City of Richmond

Agenda

Finance and Audit Committee

Anderson Room, City Hall
6911 No. 3 Road

Monday, May 4, 2026
Immediately following the General Purposes Committee meeting

Pg. # ITEM

MINUTES

FIN-4 ***Motion to adopt the minutes of the meeting of the Special Finance Committee held on April 20, 2026.***

DELEGATIONS

FIN-6 1. Aanu Adeleye, Engagement Partner, Avery Nguyen, Engagement Manager, and Brandon Ma, Engagement Quality Review Partner, KPMG, to present the Audit Findings Report on the City's 2025 Consolidated Financial Statements.

FINANCE AND CORPORATE SERVICES DIVISION

2. **2025 CONSOLIDATED FINANCIAL STATEMENTS**
(File Ref. No. 03-0905-01) (REDMS No. 8379302)

FIN-40 See Page **FIN-40** for full report

Designated Speaker: Cindy Gilfillan

STAFF RECOMMENDATION

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

RICHMOND PUBLIC LIBRARY

3. **2025 FINANCIAL STATEMENTS FOR THE RICHMOND PUBLIC LIBRARY**
(File Ref. No. 03-0905-01) (REDMS No. 8381193)

FIN-151

See Page **FIN-151** for full report

Designated Speaker: Susan Walters

STAFF RECOMMENDATION

That the 2025 Richmond Public Library audited financial statements for the year ended December 31, 2025, as presented in the attached report from the Chief Librarian, be received for information.

LULU ISLAND ENERGY COMPANY

4. **2025 FINANCIAL STATEMENTS FOR THE LULU ISLAND ENERGY COMPANY**
(File Ref. No. 3-0950-01) (REDMS No. 8390484)

FIN-176

See Page **FIN-176** for full report

Designated Speakers: Alen Postolka & Helen Zhao

STAFF RECOMMENDATION

That the Lulu Island Energy Company report titled "2025 Financial Statements for the Lulu Island Energy Company", from the Chief Executive Officer and Chief Financial Officer, dated April 9, 2026, be received for information.

RICHMOND OLYMPIC OVAL CORPORATION

5. **2025 AUDITED FINANCIAL STATEMENTS FOR THE RICHMOND OLYMPIC OVAL CORPORATION**
(File Ref. No. 03-1200-09) (REDMS No. 8381566)

FIN-218

See Page **FIN-218** for full report

Designated Speaker: Rick Dusanj

STAFF RECOMMENDATION

That the 2025 Audited Financial Statements for the Richmond Olympic Oval Corporation from the Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation be received for information.

ADJOURNMENT

City of Richmond

Minutes

Special Finance and Audit Committee

Date: Monday, April 20, 2026

Place: Anderson Room
Richmond City Hall

Present: Mayor Malcolm D. Brodie, Chair
Councillor Carol Day
Councillor Laura Gillanders
Councillor Kash Heed
Councillor Andy Hobbs
Councillor Alexa Loo
Councillor Bill McNulty
Councillor Michael Wolfe

Call to Order: The Chair called the meeting to order at 4:43 p.m.

MINUTES

It was moved and seconded
That the minutes of the meeting of the Finance and Audit Committee held on April 7, 2026, be adopted as circulated.

CARRIED

FINANCE AND CORPORATE SERVICES DIVISION

1. **ANNUAL PROPERTY TAX RATES (2026) BYLAW NO. 10748**
(File Ref. No. 03-1240-01) (REDMS No. 8373575)

It was moved and seconded
That the Annual Property Tax Rates (2026) Bylaw No. 10748 be introduced and given first, second and third readings.

CARRIED

ADJOURNMENT

It was moved and seconded
That the meeting adjourn (4:44 p.m.).

CARRIED

Certified a true and correct copy of the Minutes of the meeting of the Finance and Audit Committee of the Council of the City of Richmond held on Monday, April 20, 2026.

Mayor Malcolm D. Brodie
Chair

Lorraine Anderson
Legislative Services Associate

KPMG

City of Richmond

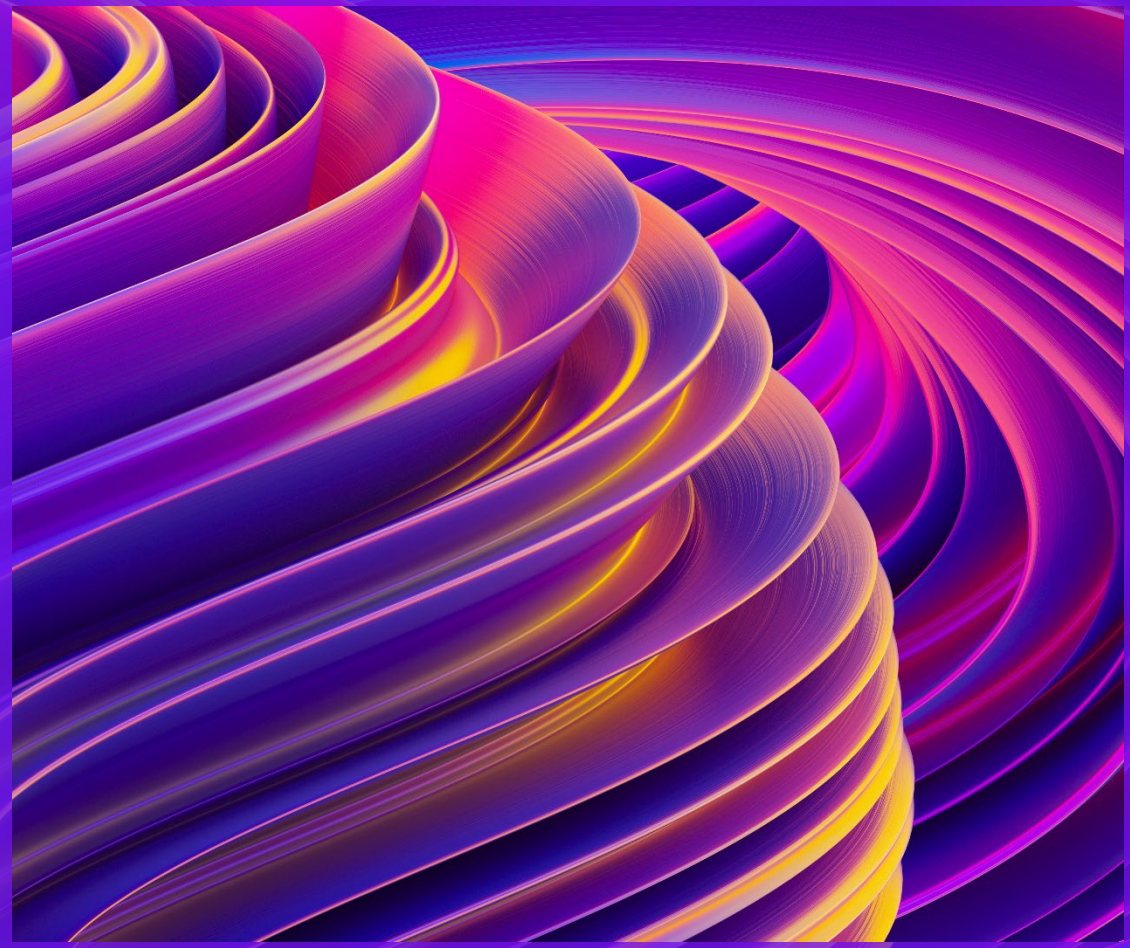
FIN - 6

Audit Findings Report for the Year ended December 31, 2025

KPMG LLP

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

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



Aanu Adeleye, MBA, CPA, CPA (Illinois)
Engagement Partner
604-527-3746
aadeleye@kpmg.ca



Brandon Ma, CPA, CA
Engagement Quality Control Reviewer
604-691-3562
bjma@kpmg.ca



Avery Nguyen, CPA
Engagement Manager
778-785-2693
averynguyen@kpmg.ca



FIN - 7

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Table of contents

4 Highlights

6 Status

7 Risks and results

14 Control deficiencies

17 Policies and practices

18 Audit quality

21 Appendices

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

Digital use information

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

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



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

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Audit highlights

No matters to report

Matters to report – see link for details

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Finance and Audit Committee ("the Committee") in your review of the results of the consolidated financial statements (hereinafter referred to as the "financial statements") of the City of Richmond (the "City") as at and for the year ended December 31, 2025. Our audit has been performed in accordance with Canadian generally accepted auditing standards (CAS).

Status

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

Significant changes

- Significant changes since our audit plan

Risks and results & Significant unusual transactions

- Significant risks
  - Presumed risk of management override of controls
- Other risks of material misstatement
  - Revenue, deferred revenue, and development cost charges
  - Expenses, including salary and benefits expense
  - Tangible capital assets
- Other areas of audit focus
  - Valuation of post-employment benefit liability
- Going concern matters
- Significant unusual transactions

Control deficiencies

- Significant deficiencies
- Other control observations

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

Policies and practices & Specific topics

- Accounting policies and practices
- Other financial reporting matters

Independence

We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2025 up to the date of this report.

FIN - 9

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Audit highlights (continued)

No matters to report

Matters to report – see link for details

FIN - 10

Misstatements

Impact of uncorrected misstatements – Not material to the financial statements

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

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

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

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

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

Corrected misstatement

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

Current developments and thought leadership

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

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Status

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

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

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



FIN - 11

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Significant risks and results

We highlight our significant findings in respect of **significant risks.**

Risk of management override controls

Presumed significant risk in accordance with Canadian Auditing Standards ("CAS") 240

RISK OF FRAUD

Significant risk

Section 240.32 of Canadian Auditing Standards states: "Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk."

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

Our response

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

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

Our findings

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

FIN - 12

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other risks of material misstatement and results

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

Revenue, deferred revenues, and development cost charges

RISK OF ERROR

Other risk of material misstatement	Estimate?
Revenue from transactions with performance obligations are recognized when the City satisfies the performance obligation by providing the promised goods or services to a payor. Revenue from transactions with no performance obligations are recognized when the City has the authority to claim the economic inflow and an event has given rise to the asset. Revenue relating to future periods, including property taxes, development cost charges ("DCCs"), government grants, contributions for future capital works, and amounts collected for building permits and facility upgrades, are reported as deferred revenue and recognized when earned.	Yes – Deferred revenue for permits. There is no risk of material misstatement due to estimation.

Our response

- We updated our understanding of the process activities and controls over revenue, deferred revenue, development cost charges, and restricted funds.
- We performed a walkthrough of the contributions received and related expenditures process, by tracing a transaction from initiation through to being recorded in the general ledger to confirm that the controls are implemented as designed.
- We inspected specific contracts and new grants to determine whether there were stipulations or restrictions impacting revenue recognition. We assessed whether revenue was appropriately recognized, or the amount was appropriately deferred. We also agreed the amounts recorded to cash receipts and the funding letter.
- We assessed whether the appropriate stipulations were met by inspecting and recalculating expenses incurred for certain projects.
- We performed substantive analytical procedures over taxation revenue to establish expected changes in taxation revenue, and compared with the actual recorded amount to assess the revenue recorded is within our expectation.
- We selected a sample of revenue transactions other than taxation revenue and vouched to supporting documents to ensure revenue was recognized appropriately.
- We reviewed management's estimation and revenue recognition methodology for permits. We selected a sample of permit transactions, agreed the amounts recorded to cash receipts and other relevant supporting documentation (e.g.application) and ensured the appropriate accounting treatment has been applied.

FIN - 13

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other risks of material misstatement and results (continued)

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

Revenue, deferred revenues, and development cost charges (continued)

RISK OF ERROR

Our response

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

Our findings

There were no issues noted in our testing.

FIN - 14

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other risks of material misstatement and results (continued)

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

Expenses, including salaries and benefits expense

RISK OF ERROR

Other risk of material misstatement	Estimate?
Expenses are closely monitored against approved budgets. Salaries and expenses represent a significant portion of the City's expenses. There is a need to ensure that the expenses recognized are appropriate.	No

Our response

- We updated our understanding of the process activities and controls over expenses, including salaries and benefits expense.
- We performed a walkthrough of the process activities, by tracing a transaction from initiation through to being recorded in the general ledger.
- We performed substantive procedures over expenses, including testing a sample of expenses and agreeing them to supporting documentation to ensure expenses are appropriately recognized.
- We tested a sample of salaries and benefit expenses, and vouched to underlying supporting document including approved timesheets, employee contracts and payroll registers ensuring employee related expenses were appropriately recognized.
- We performed substantive procedures over other expenses, including reviewing and vouching a sample of expenses to underlying supporting documentation, ensuring the expenses are appropriately recognized.
- We selected a sample of payments made, trade payables recorded, and invoices received subsequent to year-end and ensured they were recorded in the appropriate fiscal year.

Our findings

There were no issues noted in our testing.

FIN - 15

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other risks of material misstatement and results (continued)

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

Tangible Capital Assets

RISK OF ERROR

Other risk of material misstatement	Estimate?
Tangible capital assets ("TCA") represent a significant portion of assets of the City. The assets owned by the City include land, buildings, furniture and equipment, vehicles, water and waste system infrastructure, road infrastructure, and library collection and may require estimation.	Yes - the established useful lives of tangible capital assets, asset retirement obligation and contributed assets. There is no risk of material misstatement due to estimation.

Our response

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

FIN - 16

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other risks of material misstatement and results (continued)

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

Tangible Capital Assets (Continued)

RISK OF ERROR

Our response

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

Our findings

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

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

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

FIN - 17

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other area of audit focus

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

Valuation of post-employment benefit liability

RISK OF ERROR

Other area of audit focus	Estimate?
The City provides certain post-employment benefits, compensated absences, and termination benefits to employees. Due to the complexities of the estimate, management has engaged an actuarial expert to assist in the development of the estimate.	Yes – Actuarial valuations of post-employment benefit liability. There is no risk of material misstatement due to estimation.

Our response

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

Our findings

There were no issues noted in our testing.

FIN - 18

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Control deficiencies and observations

Consideration of internal control over financial reporting (ICFR)

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

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

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

A deficiency in internal control over financial reporting

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

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR. We identified new other observations in the current. See pages 15 to 16 for further details.

FIN - 19

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Control deficiencies – other observations (continued)

Description	Observation and implication	Potential effects and recommendation
Timeliness of Asset Capitalization and Amortization Commencement	**New in current year** During our audit, we noted in 2025 certain assets transferred from construction in progress into additions that had been placed into service in prior periods. Amortization related to those prior periods was recorded as amortization expense in 2025. This resulted in an overstatement of 2025 amortization expense and a corresponding understatement of amortization expense in prior periods, as well as a misclassification between assets under construction and tangible capital assets in prior periods. While the current year financial statements have been corrected, the timing of asset capitalization and commencement of amortization as not consistently aligned with actual in-service dates. This may reduce the precision of financial reporting across periods and affect comparability of result year over year.	Potential audit risk If depreciation commencement dates are not addressed consistently and supported by appropriate documentation, there is an increased risk of: ▪ Misstatement of amortization expense and tangible capital assets across reporting periods; ▪ Misclassification between assets under construction and tangible capital assets; and ▪ Increased reliance on post-year-end corrections rather than preventative controls. Recommendation We recommend that the City strengthen its processes for determining and documenting assets in-service: ▪ Enhancing communication among project managers, and finance staff to ensure timely reclassification of assets from assets under construction to tangible capital assets; and ▪ Implementing periodic reviews by project managers for capital projects nearing completion to ensure amortization commences in the appropriate period. These processes will support more consistent application of amortization policies and improve the accuracy of financial reporting.

FIN - 20

Management response
To strengthen the capitalization review process, the City will implement enhanced monitoring tools to help identify projects that may require follow up. These tools will support timely engagement with project managers to ensure that assets placed in service are accurately captured. As part of this ongoing effort, Finance will continue its regular communication practices, including requesting quarterly project updates from project managers and issuing a year end reminder to project managers to provide asset in service information within the year the assets are placed in service.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Control deficiencies – other observations (continued)

Description	Observation and implication	Potential effects and recommendation
Standardization of Guidance for Capitalization of Project Costs	**New in current year** During our audit, we observed that the City relies on information provided by project managers to determine the capitalization of costs for capital projects. While training and guidance are provided, the nature and extent of their application vary amongst individual project managers and is not consistently applied or documented. As part of our audit procedures, we conducted interviews with a finance management and various project managers to gain and understanding of the current process. Based on the discussions, we noted that: ▪ Project managers provided varying level of understanding the capitalization of project costs; and ▪ The frequency and consistency of project costs review performed by project managers varies across individuals.	<u>Potential audit risk</u> There is increased risk that costs may be inconsistently capitalized or expensed across projects. This could result in: ▪ Misstatement of tangible capital assets and related expenses; ▪ Inconsistent application of the City's accounting policies and applicable accounting standards; and ▪ Increase reliance on compensating controls and post-year end audit adjustments rather than preventative processes. <u>Recommendation</u> We recommend that the City formalize the Project Manager (PM) orientation training guide related to the capitalization of project costs. This could include: ▪ Developing a formal administrative directive that clearly outline criteria for capitalizing versus expensing costs, aligned with the City's accounting policies and applicable accounting standard; ▪ Establishing mandatory training for all project managers regardless of experience level; and ▪ Establishing a consistent review and documentation process to support the assessment of costs incurred on capital projects. Formalizing these processes will promote consistency across projects, support accurate financial reporting and reduce the risk of misclassification of project costs.

FIN - 21

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Control deficiencies – other observations (continued)

Standardization of Guidance for Capitalization of Project Costs (continued)

Management response

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

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

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

FIN - 22

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Accounting policies and practices

Initial selection of significant accounting policies and practices

- There were no initial or revised significant accounting policies and practices.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the City's transactions in relation to the period in which they were recorded, other than the items described in *Appendix 2 – Management Representation Letter.*
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.

Description of new or revised significant accounting policies and practices

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

Significant qualitative aspects

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

FIN - 23

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Our commitment to delivering audit quality

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

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

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

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

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

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

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

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

KPMG Canada Transparency Report

FIN - 24

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

How do we deliver audit quality?

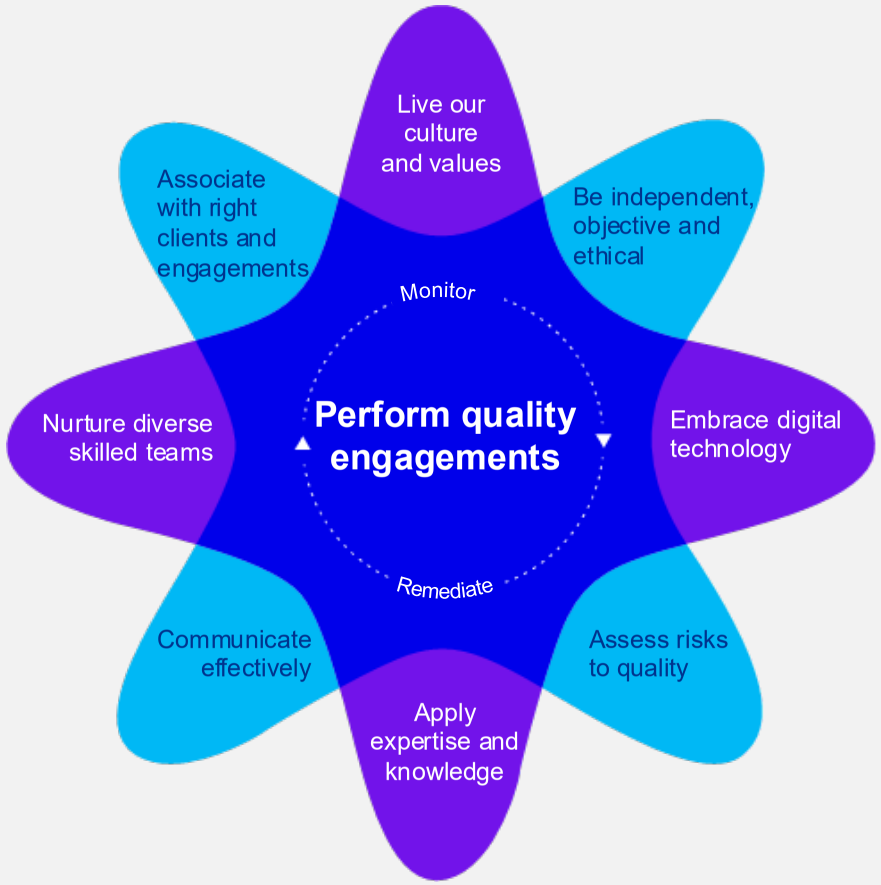
Quality essentially means doing the right thing and remains our highest priority. We have strengthened the consistency and robustness of our system of quality management to meet the requirements of ISQM 1 (CSQM 1), issued by the International Audit and Assurance Standards Board. Foundational for quality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

Aligned with ISQM 1 (CSQM 1), our SoQM meets the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements.

