned capital projects.

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

<http://www.richmond.ca/cityhall/finance/reporting/fiveyear.htm>