Our **Global Quality Framework** outlines how we deliver quality and how every KPMG professional contributes to its delivery.

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

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



Doing the right thing. Always.

FIN - 25

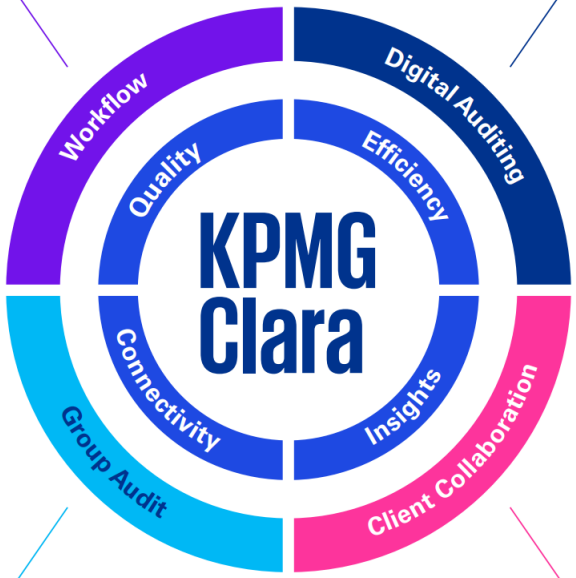
© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG Audit

Globally consistent audit and assurance methodology and tools

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

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



- "Risk-to-response" analytics
- Gen AI integration
- Search knowledge base

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

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

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

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

FIN - 26

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendices

1 **Required communications**

2 **Management Representation Letter**



Appendix 1: Other required communications

Auditor's report	Engagement letter
The conclusion of our audit is set out in the draft auditor's report attached to the draft financial statements.	The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter, copy of which has been provided to management.
Audit findings report	**Management representation letter**
Represented by this report.	In accordance with professional standards, copy of the management representation letter is included in Appendix 2.
Independence	**Internal control deficiencies**
Refer to page 4 for confirmation of independence.	We did not identify any significant control deficiencies. Refer to pages 14 to 16 for other control observations identified in current year.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix 1: Required communications (continued)

Management's responsibilities



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

(a) the preparation and fair presentation of the annual financial statements in accordance with the financial reporting framework referred to above.
(b) providing us with all information of which management is aware that is relevant to the preparation of the financial statements ("relevant information") such as financial records, documentation and other matters, including:
— the names of all related parties and information regarding all relationships and transactions with related parties
— the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council, and committees of Council that may affect the financial statements. All significant actions are to be included in such summaries.
(c) providing us with unrestricted access to such relevant information.
(d) providing us with complete responses to all enquiries made by us during the engagement.
(e) providing us with additional information that we may request from management for the purpose of the engagement
(f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence
(g) such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
(h) ensuring that all transactions have been recorded and are reflected in the financial statements.
(i) ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the entity, will not intervene in the work the internal auditors perform for us.
(j) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix 1: Independence communications (continued)

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

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

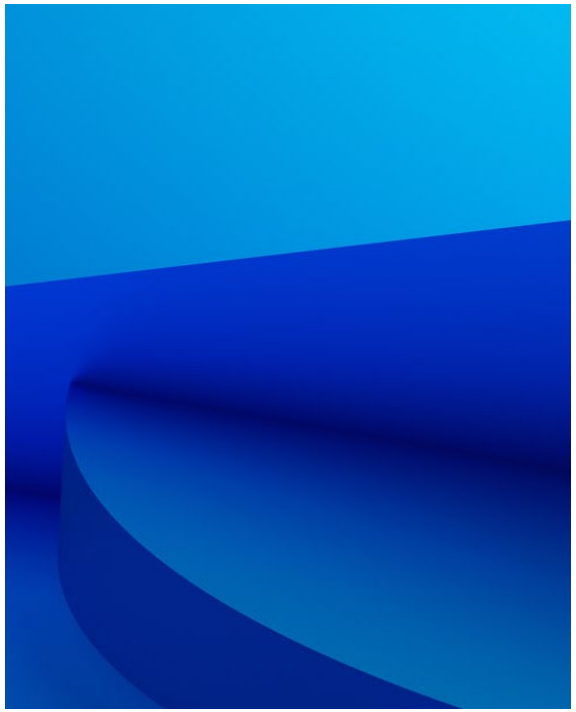


The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information before the effective date of transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

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



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



FIN - 30

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix 1: Independence communications (continued)

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

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

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



© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix 2: Management representation letter

FIN - 32

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

(Letterhead of City of Richmond)

MANAGEMENT REPRESENTATION LETTER

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

Date of Council's acceptance of the financial statements

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the City of Richmond (the "City") as at and for the period ended December 31, 2025.

General:

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

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

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 26, 2022, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:

      - the names of all related parties and information regarding all relationships and transactions with related parties; and

      - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.

   c) providing you with unrestricted access to such relevant information.

   d) providing you with complete responses to all enquiries made by you during the engagement.

   e) providing you with additional information that you may request from us for the purpose of the engagement.

   f) providing you with unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.

   g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

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

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

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

b) all information in relation to fraud or suspected fraud that we are aware of that involves:

- management;
- employees who have significant roles in internal control over financial reporting; or
- others;

where such fraud or suspected fraud could have a material effect on the financial statements.

c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, short-sellers, or others.

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.

e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

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

Subsequent events:

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

Related parties:

5) We have disclosed to you the identity of the City's related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

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

Going concern:

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

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

Other information:

11) We confirm that the final version of the 2025 annual report will be provided to you when available, and prior to issuance by the City, to enable you to complete your required procedures in accordance with professional standards.

Misstatements:

12) The effects of the uncorrected misstatements described in **Attachment II** are immaterial, both individually and in the aggregate, to the financial statements as a whole.

13) We approve the corrected misstatement identified by you during the audit described in **Attachment II** .

Non-SEC registrants or non-reporting issuers:

14) We confirm that the City is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).

15) We also confirm that the financial statements of the City will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

_____
Serena Lusk, Chief Administrative Officer

_____
Jerry Chong, General Manager, Finance and Corporate Services

_____
Mike Ching, Director, Finance

_____
Cindy Gilfillan, Manager, Financial Reporting

cc: Finance and Audit Committee of the City of Richmond

Attachment I – Definitions

Materiality

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

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

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

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

a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;

b) information regarding a material item, transaction or other event is scattered throughout the financial statements;

c) dissimilar items, transactions or other events are inappropriately aggregated;

d) similar items, transactions or other events are inappropriately disaggregated; and

e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Fraud & error

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

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

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

Attachment II – Summary of Audit Misstatements Schedules

Summary of Corrected Audit Misstatements 2025

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

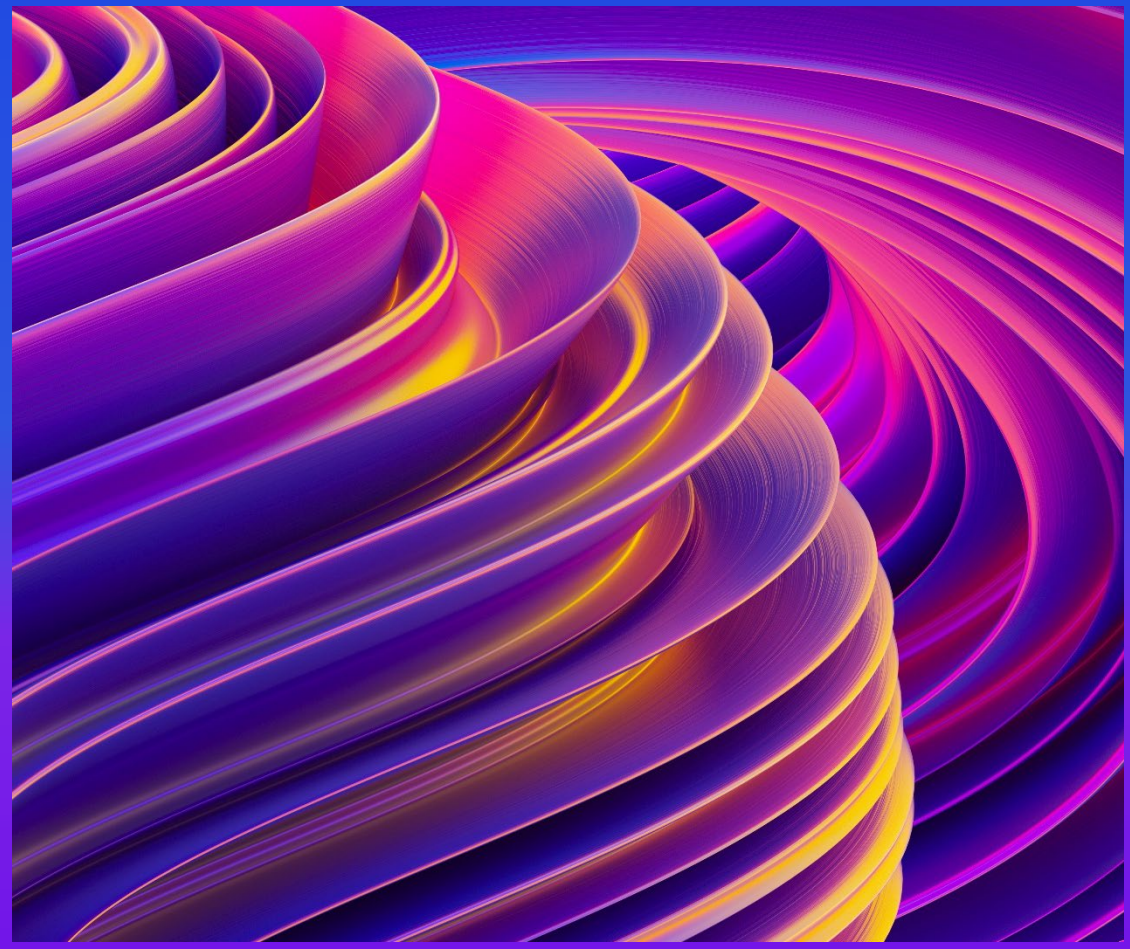
Summary of Uncorrected Audit Misstatements 2024 (updated)

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

KPMG

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

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.



City of Richmond

Report to Committee

To:	Finance & Audit Committee	**Date:**	April 9, 2026
From:	Jerry Chong General Manager, Finance and Corporate Services	**File:**	03-0905-01/2025-Vol 01
Re:	**2025 Consolidated Financial Statements**		

Staff Recommendation

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

Executive Summary

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

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

Staff Report

Origin

Sections 98 and 167 of the *Community Charter* require that the City of Richmond (the City) prepare annual audited financial statements, present the audited financial statements to council for acceptance and submit these financial statements to the Provincial inspector by May 15. The City's audited consolidated financial statements for 2025 have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

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

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

Analysis

KPMG LLP (KPMG) has been appointed by City Council to independently audit the City's consolidated financial statements. They have expressed an opinion, that the City's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2025, and its consolidated results of operation, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards. The complete Audit Findings Report is included as Attachment 1.

The annual financial statements and the auditor's report for the year ended December 31, 2025, are included as Attachment 2.

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

An analysis of the consolidated financial statements as prepared by management is provided in the Financial Statement Discussion and Analysis (FSD&A) included in Attachment 3. The FSD&A explains any differences of significance in the financial statements between the reported year and the previous year as well as between budgeted and actual results. This analysis is intended to be read in conjunction with the audited 2025 consolidated financial statements.

Budgetary Implications

None.

Conclusion

The City's audited consolidated financial statements for 2025 have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. As noted in the Auditors' Report, it is the Auditors' opinion that these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2025, and its consolidated results of operation, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards

Respectfully submitted,

Mike Ching, Director, Finance

Report Contributors

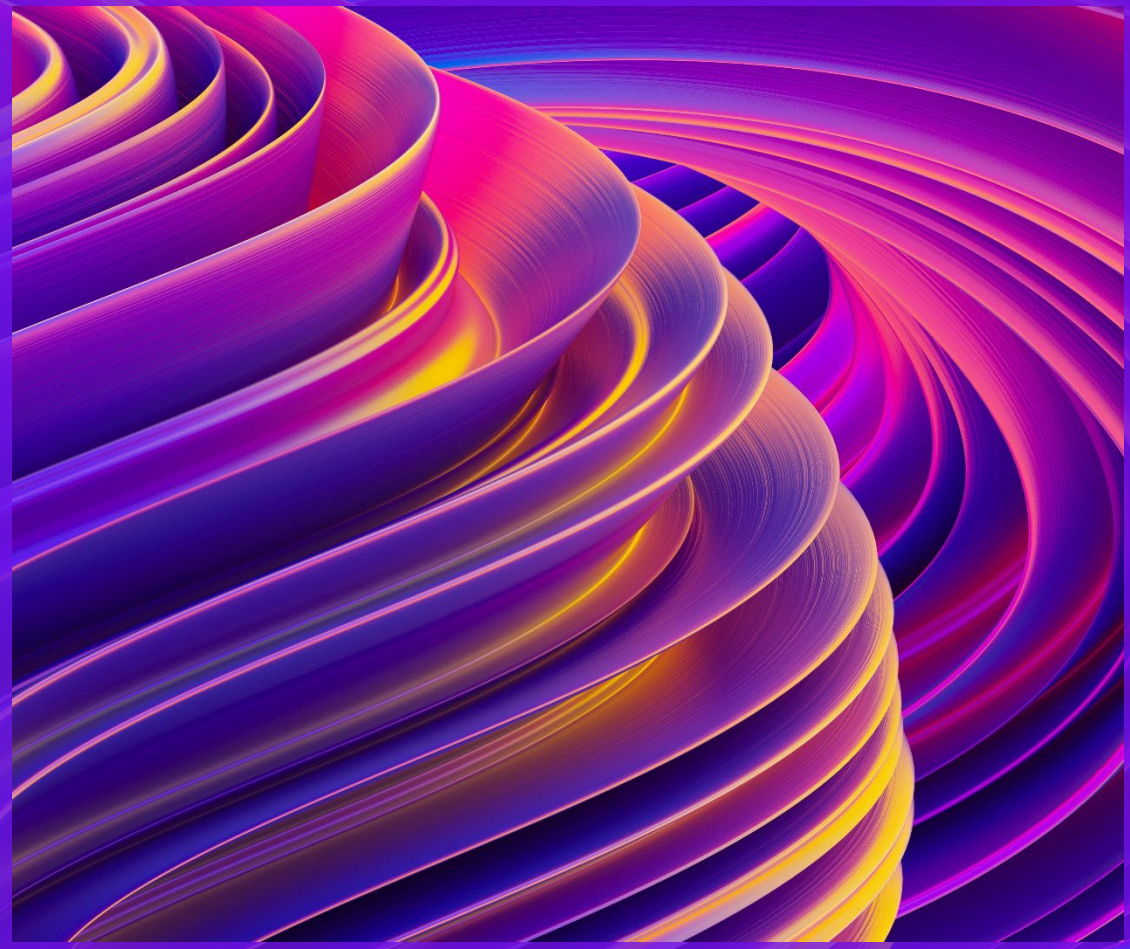
This report was prepared by Cindy Gilfillan, Manager, Financial Reporting.

Endorsed by Serena Lusk, CAO

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

KPMG

City of Richmond



Audit Findings Report for the Year ended December 31, 2025

KPMG LLP

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

kpmg.ca/audit

KPMG contacts

Key contacts in connection with this engagement



Aanu Adeleye, MBA, CPA, CPA (Illinois)
Engagement Partner
604-527-3746
aadeleye@kpmg.ca



Brandon Ma, CPA, CA
Engagement Quality Control Reviewer
604-691-3562
bjma@kpmg.ca



Avery Nguyen, CPA
Engagement Manager
778-785-2693
averynguyen@kpmg.ca



FIN - 44

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Table of contents

4 Highlights

6 Status

7 Risks and results

14 Control deficiencies

17 Policies and practices

18 Audit quality

21 Appendices

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

Digital use information

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

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



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

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Audit highlights

No matters to report

Matters to report – see link for details

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Finance and Audit Committee ("the Committee") in your review of the results of the consolidated financial statements (hereinafter referred to as the "financial statements") of the City of Richmond (the "City") as at and for the year ended December 31, 2025. Our audit has been performed in accordance with Canadian generally accepted auditing standards (CAS).

Status

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

Significant changes

- Significant changes since our audit plan

Risks and results & Significant unusual transactions

- Significant risks
  - Presumed risk of management override of controls
- Other risks of material misstatement
  - Revenue, deferred revenue, and development cost charges
  - Expenses, including salary and benefits expense
  - Tangible capital assets
- Other areas of audit focus
  - Valuation of post-employment benefit liability
- Going concern matters
- Significant unusual transactions

Control deficiencies

- Significant deficiencies
- Other control observations

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

Policies and practices & Specific topics

- Accounting policies and practices
- Other financial reporting matters

Independence

We confirm that we are independent with respect to the City within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2025 up to the date of this report.

FIN - 46

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Audit highlights (continued)

No matters to report

Matters to report – see link for details

FIN - 47

Misstatements

Impact of uncorrected misstatements – Not material to the financial statements

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

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

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

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

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

Corrected misstatement

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

Current developments and thought leadership

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

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Status

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

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

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



© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Significant risks and results

We highlight our significant findings in respect of **significant risks.**

Risk of management override controls

Presumed significant risk in accordance with Canadian Auditing Standards ("CAS") 240

RISK OF FRAUD

Significant risk

Section 240.32 of Canadian Auditing Standards states: "Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk."

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

Our response

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

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

Our findings

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

FIN - 49

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other risks of material misstatement and results

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

Revenue, deferred revenues, and development cost charges

RISK OF ERROR

Other risk of material misstatement	Estimate?
Revenue from transactions with performance obligations are recognized when the City satisfies the performance obligation by providing the promised goods or services to a payor. Revenue from transactions with no performance obligations are recognized when the City has the authority to claim the economic inflow and an event has given rise to the asset. Revenue relating to future periods, including property taxes, development cost charges ("DCCs"), government grants, contributions for future capital works, and amounts collected for building permits and facility upgrades, are reported as deferred revenue and recognized when earned.	Yes – Deferred revenue for permits. There is no risk of material misstatement due to estimation.

Our response

- We updated our understanding of the process activities and controls over revenue, deferred revenue, development cost charges, and restricted funds.
- We performed a walkthrough of the contributions received and related expenditures process, by tracing a transaction from initiation through to being recorded in the general ledger to confirm that the controls are implemented as designed.
- We inspected specific contracts and new grants to determine whether there were stipulations or restrictions impacting revenue recognition. We assessed whether revenue was appropriately recognized, or the amount was appropriately deferred. We also agreed the amounts recorded to cash receipts and the funding letter.
- We assessed whether the appropriate stipulations were met by inspecting and recalculating expenses incurred for certain projects.
- We performed substantive analytical procedures over taxation revenue to establish expected changes in taxation revenue, and compared with the actual recorded amount to assess the revenue recorded is within our expectation.
- We selected a sample of revenue transactions other than taxation revenue and vouched to supporting documents to ensure revenue was recognized appropriately.
- We reviewed management's estimation and revenue recognition methodology for permits. We selected a sample of permit transactions, agreed the amounts recorded to cash receipts and other relevant supporting documentation (e.g.application) and ensured the appropriate accounting treatment has been applied.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other risks of material misstatement and results (continued)

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

Revenue, deferred revenues, and development cost charges (continued)

RISK OF ERROR

Our response

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

Our findings

There were no issues noted in our testing.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other risks of material misstatement and results (continued)

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

Expenses, including salaries and benefits expense

RISK OF ERROR

Other risk of material misstatement	Estimate?
Expenses are closely monitored against approved budgets. Salaries and expenses represent a significant portion of the City's expenses. There is a need to ensure that the expenses recognized are appropriate.	No

Our response

- We updated our understanding of the process activities and controls over expenses, including salaries and benefits expense.
- We performed a walkthrough of the process activities, by tracing a transaction from initiation through to being recorded in the general ledger.
- We performed substantive procedures over expenses, including testing a sample of expenses and agreeing them to supporting documentation to ensure expenses are appropriately recognized.
- We tested a sample of salaries and benefit expenses, and vouched to underlying supporting document including approved timesheets, employee contracts and payroll registers ensuring employee related expenses were appropriately recognized.
- We performed substantive procedures over other expenses, including reviewing and vouching a sample of expenses to underlying supporting documentation, ensuring the expenses are appropriately recognized.
- We selected a sample of payments made, trade payables recorded, and invoices received subsequent to year-end and ensured they were recorded in the appropriate fiscal year.

Our findings

There were no issues noted in our testing.

FIN - 52

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other risks of material misstatement and results (continued)

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

Tangible Capital Assets

RISK OF ERROR

Other risk of material misstatement	Estimate?
Tangible capital assets (“TCA”) represent a significant portion of assets of the City. The assets owned by the City include land, buildings, furniture and equipment, vehicles, water and waste system infrastructure, road infrastructure, and library collection and may require estimation.	Yes - the established useful lives of tangible capital assets, asset retirement obligation and contributed assets. There is no risk of material misstatement due to estimation.

Our response

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

FIN - 53

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other risks of material misstatement and results (continued)

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

Tangible Capital Assets (Continued)

RISK OF ERROR

Our response

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

Our findings

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

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

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

FIN - 54

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other area of audit focus

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

Valuation of post-employment benefit liability

RISK OF ERROR

Other area of audit focus	Estimate?
The City provides certain post-employment benefits, compensated absences, and termination benefits to employees. Due to the complexities of the estimate, management has engaged an actuarial expert to assist in the development of the estimate.	Yes – Actuarial valuations of post-employment benefit liability. There is no risk of material misstatement due to estimation.

Our response

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

Our findings

There were no issues noted in our testing.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Control deficiencies and observations

Consideration of internal control over financial reporting (ICFR)

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

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

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

A deficiency in internal control over financial reporting

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

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR. We identified new other observations in the current. See pages 15 to 16 for further details.

FIN - 56

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Control deficiencies – other observations (continued)

Description	Observation and implication	Potential effects and recommendation
Timeliness of Asset Capitalization and Amortization Commencement	**New in current year** During our audit, we noted in 2025 certain assets transferred from construction in progress into additions that had been placed into service in prior periods. Amortization related to those prior periods was recorded as amortization expense in 2025. This resulted in an overstatement of 2025 amortization expense and a corresponding understatement of amortization expense in prior periods, as well as a misclassification between assets under construction and tangible capital assets in prior periods. While the current year financial statements have been corrected, the timing of asset capitalization and commencement of amortization as not consistently aligned with actual in-service dates. This may reduce the precision of financial reporting across periods and affect comparability of result year over year.	Potential audit risk If depreciation commencement dates are not addressed consistently and supported by appropriate documentation, there is an increased risk of: ▪ Misstatement of amortization expense and tangible capital assets across reporting periods; ▪ Misclassification between assets under construction and tangible capital assets; and ▪ Increased reliance on post-year-end corrections rather than preventative controls. Recommendation We recommend that the City strengthen its processes for determining and documenting assets in-service: ▪ Enhancing communication among project managers, and finance staff to ensure timely reclassification of assets from assets under construction to tangible capital assets; and ▪ Implementing periodic reviews by project managers for capital projects nearing completion to ensure amortization commences in the appropriate period. These processes will support more consistent application of amortization policies and improve the accuracy of financial reporting.

Management response

To strengthen the capitalization review process, the City will implement enhanced monitoring tools to help identify projects that may require follow up. These tools will support timely engagement with project managers to ensure that assets placed in service are accurately captured.

As part of this ongoing effort, Finance will continue its regular communication practices, including requesting quarterly project updates from project managers and issuing a year end reminder to project managers to provide asset in service information within the year the assets are placed in service.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Control deficiencies – other observations (continued)

Description	Observation and implication	Potential effects and recommendation
Standardization of Guidance for Capitalization of Project Costs	**New in current year** During our audit, we observed that the City relies on information provided by project managers to determine the capitalization of costs for capital projects. While training and guidance are provided, the nature and extent of their application vary amongst individual project managers and is not consistently applied or documented. As part of our audit procedures, we conducted interviews with a finance management and various project managers to gain and understanding of the current process. Based on the discussions, we noted that: ▪ Project managers provided varying level of understanding the capitalization of project costs; and ▪ The frequency and consistency of project costs review performed by project managers varies across individuals.	<u>Potential audit risk</u> There is increased risk that costs may be inconsistently capitalized or expensed across projects. This could result in: ▪ Misstatement of tangible capital assets and related expenses; ▪ Inconsistent application of the City's accounting policies and applicable accounting standards; and ▪ Increase reliance on compensating controls and post-year end audit adjustments rather than preventative processes. <u>Recommendation</u> We recommend that the City formalize the Project Manager (PM) orientation training guide related to the capitalization of project costs. This could include: ▪ Developing a formal administrative directive that clearly outline criteria for capitalizing versus expensing costs, aligned with the City's accounting policies and applicable accounting standard; ▪ Establishing mandatory training for all project managers regardless of experience level; and ▪ Establishing a consistent review and documentation process to support the assessment of costs incurred on capital projects. Formalizing these processes will promote consistency across projects, support accurate financial reporting and reduce the risk of misclassification of project costs.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Control deficiencies – other observations (continued)

Standardization of Guidance for Capitalization of Project Costs (continued)

Management response

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

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

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

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Accounting policies and practices

Initial selection of significant accounting policies and practices

- There were no initial or revised significant accounting policies and practices.
- There were no significant accounting policies in controversial or emerging areas.
- There were no issues noted with the timing of the City's transactions in relation to the period in which they were recorded, other than the items described in *Appendix 2 – Management Representation Letter.*
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.

Description of new or revised significant accounting policies and practices

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

Significant qualitative aspects

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

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Our commitment to delivering audit quality

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

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

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

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

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

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

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

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

KPMG Canada Transparency Report

FIN - 61

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

How do we deliver audit quality?

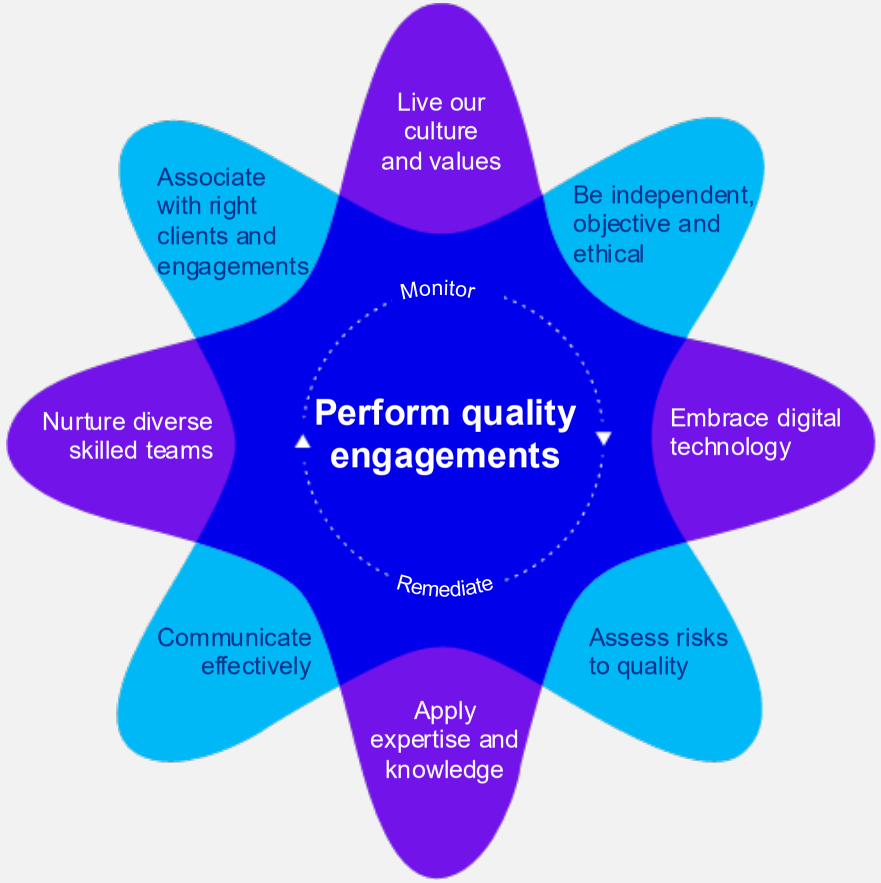
Quality essentially means doing the right thing and remains our highest priority. We have strengthened the consistency and robustness of our system of quality management to meet the requirements of ISQM 1 (CSQM 1), issued by the International Audit and Assurance Standards Board. Foundational for quality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

Aligned with ISQM 1 (CSQM 1), our SoQM meets the requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) and the relevant rules of professional conduct / code of ethics applicable to the practice of public accounting in Canada, which apply to professional services firms that perform audits of financial statements.

Our **Global Quality Framework** outlines how we deliver quality and how every KPMG professional contributes to its delivery.

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

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



Doing the right thing. Always.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

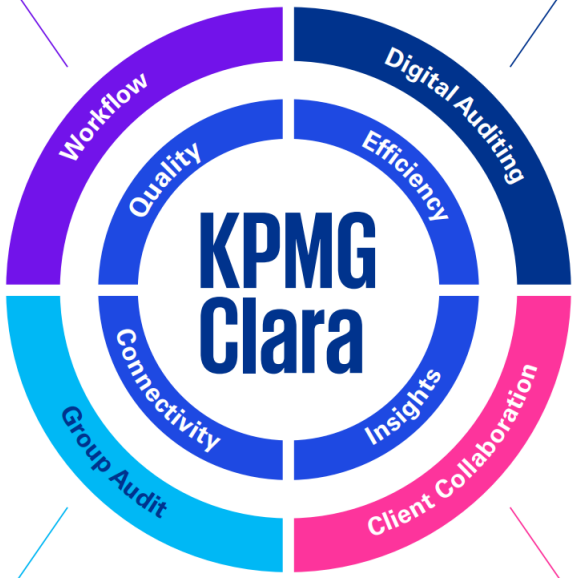
The KPMG Audit

Globally consistent audit and assurance methodology and tools

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

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

- "Risk-to-response" analytics
- Gen AI integration
- Search knowledge base



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

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

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

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

FIN - 63

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendices

1 Required communications

2 Management Representation Letter



Appendix 1: Other required communications

Auditor's report	Engagement letter
The conclusion of our audit is set out in the draft auditor's report attached to the draft financial statements.	The objectives of the audit, our responsibilities in carrying out our audit, as well as management's responsibilities, are set out in the engagement letter, copy of which has been provided to management.
Audit findings report	**Management representation letter**
Represented by this report.	In accordance with professional standards, copy of the management representation letter is included in Appendix 2.
Independence	**Internal control deficiencies**
Refer to page 4 for confirmation of independence.	We did not identify any significant control deficiencies. Refer to pages 14 to 16 for other control observations identified in current year.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix 1: Required communications (continued)

Management's responsibilities



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

(a) the preparation and fair presentation of the annual financial statements in accordance with the financial reporting framework referred to above.
(b) providing us with all information of which management is aware that is relevant to the preparation of the financial statements ("relevant information") such as financial records, documentation and other matters, including:
— the names of all related parties and information regarding all relationships and transactions with related parties
— the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council, and committees of Council that may affect the financial statements. All significant actions are to be included in such summaries.
(c) providing us with unrestricted access to such relevant information.
(d) providing us with complete responses to all enquiries made by us during the engagement.
(e) providing us with additional information that we may request from management for the purpose of the engagement
(f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain evidence
(g) such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.
(h) ensuring that all transactions have been recorded and are reflected in the financial statements.
(i) ensuring that internal auditors providing direct assistance to us, if any, will be instructed to follow our instructions and that management, and others within the entity, will not intervene in the work the internal auditors perform for us.
(j) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix 1: Independence communications (continued)

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

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

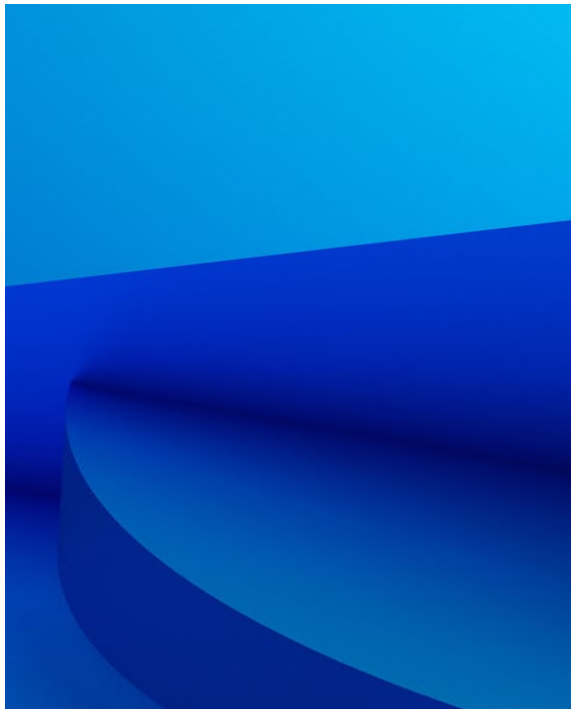


The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information before the effective date of transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

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



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



FIN - 67

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix 1: Independence communications (continued)

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

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

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



© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix 2: Management representation letter

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

(Letterhead of City of Richmond)

MANAGEMENT REPRESENTATION LETTER

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

Date of Council's acceptance of the financial statements

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of the City of Richmond (the "City") as at and for the period ended December 31, 2025.

General:

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

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

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 26, 2022, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:

      - the names of all related parties and information regarding all relationships and transactions with related parties; and

      - the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of Council and committees of Council that may affect the financial statements. All significant actions are included in such summaries.

   c) providing you with unrestricted access to such relevant information.

   d) providing you with complete responses to all enquiries made by you during the engagement.

   e) providing you with additional information that you may request from us for the purpose of the engagement.

   f) providing you with unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.

   g) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

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

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

Internal control over financial reporting:

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

Fraud & non-compliance with laws and regulations:

3) We have disclosed to you:

a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

b) all information in relation to fraud or suspected fraud that we are aware of that involves:

- management;
- employees who have significant roles in internal control over financial reporting; or
- others;

where such fraud or suspected fraud could have a material effect on the financial statements.

c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, short-sellers, or others.

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements or illegal acts, whose effects should be considered when preparing financial statements.

e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

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

Subsequent events:

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

Related parties:

5) We have disclosed to you the identity of the City's related parties.

6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

Estimates:

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

Going concern:

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

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

Other information:

11) We confirm that the final version of the 2025 annual report will be provided to you when available, and prior to issuance by the City, to enable you to complete your required procedures in accordance with professional standards.

Misstatements:

12) The effects of the uncorrected misstatements described in **Attachment II** are immaterial, both individually and in the aggregate, to the financial statements as a whole.

13) We approve the corrected misstatement identified by you during the audit described in **Attachment II** .

Non-SEC registrants or non-reporting issuers:

14) We confirm that the City is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002).

15) We also confirm that the financial statements of the City will not be included in the group financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

_____
Serena Lusk, Chief Administrative Officer

_____
Jerry Chong, General Manager, Finance and Corporate Services

_____
Mike Ching, Director, Finance

_____
Cindy Gilfillan, Manager, Financial Reporting

cc: Finance and Audit Committee of the City of Richmond

Attachment I – Definitions

Materiality

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

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

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

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

a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;

b) information regarding a material item, transaction or other event is scattered throughout the financial statements;

c) dissimilar items, transactions or other events are inappropriately aggregated;

d) similar items, transactions or other events are inappropriately disaggregated; and

e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Fraud & error

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

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

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

Attachment II – Summary of Audit Misstatements Schedules

Summary of Corrected Audit Misstatements 2025

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

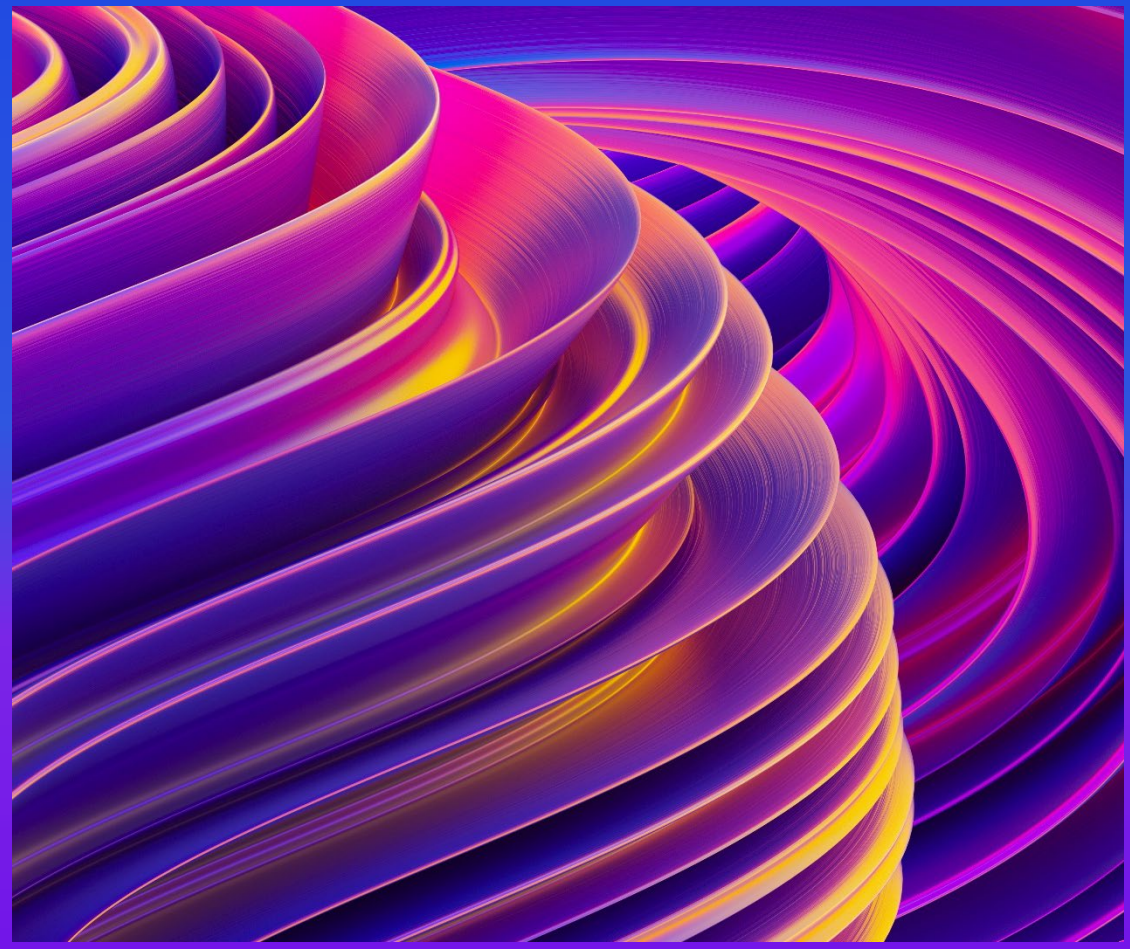
Summary of Uncorrected Audit Misstatements 2024 (updated)

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

KPMG

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

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.



Consolidated Financial Statements of

CITY OF RICHMOND

And Independent Auditor's Report thereon

Year ended December 31, 2025

KPMG LLP
777 Dunsmuir Street, 11th floor
Vancouver, BC V7Y 1K3
Canada
Tel 604 691 3000
Fax 604 691 3031

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the City of Richmond

Opinion

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

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net financial assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2025, and its consolidated results of operations, its consolidated changes in net financial assets and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

DRAFT

Chartered Professional Accountants

Vancouver, Canada
_____, 2026

CITY OF RICHMOND

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

December 31, 2025, with comparative information for 2024

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

Contingent demand notes (note 6)
Contingent assets and contractual rights (note 19)
Commitments and contingencies (note 20)

See accompanying notes to consolidated financial statements.

Approved on behalf of Council:

General Manager, Finance and Corporate Services

CITY OF RICHMOND

Consolidated Statement of Operations
(Expressed in thousands of dollars)

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

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

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

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

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

See accompanying notes to consolidated financial statements.

CITY OF RICHMOND

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

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

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

See accompanying notes to consolidated financial statements.

1. Operations:

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

2. Significant accounting policies:

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

(a) Basis of consolidation:

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

(i) General Revenue Fund:

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

(ii) General Capital and Loan Fund:

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

(iii) Waterworks and Sewerworks Funds:

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

(iv) Reserve Funds:

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

2. Significant accounting policies (continued):

(b) Basis of accounting:

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

(c) Government transfers:

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

(d) Financial instruments:

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

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

Unrealized changes in fair value are recognized in the Consolidated Statement of Remeasurement Gains and Losses. They are recorded in the Consolidated Statement of Operations when they are realized. There are no unrealized changes in fair value as at December 31, 2025 and December 31, 2024. As a result, the City does not have a Consolidated Statement of Remeasurement Gains and Losses.

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

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

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

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

2. Significant accounting policies (continued):

(d) Financial Instruments (continued):

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

(e) Cash and cash equivalents:

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

(f) Investment in government business enterprises:

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

(g) Accounts receivable and development fees receivable:

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

(h) Development cost charges:

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

(i) Post-employment benefits:

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

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

(j) Non-financial assets:

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

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(i) Tangible capital assets:

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

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

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

(ii) Contributions of tangible capital assets:

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

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

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

(iv) Interest capitalization:

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

(v) Labour capitalization:

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

(vi) Leased tangible capital assets:

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

2. Significant accounting policies (continued):

(j) Non-financial assets (continued):

(vii) Impairment of tangible capital assets:

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

(viii) Inventory of materials and supplies:

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

(k) Revenue recognition:

(i) Property taxes, penalties and interest:

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

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

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

(ii) Licence and development fees:

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

(A) Single performance obligation:

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

2. Significant accounting policies (continued):

(k) Revenue recognition (continued):

(ii) Licence and development fees (continued):

(B) Multiple performance obligations:

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

(iii) Cost recoveries:

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

(iv) Donations:

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

(v) Restricted non-government grants:

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

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

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

(vii) Prepaid leases:

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

2. Significant accounting policies (continued):

(k) Revenue recognition (continued):

(viii) Capital contributions, government transfers:

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

(ix) All other revenues:

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

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

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

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

(m) Deferred revenue:

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

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

(n) Deposits:

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

2. Significant accounting policies (continued):

(o) Debt:

Debt is recorded net of related sinking fund balances.

(p) Budget information:

Budget information, presented on a basis consistent with that used for actual results, was included in the City's Consolidated 5 Year Financial Plan (2025-2029) ("Consolidated Financial Plan") and was adopted through Bylaw No. 10622 on January 27, 2025.

(q) Contaminated sites:

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

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

(*i*) An environmental standard exists;

(*ii*) Contamination exceeds the environmental standard;

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

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

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

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

(r) Use of accounting estimates:

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

2. Significant accounting policies (continued):

(s) Segment disclosures:

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

(t) Asset retirement obligations:

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

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

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

Measurement of the asset retirement obligation is recorded at the best estimate of the expenditures required to retire a tangible capital asset. Where available, assessment reports are used with experience and expert advice to determine the liability. The resulting costs are capitalized as part of the carrying amount of the related tangible capital asset that are in productive use. The cost is amortized over the useful life of the tangible capital asset (Note 2 (j)(i)). If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

The carrying value of the liability is reviewed at each financial reporting date and adjusted for any revisions to the timing or amount required to settle the obligation. Changes in the liability due to the passage of time are recorded as an accretion expense in the Consolidated Statement of Operations and all other changes are adjusted to the tangible capital asset. Recoveries related to asset retirement obligations are recognized when the recovery can be appropriately measured, a reasonable estimate of the amount can be made and it is expected that future economic benefits will be obtained. A recovery is recognized on a gross basis from the asset retirement obligations liability.

3. Cash, cash equivalents and investments:

	2025	2024
Cash and cash equivalents	$ 196,692	$ 199,381
Investments:		
Deposits	444,147	489,091
Government and government guaranteed bonds	719,664	755,104
Bank bonds	408,924	333,646
Municipal Finance Authority bonds	12,473	12,469
Municipal Finance Authority pooled investment fund	10,143	-
	1,595,351	1,590,310
Total cash, cash equivalents and investments	$ 1,792,043	$ 1,789,691

	2025	2024
Unrestricted operating, appropriated surplus and reserve funds	$ 470,601	$ 509,121
Restricted statutory and development cost charge reserve funds	1,149,037	1,118,748
Deposits and holdbacks	172,405	161,822
Total cash, cash equivalents and investments	$ 1,792,043	$ 1,789,691

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

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

4. Investment in Lulu Island Energy Company Ltd.:

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

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

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

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

On September 22, 2022, the LIEC entered into a new concession project agreement with City Centre Energy Limited Partnership ("Project Contractor") to design, build, finance, operate and maintain City Centre District Energy Utility infrastructure providing heating and cooling services to new residential and mixed use commercial developments within the City Centre area. The Project Contractor is a wholly owned subsidiary of Corix District Energy Holdings GP Inc.

5. Accounts receivable:

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

6. Debt reserve fund deposits and contingent demand notes:

The City issues its debt instruments through the Municipal Finance Authority (the “MFA”). As a condition of these borrowings, a portion of the debt proceeds is withheld by the MFA in a Debt Reserve Fund. The City also executes demand notes in connection with each debt whereby the City may be required to loan certain amounts to the MFA. These demand notes are contingent in nature and are not reflected in the City’s accounts. The details of the cash deposits and contingent demand notes at December 31, 2025 are as follows:

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

7. Loans receivable:

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

	2025	2024
Construction loan	$ 881	$ -

8. Accounts payable and accrued liabilities:

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

9. Asset retirement obligations:

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

(a) Asbestos and Lead Obligation: Once disturbed, the City has a legal obligation to properly remove and dispose of asbestos and lead. As such, asset retirement obligations have been recognized for various City buildings that are known and/or suspected of containing asbestos and lead.

(b) Fuel Tank Obligation: The City has a legal obligation to adhere to particular practices when removing aboveground storage tanks and underground storage tanks. Asset retirement obligations have been recognized for all known land or buildings where an aboveground storage tank and underground storage tank is known to exist.

(c) Contractual Obligation: The City is party to various contracts and agreements with entities that dictate various end-of life decommissioning activities associated with properties the City is leasing. Asset retirement obligations have been recognized for the estimated cost of adhering to these contracts.

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

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

9. Asset retirement obligations (continued):

When significant obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows, otherwise, they are recorded at current costs. The discount rate used reflects the risks specific to the asset retirement liability. The discount rate used for 2025 is 4.40% (2024 - 4.30%). There are no liabilities recorded using the present value of future cash flows at December 31, 2025 (2024 - $nil).

10. Post-employment benefits:

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

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

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

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

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

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

11. Development cost charges:

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

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

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

12. Deposits and holdbacks:

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

13. Deferred revenue:

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

14. Debt, net of MFA sinking fund deposits:

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

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

MFA issue	Loan authorization bylaw	Gross amount borrowed	Sinking fund	Net debt 2025	Net debt 2024
158	10334	$ 96,000	$ 10,545	$ 85,455	$ 89,092
		$ 96,000	$ 10,545	$ 85,455	$ 89,092

Current borrowing includes:

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

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

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

15. Tangible capital assets:

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

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

15. Tangible capital assets (continued):

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

(a) Assets under construction:

Assets under construction having a value of $115,215,211 (2024 - $107,673,230) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Contributed tangible capital assets:

Contributed tangible capital assets have been recognized at fair value at the date of contribution. The value of contributed assets received during the year is $32,255,906 (2024 - $31,065,021) comprised of land in the amount of $11,285,873 (2024 - $23,144,146), and infrastructure in the amount of $15,166,753 (2024 - $7,920,875) and building in the amount of $5,803,280 (2024 - $nil).

(c) Tangible capital assets disclosed at nominal values:

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

(d) Works of art and historical treasures:

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

(e) Write-down of tangible capital assets:

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

16. Accumulated surplus:

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

17. Reserves:

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

18. Pension plan:

The City and its employees contribute to the Municipal Pension Plan (a jointly trusteed pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2024, the plan has about 273,000 (2024 - 256,000) active members and approximately 133,000 (2024 – 129,000) retired members. Active members include approximately 47,000 (2024 – 45,000) contributors from local governments. 1,943 (2024 – 1,902) of the City's employees are active members of the plan.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability. The most recent valuation for the Municipal Pension Plan as at December 31, 2024, indicated a $2,675 million funding surplus for basic pension benefits on a going concern basis.

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

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

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

19. Contingent assets and contractual rights:

(a) Contingent assets:

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

The City has legal claims, service agreements, and land dedications that may qualify as contingent assets. Amounts cannot be estimated as of December 31, 2025. Contingent assets are not recorded in the consolidated financial statements.

19. Contingent assets and contractual rights (continued):

(b) Contractual rights:

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

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

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

20. Commitments and contingencies:

(a) Joint and several liabilities:

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

(b) Lease payments:

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

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

20. Commitments and contingencies (continued):

(c) Litigation:

As at December 31, 2025, there were a number of claims or risk exposures in various stages of resolution. The City has made no specific provision for those where the outcome is presently not determinable.

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

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

(e) Contractual obligation:

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

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

The City is a shareholder of the E-Comm whose services provided include: regional 9-1-1 call centre for Metro Vancouver; Wide Area Radio network; dispatch operations; and records management. The City has 2 Class A shares and 1 Class B share (of a total of 37 Class A and 18 Class B shares issued and outstanding as at December 31, 2025). As a Class A shareholder, the City shares in both funding the future operations and capital obligations of E-Comm (in accordance with a cost sharing formula), including any lease obligations committed to by E-Comm up to the shareholder's withdrawal date.

(g) Community associations:

The City has agreements with the various community associations which operate the community centers throughout the City. The City generally provides the buildings and grounds, pays the operating costs of the facilities, and provides certain staff and other services such as information technology. Typically the community associations are responsible for providing programming and services to the community. The community associations retain all revenue which they receive. The City does not control the community associations, and their financial information is not included in the City financial statements.

21. Taxation and levies:

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

22. Other revenue:

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

23. Government transfers:

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

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

24. Segmented reporting:

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

(a) **Law and community safety** brings together the City's public safety providers such as police (RCMP), fire-rescue, emergency programs, and community bylaws along with sections responsible for legal and regulatory matters. It is responsible for ensuring safe communities by providing protection services with a focus on law enforcement, crime prevention, emergency response, protection of life and properties and legal services.

(b) **Utilities** provide such services as planning, designing, constructing, operating, and maintaining the City’s infrastructure of water and sewer networks, flood protection and sanitation and recycling.

(c) **Engineering, transportation, public works and project development** comprises of general public works, roads and construction, fleet operations, engineering, transportation, project development and facility management. The services provided are construction and maintenance of the City's infrastructure and City owned buildings, maintenance of the City’s road networks, managing and operating a mixed fleet of vehicles, heavy equipment and an assortment of specialized work units for the City operations, development of current and long-range engineering planning and construction of major projects.

(d) **Parks, recreation and culture** comprises of parks, recreation, arts, and culture and heritage services. These departments ensure recreation opportunities in Richmond by maintaining a variety of facilities such as arenas, community centres, pools, etc. It designs, constructs and maintains parks and sports fields to ensure there is adequate open green space and sports fields available for Richmond residents. It also addresses the arts, culture and community issues that the City encounters.

24. Segmented reporting (continued):

(e) **General government** comprises of Mayor and Council, corporate administration, finance and corporate services. It is responsible for adopting bylaws, effectively administering city operations, levying taxes, providing sound management of human resources, information technology, finance and ensuring high quality services to Richmond residents.

(f) **Planning and development** is responsible for land use plans, developing bylaws and policies for sustainable development in the City and includes the Housing Office which oversees the affordable housing strategies.

(g) **Richmond Olympic Oval Corporation** is formed as a wholly owned subsidiary of the City. The City uses the Richmond Olympic Oval facility as a venue for a wide range of sports, business and community activities.

(h) **Richmond Public Library** provides public access to information by maintaining five branches throughout the City.

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

24. Segmented reporting (continued):

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

25. Budget data:

The budget data presented in these consolidated financial statements is based on the Consolidated 5 Year Financial Plan adopted by Council on January 27, 2025. The table below reconciles the adopted Consolidated 5 Year Financial Plan to the budget amounts reported in these consolidated financial statements.

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

26. Financial risk management:

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

(a) Credit risk:

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

26. Financial risk management (continued):

(a) Credit risk (continued):

Credit risk associated with cash and cash equivalent is minimized by ensuring that these assets are held at financial institutions with high credit ratings, of which a minimum of 90% of the portfolio is required to carry a Dominion Bond Rating Service credit rating of A (high) or higher. The City only deposits with reputable Canadian financial institutions, from which management believes the risk of loss to be remote.

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

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

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

(b) Market risk:

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

(i) Interest rate risk:

Interest rate risk relates to the risk that changes in interest rates will affect the fair value or future cash flows of fixed income bonds, terms deposits and money market instruments held by the City. The City manages interest rate risk through its investment

policy, which limits the terms of investments and staggers maturity dates to maintain liquidity and reduce exposure to interest rate fluctuations.
The City exposed to interest rate risk related to its debt issued by the Municipal Finance Authority which is subject to fixed interest rate. Fluctuations in rates could impact future payments upon renewal.

26. Financial risk management (continued):

(b) Market risk (continued):

(ii) Currency risk:

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

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

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

(iii) General risk:

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

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

(c) Liquidity risk:

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

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

27. Comparative information:

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

CITY OF RICHMOND

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

Year ended December 31, 2025

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

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

CITY OF RICHMOND

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

Year ended December 31, 2025

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

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

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



2025 | City of Richmond

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

Prepared by Management

To be read in conjunction with the 2025 Consolidated Financial Statements

Richmond


Richmond City H

Table of Contents

Contents

Introduction....1

Consolidated Statement of Financial Position....2

- Financial Assets....3
- Liabilities....5
- Non-Financial Assets....8
- Accumulated Surplus....10

Consolidated Statement of Operations....12

- Revenues....13
- Expenses....17
- Annual Surplus....20

Consolidated Statement of Changes in Net Financial Assets....21

Consolidated Statement of Cash Flows....22

Ratio Analysis....23

Environmental Analysis....26

- Strategic Plans....27
- Environment....29
- Services....31

Conclusion....32

Introduction

The *Community Charter* requires that annual audited financial statements be prepared and presented to Council. The City of Richmond's audited consolidated financial statements for the year ended December 31, 2025 have been prepared in accordance with Canadian Public Sector Accounting Standards.

The Financial Statement Discussion and Analysis (FSD&A) provides a detailed analysis of the Consolidated Financial Statements. The FSD&A explains the significant differences in the financial statements between the reported year and the previous year, as well as between budgeted and actual results. This analysis has been prepared by management and is intended to be read in conjunction with the 2025 audited consolidated financial statements.

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

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

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

The consolidated financial statements include the following statements:

- **Consolidated Statement of Financial Position** summarizes the assets (financial and non-financial), liabilities, net debt and accumulated surplus as at December 31, 2025 and 2024.

- **Consolidated Statement of Operations** outlines revenues, expenses, surplus for the year and accumulated surplus at year-end. This statement reflects the combined operations of the general, utility, capital and reserve funds for the City and its consolidated entities.

- **Consolidated Statement of Changes in Net Financial Assets** outlines the changes in net financial assets as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.

- **Consolidated Statement of Cash Flows** summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

Consolidated Statement of Financial Position

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

The City maintained its strong financial position in 2025 allowing for flexibility and financial sustainability into the future.

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

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

Financial Assets

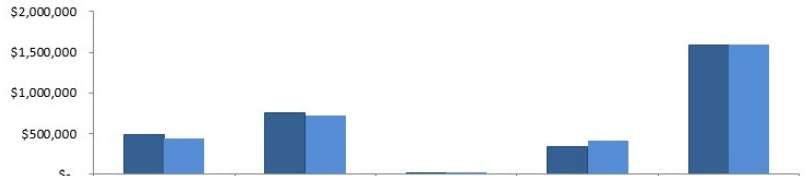
Cash and cash equivalents

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

Investments

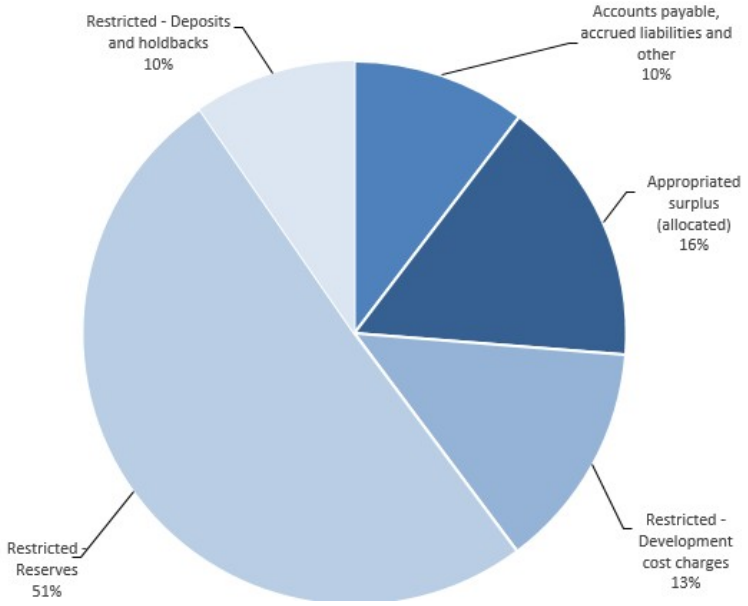
Investments increased by $5.0M to $1.6B primarily due to the allocation of its investment in fixed income and term deposits from its available cash balance. The City has allocated a larger portion towards its investments, particularly in fixed income and longer-term GICs.

Investment Portfolio by Type ($000's)



	Deposits	Government and Government Guaranteed Bonds	Municipal Finance Authority Bonds and Pooled Investment Fund	Bank Bonds	Total Investments
2024	$489,091	$755,104	$12,469	$333,646	$1,590,310
2025	$444,147	$719,664	$22,616	$408,924	$1,595,351

The majority of the cash and investment balance is restricted through legislation, relates to contractual requirements concerning future obligations or is previously committed. The allocation is shown below.



Investment in LIEC

Effective January 1, 2017, LIEC was classified as a GBE. The City uses the modified equity method to account for this investment of $42.2M (2024 - $39.9M).

Accrued interest receivable

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

Accounts receivable

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

Financial Assets

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

Taxes receivable

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

Loans receivable

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

Development fees receivable

Development fees receivable decreased by $0.1M to $18.0M due to the timing of collections of Development Cost Charges (DCC) during the year and from the timing of new developments.

Developers have the option to pay DCCs upfront or in installments over a two-year period. When paying in installments, one-third of the total DCC is paid upfront, the next third is paid one year after the originating date and the final one-third is paid at the two-year anniversary date. The second and third payment amounts are secured by a letter of credit. This format will change effective January 1, 2026 due to changes enacted by the Province.

Debt reserve fund – deposits

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



Liabilities

Accounts payable and accrued liabilities

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

Asset retirement obligations

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

Post-employment benefits

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

Development cost charges

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

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

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

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

Deposits and holdbacks

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

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

Liabilities

Deferred revenue

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

Deferred Revenue ($000's)	**2025**	**2024**	**Change**
Taxes and utilities	$34,805	$33,197	$1,608
Grants	26,772	19,921	6,851
Building permits/development	13,993	17,322	(3,329)
Oval	2,592	2,893	(301)
Parking easement/leased land	2,579	2,535	44
Licences	1,372	843	529
Other	5,145	3,875	1,270
Total deferred revenue	$87,258	$80,586	$6,672

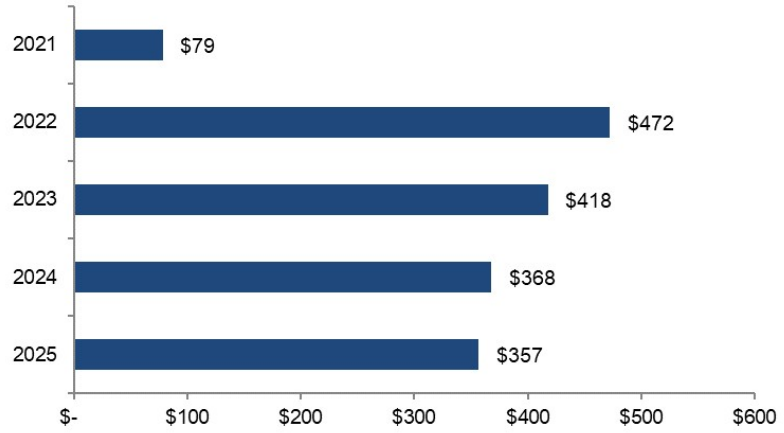
Deferred revenue increased by $6.7M mainly due to increases in prepaid taxes and grants. This was mainly offset by a decrease in building permits.

Debt, net of MFA sinking fund deposits

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

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

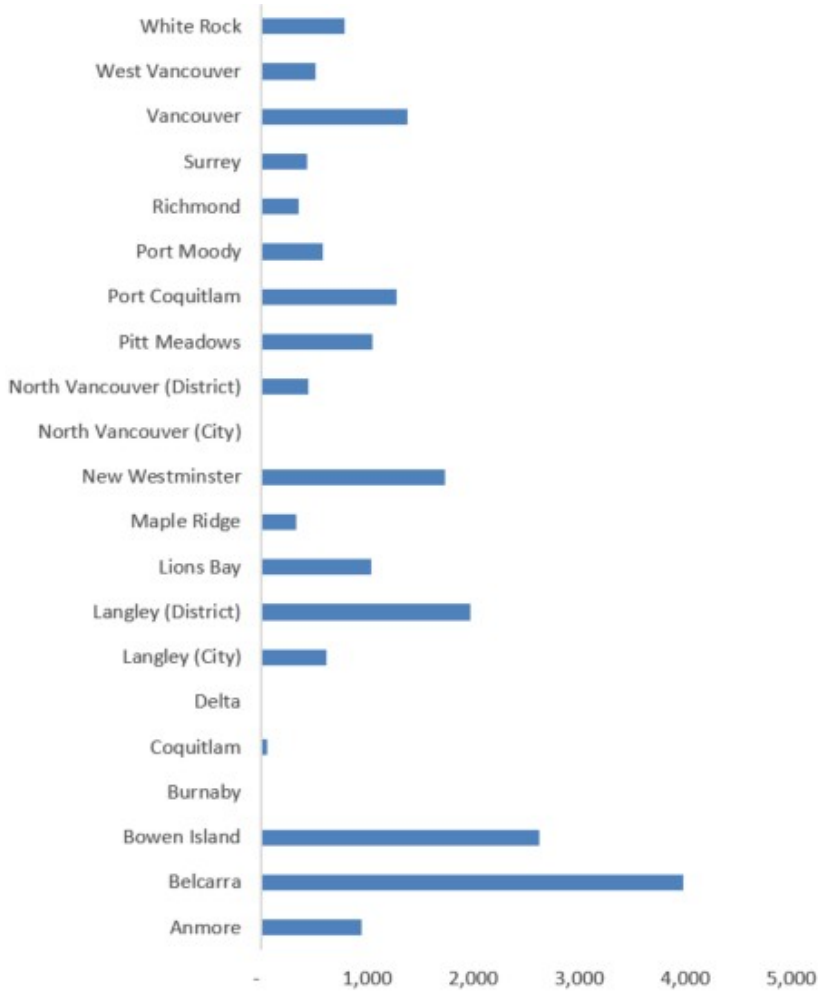
City of Richmond Debt Per Capita 2021-2025



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

Liabilities

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



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



Non-Financial Assets

Tangible Capital Assets

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

TCA increased by $149.7M to $3.0B. The change is primarily a result of $227.1M of asset additions and current year amortization expense of $76.5M.

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

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

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

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

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

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

Non-Financial Assets



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

Inventory of materials and supplies

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

Prepaid expenses

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

Accumulated Surplus

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

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

Investment in TCA

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

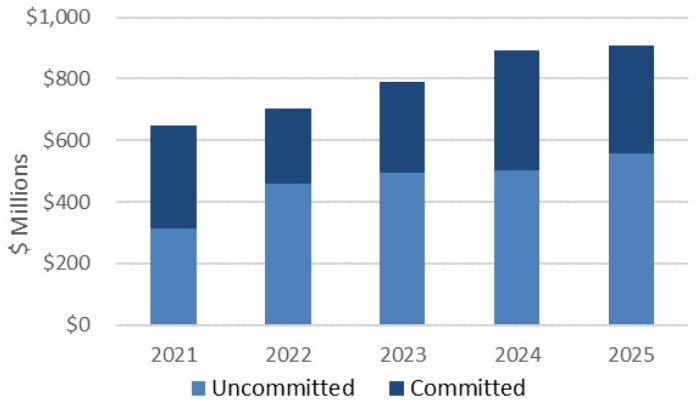
In accordance with accounting standards, this balance is accounted for using the cost method, net of accumulated amortization. It does not reflect market value or replacement value of the assets.

The investment in TCA balance increased by $124.6M. This is the net activity of asset additions, amortization, disposals, and debt reduction.

Reserves

Reserves are established by Bylaw for specific purposes, mainly capital expenditures. The balance of $906.6M includes amounts that have been approved for expenditure, but remain unspent as at December 31. The uncommitted reserve balance is $558.0M (2024 - $502.5M).

Reserve Balance 2021-2025



The increase in the reserve balance is mainly attributable to the timing of capital expenditures. There are several facility construction projects approved including strategic land acquisitions, Richmond Curling Club repairs, Richmond Ice Centre Repairs, Works Yard replacement, Britannia Shipyards and the Phoenix Net Loft that have reserve funds allocated, but have not been spent as of the reporting date December 31, 2025.

Accumulated Surplus

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

Appropriated Surplus

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

Investment in LIEC

The City's investment in LIEC is recorded under the modified equity method. The balance reflects the City's share equity in LIEC on December 31, 2025 of $42.2M, an increase of $2.3M from the 2024 balance of $39.9M.

Surplus

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

Other Equity

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



Consolidated Statement of Operations

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

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

Note 25 outlines the adjustments to the approved budget, particularly the exclusion of transfers to reserves and other funds, as well as tangible capital asset acquisitions. These adjustments to budgeted values are required to provide comparative budget values based on the full accrual basis of accounting. As the accrual-based budget does not include transfers to reserves, investments in assets and other items, the budget presented on the financial statements can show a surplus or deficit while the budget as approved by Council is a balanced budget.

Revenues

2025 Budget to Actual Comparison

Total consolidated revenues are $784.8M compared to the budgeted revenues of $780.5M. Certain revenues will always be difficult to accurately budget due to the unpredictability of the source, development timing and use of funds for capital. Budget to actual variance explanations are below.

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

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

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

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

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

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

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

Other capital funding had an unfavourable variance of $50.0M mainly due to estimated contributed assets and road dedications being higher than what was received during 2025. The revenue recognition relating to contributed assets is based on the timing of the development and when the ownership of assets are transferred to the City.

Revenues

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

Gaming revenue had a slightly unfavourable variance of $0.1M due to actual revenue received from net gaming activities at the River Rock Casino being less than estimated in the budget. Consistent with the approved allocation model, the shortfall resulted in a reduction in the transfer to reserves.

Licences and permits had a favourable variance of $1.8M due to higher building permit revenue, business licencing revenue, underpinning revenue and other permits.

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

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



Revenues

2025 to 2024 Actual Comparison

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

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

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

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



Revenues

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

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

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

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

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

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

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

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

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

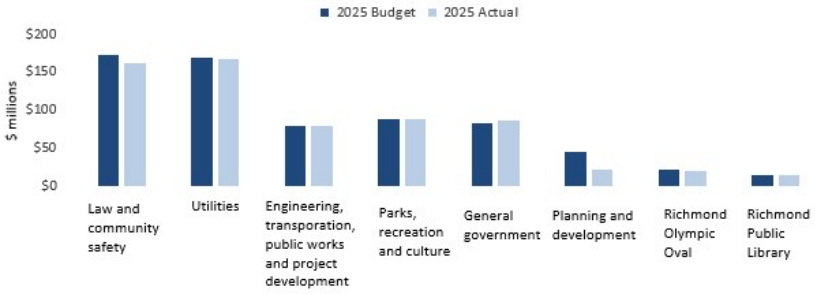
Equity income relates to the City's investment in LIEC. LIEC's net income for 2025 decreased by $0.4M.

Expenses

2025 Budget to Actual Comparison

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

2025 Expenses by Function



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

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

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

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

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

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

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

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

Library was on budget.

Expenses

2025 to 2024 Actual Comparison

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

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

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

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

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

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

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

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

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

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

Expenses

Expenses by Object

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

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

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

Regional district utility charges increased by $16.1M mainly due to $11.9M debt servicing costs for the North Shore Wastewater Treatment Plant which is new in 2025, an increase of $1.8M due to the Gilbert Trunk Sewer project and Iona Wastewater Treatment and an increase of $1.2M resulting from a 13.4% increase in the water purchase rate from Metro Vancouver.

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

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

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

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

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

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

Annual Surplus

The 2025 consolidated annual surplus of $151.9M is calculated as the difference between revenues and expenses and is reflected in the change in the accumulated surplus.

Annual Surplus Distribution

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

Investment in LIEC increased by $2.3M.

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

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

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

Other equity relating to the City's inventory decreased by $0.1M.



Consolidated Statement of Changes in Net Financial Assets

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

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

The City's net financial assets as at December 31, 2025 increased by $2.3M to $1.2B (2024 - $1.2B).

Consolidated Statement of Cash Flows

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

The City's cash decreased by $2.7M to $196.7M and investments increased by $5.0M to $1.6B.

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

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

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

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

Ratio Analysis

FIN - 141

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

The analysis addresses the following three key areas:

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

The following table presents the ratio analysis for the three-year period of 2023-2025:

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

An explanation of each of the ratios is provided below.

Assessment of sustainability

- Assets to liabilities indicates sustainability by the extent to which the government entity finances its operations by issuing debt. A ratio higher than one indicates that a government has accumulated surplus and has assets greater than liabilities. Included in the City's liabilities are DCCs and deferred revenue which represent an obligation to perform future works.

- Financial assets to liabilities indicates sustainability by the degree that future revenues are required to pay for past transactions and events. A higher ratio indicates a greater ability to cover liabilities.

- Net debt to total revenues indicates the financial burden over the earning capacity and also indicates how future revenues will be needed for financing of past transactions and events. A lower percentage indicates a lesser reliance on future revenues to finance existing debt.

  In 2022, the City acquired debt of $96.0M for the construction of the Steveston Community Centre and Library. The annual debt servicing costs are funded from $6.4M gaming revenue.

- Net debt to the total assessment indicates the relationship between the level of debt and the state of

the local economy. A lower percentage indicates a lesser reliance on the current assessment base to finance existing debt.

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

Assessment of flexibility

- Debt charges to revenues indicates the extent to which past borrowing decisions present a constraint on a government's ability to meet its financial commitments. A lower ratio indicates a lesser reliance on existing revenues to finance debt charges.

- Net book value of capital assets to cost indicates the estimated useful life of the capital assets to provide services. A higher ratio indicates a newer asset inventory.

- Net book value of capital assets (excluding land) to cost indicates the estimated useful life remaining of depreciable capital assets. Land is not a depreciable asset and its inclusion can distort the net book value to cost ratio. A higher ratio indicates a newer asset inventory.

- Own source revenue to the assessment indicates the degree to which represents the percentage of taxes taken from its own tax base. A lower ratio indicates a lesser proportion of existing revenues from own sources on the current assessment base.

Assessment of vulnerability

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

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

Environmental Analysis

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

The following section highlights:

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



Strategic Plan

Council Strategic Plan 2022-2026

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

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

1. **Proactive in Stakeholder and Civic Engagement**
   Proactive stakeholder and civic engagement to foster understanding and involvement and advance Richmond's interests.

2. **Strategic and Sustainable Community Growth**
   Strategic and sustainable growth that supports long-term community needs and a well-planned and prosperous city.

3. **A Safe and Prepared Community**
   Community safety and preparedness through effective planning, strategic partnerships and proactive programs.

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

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

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

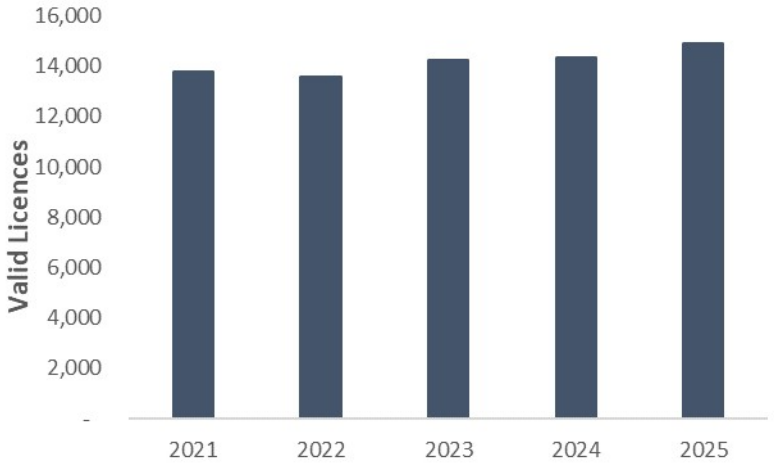


Environment

Business Licences

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

Business Licences 2021 – 2025

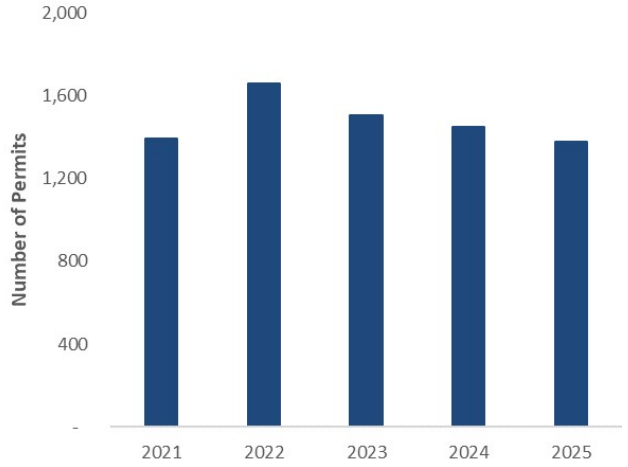


Housing Activity

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

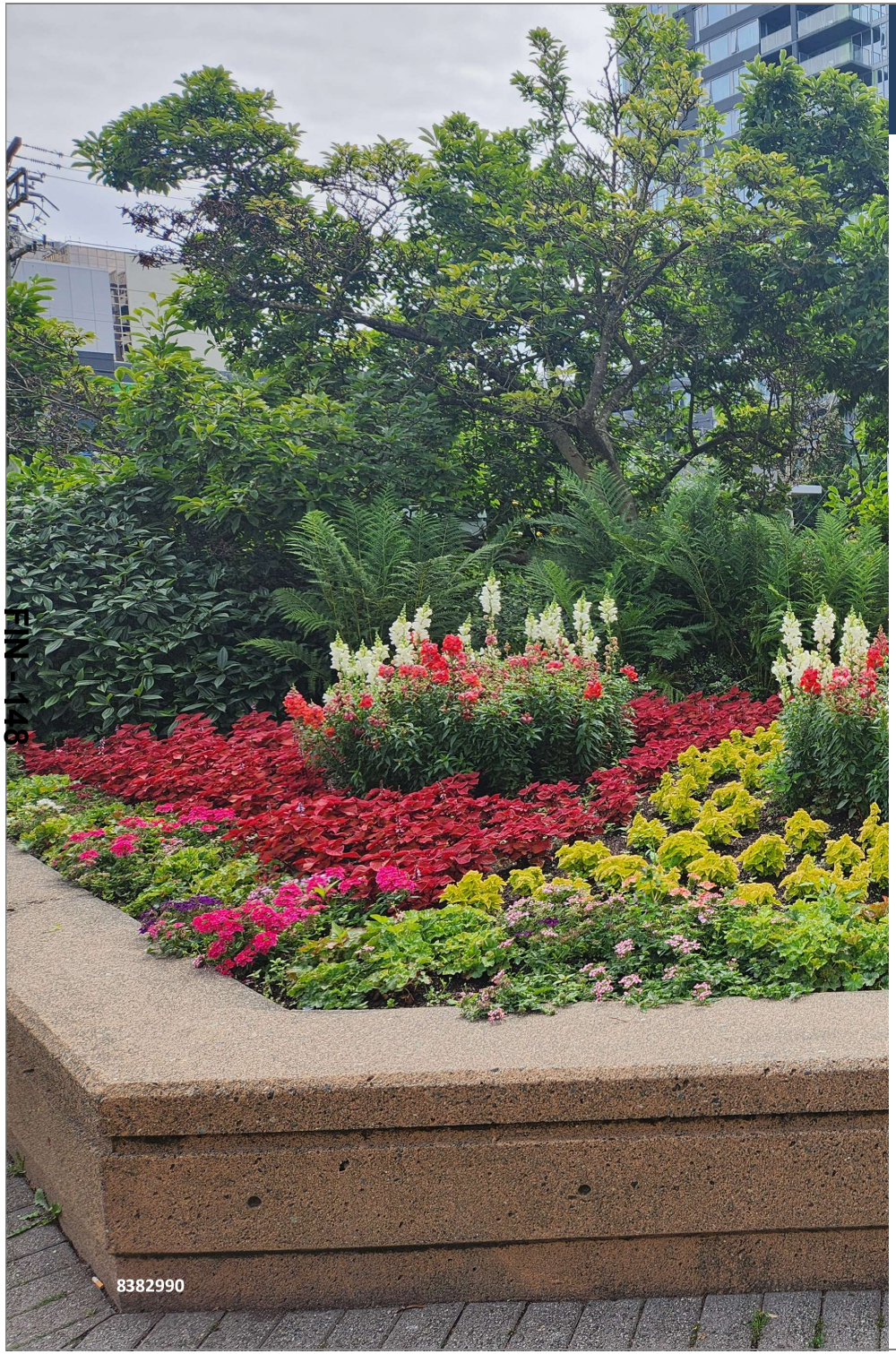
In 2025, the total number of building permits issued was 1,377, which was a 5.1% decrease from 2024. The decrease is a result of decreases in all types of permits issued including single family dwellings, multi-family developments, commercial and industrial. The actual permit fees collected for 2025 was $6.4M.

Building Permits 2021-2025



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

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



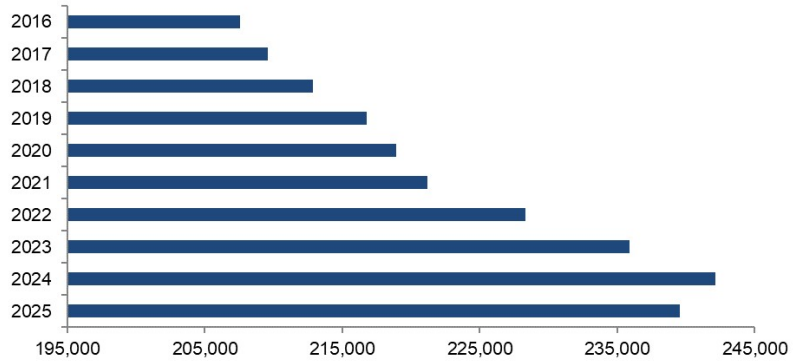
FIN - 148

City Services

Population

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

Richmond Population 2016-2025



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

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

- Performing land use and transportation planning, building approvals, property use and zoning.
- Providing and maintaining roads, dikes, water and sewerage systems, drainage and irrigation systems.
- Providing sanitation and recycling services.
- Providing safety and protection of citizens by maintaining policing, fire-rescue services, bylaw enforcement, emergency and environmental programs.
- Providing for the recreational and cultural needs of citizens by: funding library services; building and maintaining recreational and cultural facilities, including pools, arenas, community centres, art centres, theatre and numerous heritage sites.
- Designing, constructing, and maintaining a recreational trail system and a system of parks with playing fields, playgrounds and various amenities including tennis courts and basketball courts.
- Developing a sustainable community through: affordable housing, child care programs, wellness, social and outreach programs, tree protection, pesticide use restrictions, waste reduction programs, pollution prevention, district energy utility, energy management programs, purchasing policies and high performance building programs.
- Providing business licences and economic development initiatives.
- Administrating property taxes and utility bills.
- Working to safeguard the financial well-being of the City through the provision of effective and reliable financial services and information to Council, staff and the public.
- Working to safeguard and enhance the livability and social, financial and environmental sustainability of our community and surrounding environment.
- Representing the interests of our citizens on various regional bodies responsible for providing services such as transit, drinking water, waste disposal and air quality monitoring and reporting.

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

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

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

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

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

Conclusion

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

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

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

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

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

The 2026-2030 Five Year Financial Plan combines the Operating, Capital and Utility Budgets. It provides details on the services provided, anticipated revenues and expenses and planned capital projects.

Additional information about the current financial plan can be found at: https://www.richmond.ca/city-hall/finance/reporting/fiveyear.htm.



City of Richmond

Report to Committee

To:	Finance & Audit Committee	**Date:**	April 10, 2026
From:	Jerry Chong General Manager, Finance and Corporate Services	**File:**	03-0905-01/2025-Vol 01
Re:	**2025 Financial Statements for the Richmond Public Library**		

Staff Recommendation

That the 2025 Richmond Public Library audited financial statements for the year ended December 31, 2025, as presented in the attached report from the Chief Librarian, be received for information.

Executive Summary

The report presents the 2025 audited financial statements for the Richmond Public Library and recommends that they be received for information by the City of Richmond Finance and Audit Committee. The statements were prepared in accordance with Canadian Public Sector Accounting Standards, reviewed by the Library's Finance Committee on March 18, 2026, and approved by the Library Board on March 25, 2026. KPMG completed the audit and reported no significant deficiencies in internal control over financial reporting. In the auditor's opinion, the financial statements present fairly, in all material respects, the financial position of the Library as at December 31, 2025, and the results of its operations for the year then ended.

Respectfully submitted,

Jerry Chong, General Manager, Finance and Corporate Services

Endorsed by Serena Lusk, CAO

2025 Financial Statements for the Richmond Public Library

City of Richmond Finance and Audit Committee

March 18, 2026

THIS REPORT IS PROVIDED FOR INFORMATION

Recommendation

That the 2025 Financial Statements of the Richmond Public Library be received for information.

Susan Walters
Chief Librarian & Secretary to the Board
Richmond Public Library

Attachment:
Financial Statements of Richmond Public Library Year Ended December 31, 2025

Richmond Public Library

Origin
The Library Act, Part 2, Section 11(2) states: "The library board must provide to the municipality annual financial statements that have been audited in the same manner and at the same time as the financial statements of the municipality."

This report presents the 2025 financial statements of the Richmond Public Library Board.

Analysis
Please see the attached Financial Statements of the Richmond Public Library Board for the year ended December 31, 2025. The library's financial statements are prepared in accordance with Canadian public sector accounting standards.

KPMG conducted the audit in person and did not identify any control deficiencies that they consider to be significant deficiencies in internal control for financial reporting.

The library's Finance Committee reviewed the statements on March 18, 2026, and the Library Board approved them at their regular meeting on Wednesday, March 25, 2026.

Statement of Financial Position

	2025 Actual	2024 Actual	Change
Financial Assets	$ 3,660,542	$ 4,619,581	$ (959,039)
Liabilities	1,476,490	1,924,723	(448,233)
Net Financial Assets	**2,184,052**	**2,694,858**	**(510,806)**
Non-Financial Assets	4,623,064	4,751,408	(128,344)
Accumulated Surplus	**$ 6,807,116**	**$ 7,446,266**	**$ (639,150)**

The library's overall financial position decreased by $639,150, with accumulated surplus totaling $6.8 million. The decrease in financial assets is mainly due to a decrease in the amount due from the City of Richmond as a result of higher expenditures in library operations. The decrease in liabilities is primarily due to a decrease in payroll accruals. The decrease in non-financial assets is mainly due to disposals of the physical collection during the year exceeding additions.

The accumulated surplus balance of $6.8 million consists of tangible capital assets of $3.6 million, appropriated surplus of $2.7 million and surplus of $493,977. Note that in 2025, the library received the last $37,676 of Enhancement Grant from the province of BC, and this was recognized as revenue in 2025 and transferred to appropriated surplus to support library enhancements that will be completed in 2026. Appropriated surplus also includes provisions for future library enhancement, capital expenditures, IT infrastructure, training, budget stabilization, library operations and future salary and benefits obligations. This includes provisions for the future Steveston library's collections.

Richmond Public Library

Statement of Operations

	2025 Budget	2025 Actual	2024 Actual
Revenue	$ 12,301,000	$ 12,496,841	$ 11,941,830
Expenses	13,058,400	13,135,991	12,479,716
Annual Deficit	**$ (757,400)**	**$ (639,150)**	**$ (537,886)**

Budget Variance

Revenue of $12.5 million was greater than budgeted revenue by $195,841 mainly due to:

- $37,676 of recognized one-time Enhancement Grant that are not budgeted.
- $26,275 of increased InterLINK revenue due to an increase in the library's net lending over borrowing activity.
- $24,212 of increased revenue related to library's print and photocopier services.
- $74,078 of recognized restricted donations relating to expenses incurred in the year that are not budgeted.
- $14,674 of gain on sale of tangible capital assets that are not budgeted.

Expenses of $13.1 million was higher than budgeted expenses by $77,591 mainly due to:

- $69,778 higher than budgeted library subscriptions and databases as the library continues to strengthen digital resources.
- $198,788 higher than budgeted General and administration expenses mainly due to various IT projects and commencement of renovations at Brighouse library administration and IT space, both funded by surplus provision funds
- $53,325 higher than budgeted Building, leases and maintenance expenses primarily due to higher City's trade costs.
- $157,705 higher than expected amortization expense.
- The above items are offset by $390,010 lower than budgeted salaries and employee benefits due to vacancies.

Year Over Year Change

Revenue of $12.5 million increased by $555,011 over 2024 mainly due to:

- $517,900 increase in municipal contribution.
- $21,187 increase in recognized restricted donations relating to an increase in programs and purchases funded by donations.
- $12,084 increase in InterLINK revenue and print and photocopier revenue.

Expenses of $13.1 million increased by $656,275 over 2024 mainly due to:

- $508,769 increase in salaries and employee benefits resulting from a number of filled vacancies and contractual obligations.
- $53,754 increase in library subscriptions and databases as the library continues to strengthen digital resources.
- $25,667 increase in supplies and equipment services mainly due to an increase in professional fees.
- $67,618 increase in amortization expense.

Library Board Approval
The Library Board reviewed the statements and approved them at their meeting on Wednesday, March 25, 2026.



Susan Walters
Chief Librarian & Secretary to the Board
Richmond Public Library

Financial Statements of

RICHMOND PUBLIC LIBRARY BOARD

And Independent Auditor's Report thereon

Year ended December 31, 2025

KPMG LLP
777 Dunsmuir Street, 11th floor
Vancouver, BC V7Y 1K3
Canada
Tel 604 691 3000
Fax 604 691 3031

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Richmond Public Library Board

Opinion

We have audited the financial statements of Richmond Public Library Board (the "Library"), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 financial position of the Library as at December 31, 2025, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"**Auditor's Responsibilities for the Audit of the Financial Statements**"* section of our auditor's report.

We are independent of the Library 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.

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

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

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

In preparing the financial statements, management is responsible for assessing the Library'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 Library or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Library'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 Library'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 Library'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 Library to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 25, 2026

RICHMOND PUBLIC LIBRARY BOARD

Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial Assets		
Due from City of Richmond (note 3)	$ 3,604,024	$ 4,533,770
Accounts receivable	56,517	85,811
	3,660,541	4,619,581
Liabilities		
Accounts payable and accrued liabilities (note 4)	760,960	1,252,791
Post-employment benefits (note 5)	626,400	583,700
Deferred revenue (note 6)	89,130	88,232
	1,476,490	1,924,723
Net financial assets	2,184,051	2,694,858
Non-Financial Assets		
Tangible capital assets (note 7)	3,593,530	3,711,264
Prepaid expenses	1,029,535	1,040,144
	4,623,065	4,751,408
Accumulated surplus (note 8)	$ 6,807,116	$ 7,446,266

Commitments (note 15)
Economic dependence (note 18)

See accompanying notes to financial statements.

Approved on behalf of the Library Board:



Trustee



Trustee

RICHMOND PUBLIC LIBRARY BOARD

Statement of Operations

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

	Budget 2025 (Notes 2(a) and 17)	2025	2024
Revenue:			
Municipal contribution	$ 11,803,300	$ 11,803,300	$ 11,285,400
Grants (note 9)	397,700	435,209	434,722
Fines and miscellaneous (note 10)	80,000	135,434	123,350
Donations (note 11)	-	74,078	52,891
Investment income (note 12)	20,000	34,145	29,521
Gain on sale of tangible capital assets	-	14,674	15,946
	12,301,000	12,496,840	11,941,830
Expenses:			
Salaries and employee benefits	9,654,800	9,264,790	8,756,021
Amortization	910,700	1,068,405	1,000,787
Library subscriptions and databases (note 13)	789,800	859,578	805,824
Supplies and equipment services	519,300	530,786	505,119
General and administration	542,300	741,087	759,434
Building, leases and maintenance	480,000	533,324	523,214
Utilities	161,500	138,020	129,317
	13,058,400	13,135,990	12,479,716
Annual deficit	(757,400)	(639,150)	(537,886)
Accumulated surplus, beginning of year	7,446,266	7,446,266	7,984,152
Accumulated surplus, end of year	$ 6,688,866	$ 6,807,116	$ 7,446,266

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Changes in Net Financial Assets

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

	Budget 2025 (Notes 2(a) and 17)	2025	2024
Annual deficit	$ (757,400)	$ (639,150)	$ (537,886)
Acquisition of tangible capital assets	(610,100)	(950,671)	(992,729)
Amortization of tangible capital assets	910,700	1,068,405	1,000,787
Gain on sale of tangible capital assets	-	(14,674)	(15,946)
Proceeds on sale of tangible capital assets	-	14,674	15,946
Decrease in prepaid expenses	-	10,609	(40,959)
Change in net financial assets	(456,800)	(510,807)	(570,787)
Net financial assets, beginning of year	2,694,858	2,694,858	3,265,645
Net financial assets, end of year	$ 2,238,058	$ 2,184,051	$ 2,694,858

See accompanying notes to financial statements.

RICHMOND PUBLIC LIBRARY BOARD

Statement of Cash Flows

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

	2025	2024
Cash provided by (used in):		
Operations:		
Annual deficit	$ (639,150)	$ (537,886)
Items not involving cash:		
Amortization	1,068,405	1,000,787
Gain on sale of tangible capital assets	(14,674)	(15,946)
Changes in non-cash operating working capital:		
Due from City of Richmond	929,746	368,221
Accounts receivable	29,294	9,723
Prepaid expenses	10,609	(40,959)
Accounts payable and accrued liabilities	(491,831)	194,196
Post-employment benefits	42,700	12,600
Deferred revenue	898	(13,953)
Net change in cash from operating activities	935,997	976,783
Capital activities:		
Proceeds on sale of tangible capital assets	14,674	15,946
Acquisition of tangible capital assets	(950,671)	(992,729)
Net change in cash from capital activities	(935,997)	(976,783)
Net change in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	$ -	$ -

See accompanying notes to financial statements.

1. Operations:

The Richmond Public Library Board (the "Library"), which was established in 1976 pursuant to the Library Act of British Columbia (Part 2) as a Municipal Public Library, is responsible for the administration of public libraries in the City of Richmond. Funding for the provisions of these services is primarily through an annual contribution from the City of Richmond (the "City"). In addition, revenue is received from provincial government grants, library fees, donations, and other miscellaneous sources. The Library is a registered charity under provisions of the *Income Tax Act* (Canada) and is not a taxable entity. The Library receives accounting services from, and operates primarily in facilities provided free of charge by, the City. The Library is controlled by the City.

2. Significant accounting policies:

The accounting policies of the Library conform to Canadian Public Sector Accounting Standards and include the following specific policies:

(a) Budget data:

The budget data presented in these financial statements is based on the 2025 budget approved by the Board of Trustees (the "Board") on November 27, 2024. Note 17 reconciles the approved budget to the budget figures reported in these financial statements.

(b) Measurement uncertainty:

The preparation of the 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Areas requiring the use of management estimates relate to the valuation of employee future benefits obligations. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in surplus in the year in which they become known.

(c) Revenue recognition:

Revenues from transactions with performance obligations are recognized when (at a point in time) or as (over a period of time), the Library satisfies the performance obligations, which occurs when control of the benefits associated with the promised goods or services has passed to the payor.

Revenues from transactions without performance obligations are recognized at realizable value when the Library has the right to claim or retain an inflow of economic resources received or receivable and there is a past transaction or event that gives rise to the economic resources.

2. Significant accounting policies (continued):

(d) Deferred revenue:

The Library records the receipt of restricted contributions as deferred revenue and recognizes the revenue in the year in which related expenses are incurred.

(e) 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.

(f) 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 asset. The cost, less estimated residual value, of the tangible capital assets, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Library collections	4 - 20 years
Furniture and fixtures	10 - 20 years
Equipment	5 - 10 years

Amortization is charged over the asset's useful life commencing when the asset is available for use.

Tangible capital assets are written down to residual value when conditions indicate they no longer contribute to the ability of the City to provide services or when the value of future economic benefits associated with the tangible capital assets are less than their net book value.

Work-in-progress is not amortized until the asset is available for productive use.

(g) Donations of tangible capital assets:

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

(h) Works of art, and cultural and historical assets:

Works of art and cultural and historical assets are not recorded as assets in the financial statements.

(i) Functional and object reporting:

The operations of the Library are comprised of a single function, library operations. As a result, the expenses of the Library are presented by object in the statement of operations.

2. Significant accounting policies (continued):

(j) Employee future benefits:

The Library and its employees make contributions to the Municipal Pension Plan (the "Plan"). These contributions are expensed as incurred.

Sick leave and post-employment benefits are available to the Library's employees. The costs of 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 as the employees render services necessary to earn the future benefits (note 5).

(k) Government transfers:

Restricted transfers from government are deferred and are recognized as revenue in the year in which 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 assured.

(l) Library subscriptions and databases:

Library subscriptions and databases not owned by the Library or that have useful lives that are less than one operating cycle are recorded as an expense when incurred.

(m) Financial instruments:

Financial instruments include cash, investments, accounts receivable, accrued salaries and benefits, and accounts payable and accrued liabilities.

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

Unrealized changes in fair value are recognized on the statement of remeasurement gains and losses. They are recorded in the statement of operations when they are realized. There are no unrealized changes in fair value as at December 31, 2025, and December 31, 2024. As a result, the Library does not have a statement of remeasurement gains and losses.

Transaction costs incurred on the acquisition of financial instruments subsequently measured at fair value are expensed as incurred.

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

3. Due from City of Richmond:

Amounts due from the City are comprised of transactions arising throughout the year and amounts held in the City's bank account on behalf of the Library. The amounts are unsecured, non-interest bearing and have no specific terms of repayment. These transactions are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4. Accounts payable and accrued liabilities:

	2025	2024
Accounts payable	$ 156,457	$ 280,945
Accrued liabilities	33,853	35,793
Accrued payroll liabilities	570,650	936,053
	$ 760,960	$ 1,252,791

5. Post-employment benefits:

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

	2025	2024
Balance, beginning of year	$ 559,300	$ 580,600
Current service cost	43,300	39,500
Interest cost	24,000	23,800
Past service credit	-	(1,600)
Benefits paid	(20,700)	(43,700)
Amortization of net actuarial gains and losses	(48,900)	(39,300)
Balance, end of year	$ 557,000	$ 559,300

An actuarial valuation for these benefits was performed to determine the Library's accrued benefit obligation as at December 31, 2025. These actuarial gains and losses are being amortized over a period equal to the employees' average remaining service lifetime of 12 years (2024 - 11 years).

	2025	2024
Accrued benefit obligation, end of year	$ 557,000	$ 559,300
Unamortized net actuarial gain (loss)	69,400	24,400
Accrued benefit liability, end of year	$ 626,400	$ 583,700

5. Post-employment benefits (continued):

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

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

6. Deferred revenue:

	2025	2024
Balance, beginning of year	$ 88,232	$ 102,185
Contributions	74,976	38,938
Revenue recognized as donations revenue	(74,078)	(52,891)
Balance, end of year	$ 89,130	$ 88,232

7. Tangible capital assets:

Cost	Balance at December 31, 2024	Additions, net	Disposals	Balance at December 31, 2025
Library collections	$ 7,520,846	$ 780,213	$ (968,451)	$ 7,332,608
Furniture and fixtures	2,174,901	124,347	-	2,299,248
Equipment	3,087,752	46,111	-	3,133,863
	$ 12,783,499	$ 950,671	$ (968,451)	$ 12,765,719

Accumulated amortization	Balance at December 31, 2024	Additions	Disposals	Balance at December 31, 2025
Library collections	$ 5,653,933	$ 792,222	$ (968,451)	$ 5,477,704
Furniture and fixtures	1,055,243	91,002	-	1,146,245
Equipment	2,363,059	185,181	-	2,548,240
	$ 9,072,235	$ 1,068,405	$ (968,451)	$ 9,172,189

7. Tangible capital assets (continued):

Net book value	Balance at December 31, 2024	Balance at December 31, 2025
Library collections	$ 1,866,913	$ 1,854,904
Furniture and fixtures	1,119,658	1,153,003
Equipment	724,693	585,623
	$ 3,711,264	$ 3,593,530

8. Accumulated surplus:

	2025	2024
Operating:		
Appropriated surplus:		
Capital expenditures	$ 714,590	$ 898,451
Library enhancement	602,705	451,884
IT infrastructure	175,000	175,000
Training	100,000	100,000
Budget stabilization	172,000	216,000
Future capital acquisitions	649,838	726,237
Library operations	33,401	33,401
Future salary and benefit obligations	83,002	83,002
Library grants provision	189,071	515,165
Total appropriated surplus	2,719,607	3,199,140
Surplus	493,979	535,862
Invested in tangible capital assets	3,593,530	3,711,264
	$ 6,807,116	$ 7,446,266

During the year ended December 31, 2025, the Board approved the transfer from surplus of $100,000 to Library enhancement (2024 - $451,884).

9. Grants:

		2025	2024
Provincial Revenue Sharing Grant	(a)	$ 373,688	$ 373,688
One Card Grant	(b)	16,664	16,664
British Columbia Equity Grant	(c)	4,500	4,500
Resource Sharing Grants	(d)	2,681	2,901
Enhancement Grant	(e)	37,676	36,969
		$ 435,209	$ 434,722

(a) Provincial Revenue Sharing Grant is funded by the Libraries Branch of the Ministry of Education and Child Care of the Province of British Columbia.

(b) The One Card Grant is provided by the Libraries Branch of the Ministry of Education and Child Care of the Province of British Columbia to ensure that every British Columbian with a valid library card has complete access to all public libraries within the province, and that every school-age child in Richmond is given their own library card so that they may take full advantage of the library's resources.

(c) British Columbia Equity Grant is awarded by the Libraries Branch of the Ministry of Education and Child Care of the Province of British Columbia to support the Library in its role in fostering literacy and life-long learning in our community through the purchase of additional library materials in the area of literacy and English as a Second Language.

(d) Resource Sharing Grants are annual grants are provided to BC public libraries to encourage their participation in the province-wide inter library loan system.

(e) Enhancement Grant is awarded by the Ministry of Municipal Affairs Public Libraries Branch to support local library service enhancement, including helping address shifting demands on services, collections, programs, and spaces. This targeted Enhancement Grant is intended to supplement local government funding and is not intended to replace it. Enhancement Grant funding may be used to enrich people's library experiences through augmented local services, programs, and collections and support libraries in working together to extend services.

10. Fines and miscellaneous:

	2025	2024
Book fines	$ 17,732	$ 12,936
InterLINK revenue	41,275	33,199
Photocopy and printer revenue	74,212	69,519
Miscellaneous	2,215	7,696
	$ 135,434	$ 123,350

11. Donations:

Donations revenue is a combination of unrestricted donations received in the year and the recognition of restricted donations relating to expenses incurred in the year.

	2025	2024
Friends of the Library	$ 35,000	$ 23,613
Other	39,078	29,278
	$ 74,078	$ 52,891

12. Investment income:

The Library has endowment funds administered by the Vancouver Foundation and Richmond Community Foundation. Under the terms of the related agreements, the Vancouver Foundation and Richmond Community Foundation will retain, invest, and disburse income on the endowment funds. The Library receives the net income generated from each fund after deduction of administrative costs. The endowment funds are not reflected in these financial statements.

(a) Richmond Public Library Endowment Fund administered by Vancouver Foundation:

The fund was established in 1994 and the contributed capital in the fund amounts to $339,507 at December 31, 2025 (2024 - $317,553). The balance is comprised of donations from Friends of the Library of $156,000 (2024 - $156,000), Vancouver Foundation's matching program of $75,000 (2024 - $75,000), other donors of $52,000 (2024 - $51,900) and recontribution of $56,507 (2024 - $34,653) in cumulative income generated as at December 31, 2025.

As at December 31, 2025, the fair value of the capital in the fund amounted to $507,266 (2024 - $463,483).

Under the terms of the agreement, the Library is entitled to withdraw only the investment income generated from the fund. Investment income of $21,854 for the year ended December 31, 2025, was reinvested into the Endowment Fund's capital (2024 - $20,795). This income is presented as investment income and the reinvestment is recorded in general and administration expense on the statement of operations.

(b) Richmond Public Library Permanent Agency Endowment Fund administered by the Richmond Community Foundation:

The fund was established in 2010 and the contributed capital in the fund amounts to $162,548 at December 31, 2025 (2024 - $156,548). The balance is comprised of donations from Friends of the Library of $ 69,000 (2024 - $64,000) and other donors of $93,548 (2024 - $92,548).

12. Investment income (continued):

(b) Richmond Public Library Permanent Agency Endowment Fund administered by the Richmond Community Foundation (continued):

As at December 31, 2025, the fair value of the capital in the fund amounted to $279,976 (2024 - $243,327).

Under the terms of the agreement, the Library is entitled to withdraw only the investment income generated from the fund. Investment income of $12,291 for the year ended December 31, 2025, was reinvested into the Endowment Fund's capital (2024 - $8,726). This income is presented as investment income and the reinvestment is recorded in general and administration expense on the statement of operations.

13. Library subscriptions and databases:

	2025	2024
Digital books and multimedia	$ 725,937	$ 670,289
Databases, newspapers and magazines	133,641	135,535
	$ 859,578	$ 805,824

14. Pension plan:

The Library and its employees contribute to the Municipal Pension Plan (a jointly trusteed pension plan). The Board of Trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2024, the plan has about 273,000 active members and approximately 133,000 retired members. Active members include approximately 47,000 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 actuarial valuation for the Municipal Pension Plan as at December 31, 2024, indicated a $2,675 million funding surplus for basic pension benefits on a going concern basis.

The Library paid $608,060 (2024 - $539,601) for employer contributions while employees contributed $ 562,872 (2024 - $499,029) to the plan in fiscal 2025.

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

14. Pension plan (continued):

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.

15. Commitments:

The Library has committed to operating lease payments for the Ironwood and Cambie Branch premises, with minimum annual lease payments as follows:

2026	$ 345,517
2027	353,831
2028	335,550
2029	116,584

16. Contractual rights:

The Library has a longstanding agreement with InterLINK, entitling them to compensation subject to net circulation services to non-residents. The compensation varies from year-to-year.

17. Budget data:

The budget data presented in these financial statements is based on the 2025 budget approved by the Board of Trustees on November 27, 2024. The table below reconciles the approved budget to the budget figures reported in these financial statements.

	Board Approved Budget	Financial Statement Budget
Revenue:		
Operating budget	$ 12,301,000	$ 12,301,000
Expenses:		
Operating budget	(12,147,700)	(12,147,700)
Less: Transfer from Surplus	412,800	-
Less: Transfer from Budget Stabilization	44,000	-
Less: Acquisition of tangible capital assets	(610,100)	-
Less: Amortization of tangible capital assets		(910,700)
Annual deficit	$ -	$ (757,400)

18. Economic dependence:

The Library is economically dependent on receiving funding from the City.

19. Financial risk management:

The Board ensures that the Library has identified its major risks and ensures that management monitors and mitigates them.

(a) Credit risk:

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Library is exposed to credit risk with respect to its due from the City of Richmond and accounts receivable. The Library's credit risk related to due from the City of Richmond and accounts receivable is minimal as receivables are with parties that have a low risk of collectability.

(b) Liquidity risk:

Liquidity risk is the risk that the Library will not be able to meet its obligations as they fall due. The Library is exposed to liquidity risk with respect to its accrued salaries and benefits, accounts payable and accrued liabilities. The Library maintains adequate levels of working capital to ensure all obligations can be met when they fall due.

There has been no change to the financial risks from 2024.

RICHMOND PUBLIC LIBRARY BOARD

Unaudited Statement of Operations by Fund

Year ended December 31, 2025

	2025			2024		
	Operating	Capital	Total	Operating	Capital	Total
Revenue:						
Municipal contribution	$ 11,193,200	$ 610,100	$11,803,300	$ 10,675,400	$ 610,000	$ 11,285,400
Grants	435,209	-	435,209	434,722	-	434,722
Fines and miscellaneous	135,434	-	135,434	123,350	-	123,350
Donations	74,078	-	74,078	52,891	-	52,891
Investment income	34,145	-	34,145	29,521	-	29,521
Gain on sale of tangible capital assets	-	14,674	14,674	-	15,946	15,946
	11,872,066	624,774	12,496,840	11,315,884	625,946	11,941,830
Expenses:						
Salaries and employee benefits	9,264,790	-	9,264,790	8,756,021	-	8,756,021
Amortization	-	1,068,405	1,068,405	-	1,000,787	1,000,787
Library subscriptions and databases	859,578	-	859,578	805,824	-	805,824
Supplies and equipment services	530,786	-	530,786	505,119	-	505,119
General and administration	741,087	-	741,087	759,434	-	759,434
Building, leases and maintenance	533,324	-	533,324	523,214	-	523,214
Utilities	138,020	-	138,020	129,317	-	129,317
	12,067,585	1,068,405	13,135,990	11,478,929	1,000,787	12,479,716
Annual surplus (deficit)	(195,519)	(443,631)	(639,150)	(163,045)	(374,841)	(537,886)
Accumulated surplus, beginning of year	3,735,002	3,711,264	7,446,266	4,264,830	3,719,322	7,984,152
Transfer to capital funds from operating funds	(325,897)	325,897	-	(366,783)	366,783	-
Accumulated surplus, end of year	$ 3,213,586	$ 3,593,530	$ 6,807,116	$ 3,735,002	$ 3,711,264	$ 7,446,266

City of Richmond

Report to Committee

To:	Finance & Audit Committee	**Date:**	April 9, 2026
From:	John Irving Deputy CAO Chief Executive Officer, Lulu Island Energy Company Jerry Chong General Manager, Finance and Corporate Services Chief Financial Officer, Lulu Island Energy Company	**File:**	03-0950-01/2026-Vol 01
Re:	**2025 Financial Statements for the Lulu Island Energy Company**		

Staff Recommendation

That the Lulu Island Energy Company report titled "2025 Financial Statements for the Lulu Island Energy Company", from the Chief Executive Officer and Chief Financial Officer, dated April 9, 2026, be received for information.

Executive Summary

This report presents the financial statements of the Lulu Island Energy Company (LIEC) for the year ended December 31, 2025, which have been audited by KPMG LLP. LIEC reported net income of $2.3 million, with revenues exceeding expenses.

As of December 31, 2025, LIEC's total assets were $114.2 million, total liabilities $72.0 million, and shareholder's equity was $42.2 million, reflecting a stable financial position to support ongoing capital and operating needs.

Respectfully submitted,

John Irving, Deputy CAO, and
Jerry Chong, General Manager, Finance and Corporate Services

Endorsed by Serena Lusk, CAO

Lulu Island ENERGY COMPANY
6911 NO. 3 ROAD
RICHMOND, BC V6Y 2C1

Report

DATE: February 27, 2026

TO: Board of Directors

FROM: Jerry Chong, CPA, CA, Chief Financial Officer

Re: **2025 Financial Statements for the Lulu Island Energy Company**

Staff Recommendation

That the audited financial statements of the Lulu Island Energy Company (LIEC) for the year ended December 31, 2025, be approved, and that any two LIEC directors be authorized to sign the financial statements on behalf of the Board.

Origin

Section 11.3 of the LIEC Articles of Incorporation requires that an auditor be appointed and that audited financial statements be prepared at the end of each fiscal year. It also requires that the audited financial statements be presented annually at an open City of Richmond Council meeting within 150 days of LIEC's fiscal year end. This report presents the 2025 audited financial statements for the LIEC Board's approval. See Attachment 1 for a brief overview of the District Energy Utility service areas.

Analysis

The preparation of financial statements is the responsibility of management. As a Government Business Enterprise (GBE), LIEC's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

LIEC's audited financial statements consist of:

- Statement of financial position – summary of assets, liabilities, and shareholder's equity;
- Statement of profit or loss and total comprehensive income – summary of revenues, expenses, other activities, and net income for the year;
- Statement of changes in equity – summary of changes in share capital, contributed surplus, and accumulated surplus for the year;
- Statement of cash flows – summary of the sources and uses of cash in the year; and
- Notes to the financial statements – summary of additional information pertaining to operations and financial position.

The financial statements have been audited by the independent firm KPMG LLP, as the designated auditor at the 2025 Annual General Meeting. Their report precedes the financial statements in Attachment 3.

Financial Position

Table 1: Summary of assets, liabilities and shareholder's equity

	2025	2024	$ Changes	% Change
Cash and cash equivalents	$ 4,434,012	$ 7,576,940	$ (3,142,928)	(41%)
Accounts receivable	4,378,708	4,385,448	(6,740)	0%
Prepaid expenses	35,361	-	35,361	-
Investments	17,969,078	13,727,812	4,241,266	31%
Plant and equipment	87,426,728	58,128,103	29,298,625	50%
Total Assets	$ 114,243,887	$ 83,818,303	$ 30,425,584	36%
Accounts payable	$ 2,075,720	$ 1,377,195	$ 698,525	51%
Government grants	1,360,090	514,462	845,628	164%
Deferred developer contributions	39,107,207	22,788,278	16,318,929	72%
Project Agreement liability	29,526,568	19,283,096	10,243,472	53%
Shareholder's Equity	42,174,302	39,855,272	2,319,030	6%
Total Liabilities and Shareholder's Equity	$ 114,243,887	$ 83,818,303	$ 30,425,584	36%

The statement of financial position provides a summary of assets, liabilities, and shareholder's equity.

Cash and cash equivalents and Investments

Cash and cash equivalents totaled $4,434,012 (2024 – $7,576,940), providing adequate liquidity to support ongoing operations and committed capital projects. The decrease from the prior year primarily reflects slowdown with the Sewer Heat Recovery project schedule, which reduced the need to maintain a higher cash balance.

Investments totaled $17,969,078 (2024 – $13,727,812), consisting of secured term deposits. The increase compared to the prior year is primarily attributable to operational results and the timing of project expenditures. The investment approach balances liquidity requirements for upcoming capital projects with return optimization.

Accounts Receivable

Accounts receivable totaled $4,378,708 (2024 – $4,385,448). The balance primarily represents accrued revenue for the fourth-quarter meter billings. The year-over-year balance remains consistent with prior year levels and reflects normal billing and collection cycles.

Prepaid Expenses

Prepaid expenses totaled $35,361 (2024 – nil). The balance relates to the purchase of environmental liability insurance coverage for the ADEU secured during 2025 for the policy period extending from 2025 through 2027. The prepaid amount will be amortized on a straight-line basis over the coverage term, with expense recognized in the periods to which the insurance coverage relates.

Plant and Equipment

Plant and equipment are reported at the net book value, representing capital cost net of accumulated depreciation. As at year-end, the net book value totaled $87,426,728 (2024 - $58,128,103) due to additional capital expenditures.

Accounts Payable and Government Grants

Accounts payable totaled $2,075,720 (2024 – $1,377,195), representing outstanding vendor invoices in the normal course of operations. The increase compared to prior year was due to the timing of invoices received and processed at year-end.

The government grant liability increased to $1,360,090 (2024 - $514,462), reflecting cumulative funding received under the Clean BC program in support of the Sewer Heat Recovery Project. In accordance with IFRS, grant funding related to capital assets is deferred and recognized as revenue on a systematic basis over the useful life of the associated asset once it is placed into service.

Deferred Developer Contributions and Project Agreement Liabilities

Utility company balance sheets are predominantly comprised of capital assets and long-term obligations, reflecting the capital-intensive nature to build out the energy infrastructure network. The developers' contributions and Project Agreement liabilities are the primary sources of funding for the construction of new assets, which make up most of the liabilities.

Developer contributions, which recover the construction costs for in-building equipment installation, are recognized as deferred liabilities. In accordance with IFRS reporting, revenue from these contributions is recognized annually over the useful life of the equipment once the asset is in service. At the 2025 year-end, deferred developer contribution totaled $39,107,207 (2024 - $22,788,278). The increase reflects continued system expansion.

The Project Agreement liability is associated with the 30-year agreement between LIEC, Corix, and the Canada Infrastructure Bank (CIB). Under the Project Agreement, Corix designs, constructs, finances, and maintains the CCDEU infrastructure, while CIB provides low-cost financing for a portion of the infrastructure. The Project Agreement liability represents anticipated future cash outflow for capital and operating costs under the agreement. At the 2025 year-end, the Project Agreement liability was $29,526,568 (2024 - $19,283,096), reflecting ongoing project development.

Shareholder's Equity

Shareholder's equity reflects the net worth of the company, calculated as total assets minus the total liabilities. In 2025, LIEC's shareholder equity was $42,174,302 (2024 - $39,855,272), representing a 6% increase from the previous year.

Profit or Loss and Total Comprehensive Income

	2025	2024	$ Changes	% Change
Revenues				
Metered billings	$ 10,382,616	$ 8,778,966	$ 1,603,650	18%
Service fee	981,486	981,486	-	-
	11,364,102	9,760,452	1,603,650	16%
Cost of Sales				
Contracts	2,819,160	2,093,165	725,895	35%
Utilities	2,255,819	1,926,163	329,656	17%
Depreciation	2,332,823	1,798,972	533,851	30%
	7,407,702	5,818,300	1,589,402	27%
Gross Profit	**3,956,400**	**3,942,152**	**14,248**	**0%**
General and Administration Expenses				
Salaries and benefits	1,308,300	1,074,838	233,462	22%
Administration expenses	391,017	365,929	25,088	7%
Insurance	426,918	345,218	81,700	24%
Professional fees	335,618	323,760	11,858	4%
	2,461,853	2,109,745	352,108	17%
Net Income Before Other Items	1,494,547	1,832,407	(337,860)	(18%)
Contributions and Financing Expense				
Developer contributions	1,129,687	668,131	461,556	69%
Other income	17,341	32,868	(15,527)	(47%)
Loss on disposal	(179,324)	-	(179,324)	-
Finance income	904,588	958,986	(54,398)	(6%)
Finance expense	(1,047,809)	(735,020)	(312,789)	43%
	824,483	924,965	(100,482)	(11%)
Net Income	**$ 2,319,030**	**$ 2,757,372**	**$ (438,342)**	**(16%)**

Earnings before interest, taxes, depreciation and amortization (EBITDA)

Net income per above	$2,319,030	$2,757,372	$ (438,342)	(16%)
Net finance cost (income)	143,221	(223,966)	367,187	(164%)
Depreciation expense	2,332,823	1,798,972	533,851	30%
EBITDA	$4,795,074	$4,332,378	$ 462,696	11%

The statement of profit or loss and total comprehensive income provides a summary of the company's revenues, expenses, and profits over the fiscal year of 2025. It reports the financial performance of the company.

Table 2: Percentage of revenue

	December 31, 2025	December 31, 2024
Percentage of Revenue		
Gross margin	35%	40%
General and administration percentage	22%	22%
EBITDA percentage	42%	44%
Net income percentage	20%	28%

Year-over-Year Change

Revenues

Metered billings reflect energy sales based on the actual customers' energy usage and consumption. It comprises of energy sales from ADEU and CCDEU service areas[1]. Metered billings revenue was $7,352,083 (2024 - $5,926,105) from the CCDEU and $3,030,533 (2024 - $2,852,861) from the ADEU. Overall, metered billings increased by $1,603,650 to $10,382,616 (2024 - $8,778,966). This increase was driven by three new building connections, higher energy consumption from buildings that were not fully occupied in the prior year, and the approved 2025 customer rates.

There was no change to the service fee of $981,486 (2024 - $981,486) for LIEC's facilitation of advancing district energy opportunities in the City, which results in numerous benefits to the City and community of Richmond. The service fee covers staff and specialized consultants working on low carbon district energy initiatives. With or without LIEC, the City would need to fund these costs in order to successfully implement district energy initiatives for the City and position itself at the forefront of tackling local and global environmental challenges. The City identified district energy utilities as a leading strategy to achieve the City's GHG reduction goals. To date, it is estimated that LIEC's district energy systems has resulted in the reduction of 26,964 tons of GHG emissions.

Cost of Sales

The cost of sales consists of total expenses attributable to energy sales, which includes contract services, utilities (electricity and natural gas), and depreciation. Contract expenses increased by $725,895 to $2,819,060 (2024 - $2,093,165) due to additional operations and maintenance work requirements from three additional on-site low-carbon energy plants (LCEPs).

[1] Note that OVDEU is now combined under the CCDEU service area.

Utility expenses increased by $329,656 to $2,255,819 (2024 - $1,926,163) primarily due to increased energy usage from three additional buildings connected and higher demand from one building that was not fully occupied in the prior year.

Depreciation expense increased due to the addition of new capital assets being put into service.

Gross Margin

Gross margin as a percentage of revenue decreased to 35% from 40% in prior year due to the overall growth of the on-site Low Carbon Energy Plants (LCEPs). On-site LCEPs are used as an interim strategy to secure future connections to centralized district energy infrastructure while delivering low-carbon energy to customers from day one. LCEPs' air-source heat pump equipment is more complex, and it requires more frequent maintenance and higher staffing requirements than centralized interim energy centres. As additional LCEPs come online, a continued downward trend in gross margin is anticipated; however, the long-term plan is to minimize the number of new on-site LCEPs and replace existing on-site LCEPs' equipment with connections to centralized district energy infrastructure, which should reverse the downward trend of the gross margin. Despite this, the gross margin exceeded budget by 27% due to the lower-than-budgeted contract costs, utility costs and depreciation expense.

General and administration expenses

General and administration (G&A) expenses represent costs incurred by LIEC to support ongoing operations and includes salaries and benefits, administration expenses, insurance, and professional fees. G&A expenses totaled $2,461,853 (2024 - $2,109,745), representing an increase of 17% compared to prior year. The increase aligns with the continued growth and expanded operational requirements as LIEC advances new infrastructure development and scales ongoing system operations. Key drivers of the year-over-year increase include:

- **Salary and benefits -** The increase of $233,462 to $1,308,300 (2024 - $1,074,838) was driven by the addition of three new employees, approved by the board, to support the additional efforts needed to deliver new infrastructure and operate existing systems necessary to service LIEC customers.

- **Administration expenses** - The increase of $25,088 to $391,017 (2024 - $365,929) was mainly due to city staff support related to company growth and general inflation. Administration expenses also include the overhead allocation of $87,340 (2024 - $69,680) paid to the City of Richmond for the day-to-day support that LIEC received from City staff during the year.

- **Insurance** - The premium increased by $81,700 to $426,918 (2024 - $345,218) due to additional assets being insured, market wide premium adjustments, and expanded insurance coverage for ADEU assets as directed by the board.

- **Professional fee** - The increase of $11,858 to $335,618 (2024 - $323,760) reflects incremental audit services required to support the operational growth and infrastructure expansion.

Overall, general and administration expenses as a percentage of revenue was 22% in 2025, same as 2024.

Contributions and financing expenses

The contributions and financing expense section represents other sources of revenue and expenses for the Company. Developer contributions increased to $1,129,687 (2024 - $668,131) due to three new connections completed in 2025. Other income decreased to $17,341 (2024 - $32,868) due to reduced building permit review activity, reflecting a slowdown in development timeline.

In 2025, LIEC completed capacity upgrades at an interim energy center, replacing two operational natural gas boilers with larger, more efficient units. In line with the company's circular economy policy, staff arranged for an equipment rental company to refurbish the boilers at no cost in exchange for a credit toward future rentals. In accordance with accounting standards, the boilers were recorded as disposed equipment. The disposal resulted in a loss recognized in the year.

Finance income represent interest earned on term deposits and cash balances. Interest income declined to $904,588 (2024 - $958,986) due to lower interest rates. Finance expense increased to $1,047,809 (2024 - $735,020) due to additional infrastructure being financed and constructed.

LIEC's earnings before interest, tax, depreciation and amortization (EBITDA), used as a proxy to measure the company's operational efficiency, has increased by $462,696 or 11% compared to 2024, due to increase in revenue outpacing the increase in operating costs.

Overall, LIEC's revenues exceeded expenses, resulting in a net income of $2,319,030 (2024 - $2,757,372).

LIEC's financial sustainability and future growth must be taken into consideration when reviewing its EBITDA and net income. LIEC's success is dependent upon developing in-house expertise and securing funds for future capital replacements as existing infrastructure components reach their end of life, as well as to cover expenses of unexpected and rare events. Other important factors include the planning of future projects, which consists of research and development, and exploratory reviews of future technology and opportunities.

Budget Variance
(See Attachment 2 for 2025 budget to actual comparison)

Revenues

The metered billings are the total energy sales of both ADEU and CCDEU service areas. The total metered billings revenue of $11,364,102 was in line with the budget.

Cost of Sales

Contract expenses were 7% below the budget, mainly due to lower preventive maintenance cost for ADEU following the transition to a new service provider, as well as reduced unscheduled maintenance and repair activities for both ADEU and CCDEU. Utility expenses are driven by actual customer energy consumption, including electricity and natural gas. Overall utility costs were 27% lower than budget, primarily due to the elimination of the BC carbon tax on natural gas used by interim energy centres.

Depreciation expenses exceeded budget mainly due to the carrying value of LCEP assets being higher than originally estimated.

Overall, the cost of sales was 12% below the budget. As a result, the gross margin improved to 35%, exceeded budgeted margin of 27%.

General and Administration Expenses

Salaries and benefits were 4% over budget due to post-employment benefit expense adjustments that were not included in the budget. Administration expenses were below budget primarily due to underutilized internal administration expense budget. Insurance expenses were under budget due to the timing of capital expenditures and the associated impact on coverage levels. Professional fees were lower than budget due to the delays in certain technical studies and updates to developer guidelines, consistent with the slowdown in new development activity. Overall, total general and administration expenses were 5% under the budget.

Contributions and Financing Expense

Developer contributions exceeded budget as the actual value of the developer-contributed assets higher than originally estimated. Other income was below budget due to reduced building permit review activity during the period. Finance expenses were below budget, primarily due to the timing of capital expenditure, associated with delayed development projects. Interest income exceeded budget, resulting from higher than anticipated cash and investment balances.

LIEC's overall financial performance exceeded budget. Consistent with the company's financial plan objectives, any net income will be maintained in LIEC's equity in order to fund future capital projects and infrastructure replacement.

Financial Impact

None.

Conclusion

The Auditor's Report states that these financial statements present fairly, in all material respects, the financial position of Lulu Island Energy Company Ltd. as at December 31, 2025, and its financial performance and cash flow for the year end in accordance with International Financial Reporting Standards.

Helen Zhao
Controller
(604-276-4019)

Cody Lan
Assistant Controller
(604-247-4698)

Attachment 1: District Energy in Richmond
Attachment 2: 2025 Budget and Actual Comparison
Attachment 3: 2025 Audited Financial Statements

District Energy in Richmond

Richmond's 2041 Official Community Plan (OCP) establishes a target to reduce greenhouse gas (GHG) emissions 50 percent below 2007 levels by 2030 and 100 percent by 2050. The City identified district energy utilities (DEUs) as a leading strategy to achieve the City's GHG reduction goals and incorporated Lulu Island Energy Company Ltd. (LIEC) in 2013 for the purpose of carrying out the City's district energy initiatives based on the following guiding principles:

1. The DEU will provide end users with energy costs that were competitive with conventional energy costs, based on the same level of service.
2. Council will retain the authority to set customer rates, fees and charges for DEU services.
3. The DEU will provide a flexible platform for adopting low-carbon energy technologies.

The City established three DEU service areas: ADEU, OVDEU, and CCDEU. Table 1 below provides a summary of the developments connected under the DEU service areas to date.

Table 1 – DEU Bylaw Service Areas - Current and Projected Connected Space

	Buildings To-Date	Residential Units To-Date	Floor Area	
			To-Date	Build-out
Alexandra DEU	13	2,200	2.4M ft^2	4.4M ft^2
Oval Village DEU	15	3,524	3.7M ft^2	6.4M ft^2
City Centre DEU	6	2,506	2.6M ft^2	48M ft^2
Total	**34**	**8,230**	**8.7M ft^2**	**58.8M ft^2**

The ADEU provides heating and cooling services to ten residential buildings, the large commercial development at "Central at Garden City", the Richmond Jamatkhana Temple, and Fire Hall No. 3, comprising 2,200 residential units and over 2.4 million square feet of floor area. While some electricity was consumed for pumping and equipment operations, most of this energy was currently produced locally from the geo-exchange fields in the greenway corridor and West Cambie Park, and highly efficient air source heat pumps.

The OVDEU services 15 buildings, containing 3,524 residential units. Energy is currently supplied from the three interim energy centres with natural gas boilers, which provide almost 26 MW of heating capacity. LIEC received a $6.2 million grant from the CleanBC Communities Fund for the design and construction of the sewer heat recovery technology and a permanent energy centre for the area. This project is in the detailed design stage and is expected to be completed in 2030. Once completed, the system will be able to produce up to 80% of low-carbon energy from the Gilbert Trunk sanitary force main sewer.

The CCDEU currently services six buildings, comprised of 2,506 residential units and approximately 2.6 million square feet of floor area. While off-site energy infrastructure is being built, CCDEU utilizes on-site low-carbon energy plants to service new customers. At full build-out, 176 developments, 28,000 residential units and approximately 48 million square feet of floor space will be serviced by 5 permanent energy centres with over 130 MW of heating and 115 MW of cooling capacity. The built-out system is estimated to reduce over one million tonnes of GHG emissions compared to conventional service.

2025 Budget and Actual Comparison

	Budget	Actual	$ Changes	% Change
Revenues				
Metered Billings	$10,490,541	$ 10,382,616	$ (107,925)	(1%)
Service fee	981,486	981,486	-	0%
	11,472,027	11,364,102	(107,925)	(1%)
Cost of Sales				
Contracts	3,039,245	2,819,060	(220,185)	(7%)
Utilities	3,081,202	2,255,819	(825,383)	(27%)
Depreciation	2,253,789	2,332,823	79,034	4%
	8,374,236	7,407,702	(966,534)	(12%)
Gross profit	**3,097,791**	**3,956,400**	**858,609**	**28%**
General and Administration Expenses				
Salaries and benefits	1,256,558	1,308,300	51,742	4%
Administration expenses	446,424	391,017	(55,407)	(12%)
Insurance	454,486	426,918	(27,568)	(6%)
Professional Fees	438,560	335,618	(102,942)	(23%)
	2,596,028	2,461,853	(134,175)	(5%)
Net income before other items	501,763	1,494,547	992,784	
Contributions and Financing expense				
Developer contributions	944,980	1,129,687	184,707	20%
Other income	27,000	17,341	(9,659)	(36%)
Loss on disposal	-	(179,324)	(179,324)	-
Financing income	640,000	904,588	264,588	41%
Financing cost	(1,899,002)	(1,047,809)	851,193	(45%)
	(287,022)	824,483	1,111,505	
Net Income	**$214,741**	**$2,319,030**	**$ 2,104,289**	
Earnings before interest, taxes, depreciation and amortization (EBITDA)				
Net income per above	$214,741	$2,319,030	$ 2,104,289	
Net Financing cost	1,259,002	143,221	(1,115,781)	(89%)
Depreciation expense	2,253,789	2,332,823	79,034	4%
EBITDA	$3,727,532	$4,795,074	$ 1,067,542	29%

Financial Statements
(Expressed in Canadian dollars)

LULU ISLAND ENERGY COMPANY LTD.

And Independent Auditor's Report thereon

Year ended December 31, 2025

KPMG LLP
777 Dunsmuir Street, 11th floor
Vancouver, BC V7Y 1K3
Canada
Tel 604 691 3000
Fax 604 691 3031

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Lulu Island Energy Company Ltd.

Opinion

We have audited the financial statements of Lulu Island Energy Company Ltd. (the Entity), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of profit or loss and other comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 Entity 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.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

April 10, 2026

LULU ISLAND ENERGY COMPANY LTD.

Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	$ 4,434,012	$ 7,576,940
Accounts receivable (note 4)	4,378,708	4,385,448
Prepaid expenses	35,361	-
Investments (note 5)	10,850,060	9,120,685
	19,698,141	21,083,073
Non-current assets:		
Investments (note 5)	7,119,018	4,607,127
Plant and equipment (note 6)	87,426,728	58,128,103
Total assets	$ 114,243,887	$ 83,818,303
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	$ 2,075,720	$ 1,377,195
Current portion of deferred developer contributions (note 8(a))	1,540,563	668,133
Current portion of Project Agreement liability (note 9)	7,444,475	7,158,752
	11,060,758	9,204,080
Non-current liabilities:		
Government grants (note 8(b))	1,360,090	514,462
Deferred developer contributions (note 8(a))	37,566,644	22,120,145
Project Agreement liability (note 9)	22,082,093	12,124,344
	61,008,827	34,758,951
Total liabilities	72,069,585	43,963,031
Shareholder's equity:		
Share capital and contributed surplus (note 10)	27,397,115	27,397,115
Retained earnings	14,777,187	12,458,157
	42,174,302	39,855,272
Commitments and contingencies (note 13)		
Total equity and liabilities	$ 114,243,887	$ 83,818,303

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

Director

Director

LULU ISLAND ENERGY COMPANY LTD.

Statement of Profit or Loss and Total Comprehensive Income

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

	2025	2024
Revenue (note 14, 15(a))	$ 11,364,102	$ 9,760,452
Cost of sales:		
Operating expenses	5,074,879	4,019,328
Depreciation (note 6)	2,332,823	1,798,972
	7,407,702	5,818,300
Gross profit	3,956,400	3,942,152
General and administrative expenses (notes 11, 15(b))	2,461,853	2,109,745
Profit before undernoted items	1,494,547	1,832,407
Other income (expenses):		
Developer contributions (note 8(a))	1,129,687	668,131
Other income (note 15(a))	17,341	32,868
Loss on disposal of plant and equipment (note 6)	(179,324)	-
Net finance income (cost) (note 12)	(143,221)	223,966
	824,483	924,965
Profit and total comprehensive income for the year	$ 2,319,030	$ 2,757,372

The accompanying notes are an integral part of these financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Changes in Equity

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

	Share capital (note 10)	Contributed surplus (note 10)	Retained earnings	Shareholder's equity
Balance, January 1, 2024	$ 5	$ 27,397,110	$ 9,700,785	$ 37,097,900
Profit and total comprehensive income	-	-	2,757,372	2,757,372
Balance, December 31, 2024	5	27,397,110	12,458,157	39,855,272
Profit and total comprehensive income	-	-	2,319,030	2,319,030
Balance, December 31, 2025	$ 5	$ 27,397,110	$ 14,777,187	$ 42,174,302

The accompanying notes are an integral part of these financial statements.

LULU ISLAND ENERGY COMPANY LTD.

Statement of Cash Flows

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

	2025	2024
Cash provided by (used in):		
Cash flows provided by (used in) operating activities:		
Profit and total comprehensive income	$ 2,319,030	$ 2,757,372
Adjustments for:		
Depreciation	2,332,823	1,798,972
Recognition of deferred developer contributions	(1,129,687)	(668,131)
Finance cost	1,047,809	735,020
Loss on disposal of plant and equipment	179,324	-
Interest income on investments	(594,523)	-
Changes in non-cash operating working capital:		
Accounts receivable	6,740	407,444
Prepaid expenses	(35,361)	-
Accounts payable and accrued liabilities	609,102	(471,708)
Net cash provided by operating activities	4,735,257	4,558,969
Cash flows provided by (used in) investing activities:		
Additions to plant and equipment	(4,234,565)	(1,118,889)
Deferred developer contributions	-	4,220,949
Cash receipts from sale of investments	9,541,750	12,014,953
Cash payments to acquire investments	(13,188,493)	(13,727,812)
Net cash provided by (used in) investing activities	(7,881,308)	1,389,201
Cash flows provided by (used in) financing activities:		
Cash received from government grants	845,628	111,438
Project Agreement liability, net	-	(994,644)
Repayment of the capital portion of the Project Agreement liability	(543,392)	-
Repayment of the non-capital portion of the Project Agreement liability	(299,113)	-
Net cash provided by (used in) financing activities	3,123	(883,206)
Increase (decrease) in cash and cash equivalents	(3,142,928)	5,064,964
Cash and cash equivalents, beginning of year	7,576,940	2,511,976
Cash and cash equivalents, end of year	$ 4,434,012	$ 7,576,940
Non-cash transactions:		
Additions to plant and equipment	$ (27,576,207)	$ (5,067,401)
Project Agreement liability for additions to plant and equipment	9,758,801	4,855,397
Developer contributions for additions to plant and equipment	17,448,616	-
Interest cost capitalized to plant and equipment	279,367	212,005
Accrued liability for assets under construction	89,423	-

The accompanying notes are an integral part of these financial statements.

1. Incorporation and nature of business:

The Lulu Island Energy Company Ltd. (the "Company") was incorporated on August 19, 2013 under the Business Corporations Act of British Columbia as a municipal corporation wholly owned by the City of Richmond (the "City"). The address of the Company's registered office is 6911 No. 3 Road, Richmond, British Columbia, V6Y 2C1.

The business of the Company is to develop, manage and operate district energy utilities in the City, including, but not limited to, energy production, generation or exchange, transmission, distribution, maintenance, marketing and sale to customers, customer service, profit generation and financial management. The Company also provides advisory services for energy and infrastructure.

2. Basis of presentation:

(a) Statement of compliance:

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS").

These financial statements were approved and authorized for issue by the Board of Directors on April 9, 2026.

(b) Basis of measurement:

These financial statements have been prepared on the historical cost basis and on a going concern basis.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Basis of presentation (continued):

(d) Use of estimates and judgments (continued):

Information about critical judgments in applying accounting policies that have an effect on the amounts recognized in the financial statements is included in the following note:

- Note 8 - Deferred developer contributions and Government grants.

Information about assumptions and estimation uncertainties that have a risk of resulting in a material adjustment within the next financial year are included in the following note:

- Note 3(a)(*iii*) and Note 6 - useful lives of plant and equipment.

3. Material accounting policies:

The material accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

(a) Plant and equipment:

(*i*) Recognition and measurement:

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes amounts that are directly attributable to acquisition, construction, development, or betterment of the asset, after deducting trade discounts and rebates. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and are recognized net within other income in profit and loss.

3. Material accounting policies (continued):

(a) Plant and equipment (continued):

(*ii*) Subsequent costs:

The cost of replacing a part of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of plant and equipment are recognized in profit or loss as incurred.

(*iii*) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation of plant and equipment commences when the asset is deemed available for use and is recognized in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment as follows:

Asset	Useful life - years
Energy plant center	75
Distribution piping	50
General equipment	20-40

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(b) Revenue recognition:

The Company recognizes revenue for the provision of energy and supply of other services. Revenue for the provision of energy is based on meter readings and is billed on a cyclical basis. Revenue is accrued for energy delivered but not yet billed. Revenue for other services is recognized upon completion of service. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable.

3. Material accounting policies (continued):

(c) Concession projects:

Concession projects are delivered by partners selected to design, build, finance, and maintain the project assets which are owned by the Company and included in plant and equipment. The cost of the assets under construction are recorded at cost, based on construction progress billings and also includes other costs, if any, incurred directly by the Company.

When deemed available for use, the project assets are amortized over their estimated useful lives. An obligation for the cost of capital and financing received to date, net of repayments, is recorded under Project Agreement liability (note 9).

(d) Government grants:

Government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. Grants related to the acquisition of assets are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

(e) Developer contributions:

Developer contributions are cash amounts received/receivable from developers toward the cost of equipment and/or assets received from developers, required for the supply of district energy to the developer's site. Developer contributions are recognized into income over the expected useful life of the related assets from when the assets are available for use. Developer contributed assets are initially recorded at fair value and included in plant and equipment.

(f) Income taxes:

Under Section 149(1)(d) of the Income Tax Act, the Company is exempt from income and capital taxes by virtue of the fact that it is a wholly owned subsidiary of the City. Accordingly, no provision for such taxes has been made in these financial statements.

(g) Cash and cash equivalents:

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(h) Finance income and finance cost:

Finance income comprises interest on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on the Project Agreement liability. Finance costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

3. Material accounting policies (continued):

(i) Financial instruments:

Classification and measurement of financial assets and financial liabilities:

Under IFRS 9, *Financial Instruments* ("IFRS 9"), on initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income ("FVOCI") - debt instrument, FVOCI - equity instrument, or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

3. Material accounting policies (continued):

(i) Financial instruments (continued):

Classification and measurement of financial assets and financial liabilities (continued):

The following accounting policies apply to subsequent measurement of financial assets:

- Financial assets at FVTPL: these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

  Financial assets at amortized cost: these assets are subsequently measured at amortized costs using the effective interest method. The amortized cost is reduced by impairment losses (see note 3(j)(i)). Interest income and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

- Debt investments at FVOCI: these assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognized in profit or loss. Other net gains are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

- Equity investments at FVOCI: these assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities are initially recognized at fair value. Subsequent to initial recognition financial liabilities are measured at amortized cost using the effective interest method.

The following table shows the subsequent measurement categories for each class of the Company's financial assets and financial liabilities:

Financial assets:	
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Investments	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Project Agreement liability	Amortized cost

3. Material accounting policies (continued):

(j) Impairment:

(i) Financial assets:

The 'expected credit loss' ("ECL") impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortized cost consist of cash and cash equivalents, accounts receivable and investments.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12-months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs. The Company has elected to measure loss allowances for trade receivables, including amounts due from the City, at an amount equal to lifetime ECLs.

Measurement of ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

3. Material accounting policies (continued):

(j) Impairment (continued):

(ii) Non-financial assets (continued):

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(k) Pension benefits:

The Company and its employees participate in the Municipal Pension Plan, a multi-employer defined benefit plan. Defined contribution plan accounting is applied to this plan because separate information for the Company is unable to be provided to apply defined benefit accounting. The expenses associated with this plan are equal to the actual contributions required by the Company during the reporting period.

(l) Standards issued but not yet effective:

A number of new standards are effective for annual periods beginning after January 1, 2025 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements:

IFRS 18 will replace IAS 1 *Presentation of Financial Statements* and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Company is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Company's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Company is also assessing the impact of how information is grouped in the financial statements, including for items currently labelled as 'other'.

3. Material accounting policies (continued):

(l) Standards issued but not yet effective (continued):

The following new and amended accounting standards are not expected to have a significant impact on the financial statements:

- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7); and
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7).

4. Accounts receivable:

	2025	2024
Trade receivables	$ 346,153	$ 1,251,399
Due from City of Richmond (note 15(a))	187,181	166,301
Unbilled trade receivables	3,692,081	2,833,834
GST receivable	153,293	133,914
	$ 4,378,708	$ 4,385,448

5. Investments:

Investments represent term deposits as follows:

Purchase date	Maturity date	Interest rate	2025	2024
July 23, 2025	July 22, 2026	3.85%	$ 3,215,498	$ -
August 5, 2025	August 5, 2026	3.33%	4,054,010	-
December 3, 2025	December 3, 2027	3.11%	3,033,911	-
December 3, 2025	December 3, 2027	3.13%	3,007,203	-
June 20, 2024	June 20, 2025	5.20%	-	2,980,151
June 20, 2024	June 22, 2026	5.01%	1,026,628	1,026,628
June 20, 2024	June 22, 2027	5.00%	1,077,904	1,026,575
July 23, 2024	July 23, 2025	5.22%	-	3,069,076
July 23, 2024	July 23, 2025	5.40%	-	3,071,458
July 23, 2024	July 23, 2026	4.89%	2,553,924	2,553,924
			17,969,078	13,727,812
Less: current portion of investments			10,850,060	9,120,685
Non-current investments			$ 7,119,018	$ 4,607,127

6. Plant and equipment:

	Energy plant center	General equipment	Distribution piping	Total
Cost:				
Balance as at December 31, 2023	$ 5,031,915	$ 40,600,193	$ 17,007,877	$ 62,639,985
Additions	-	2,802,641	3,383,649	6,186,290
Balance as at December 31, 2024	5,031,915	43,402,834	20,391,526	68,826,275
Transfer	-	88,140	(88,140)	-
Additions	-	24,139,242	7,671,530	31,810,772
Disposals	-	(283,047)	-	(283,047)
Balance as at December 31, 2025	$ 5,031,915	$ 67,347,169	$ 27,974,916	$100,354,000
Accumulated depreciation:				
Balance as at December 31, 2023	$ 469,644	$ 7,062,483	$ 1,367,073	$ 8,899,200
Depreciation	67,092	1,431,183	300,697	1,798,972
Balance as at December 31, 2024	536,736	8,493,666	1,667,770	10,698,172
Depreciation	67,092	1,961,726	304,005	2,332,823
Disposals	-	(103,723)	-	(103,723)
Balance as at December 31, 2025	$ 603,828	$ 10,351,669	$ 1,971,775	$ 12,927,272
Net book value:				
At December 31, 2023	$ 4,562,271	$ 33,537,710	$ 15,640,804	$ 53,740,785
At December 31, 2024	4,495,179	34,909,168	18,723,756	58,128,103
At December 31, 2025	4,428,087	56,995,500	26,003,141	87,426,728

Included in plant and equipment is $18,851,592 (2024 - $10,706,471) of assets under construction being $6,760,875 (2024 - $5,212,386) general equipment and $12,090,717 (2024 - $5,494,085) distribution piping. For the year ended December 31, 2025, capitalized borrowing costs related to the construction of the general equipment and distribution system in the year amounted to $279,367 (2024 - $212,005), calculated using a capitalization rate of 4.76% (2024 - 4.76%).

7. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities include post-employment benefits of $135,700 (2024 - $86,000).

8. Deferred developer contributions and Government grants:

(a) Deferred developer contributions:

The following table summarizes deferred developer contribution amounts recognized:

	2025	2024
Deferred developer contributions, beginning of year	$ 22,788,278	$ 19,235,460
Developer contributions received (net of refunds)	-	4,220,949
Developer contributed assets received	17,448,616	-
Recognized revenue from developer contributions	(1,129,687)	(668,131)
	39,107,207	22,788,278
Less: current portion of deferred developer contributions	1,540,563	668,133
Non-current deferred developer contributions	$ 37,566,644	$ 22,120,145

(b) Government grants:

In 2022, the Company received approval for a grant (the “Sewer Heat Recovery grant”) from CleanBC Communities Fund, receivable as qualifying capital expenses are incurred. In 2025, the Company recognized on the statement of financial position $1,360,090 (2024 - $514,462) under the Sewer Heat Recovery grant. As the relevant assets were under construction at December 31, 2025, the grant received has been deferred under non-current liabilities.

9. City Centre District Energy Utility Project Agreement:

On September 22, 2022, the Company entered into a concession project agreement (the “Project Agreement”) with City Centre Energy Limited Partnership (“Project Contractor”) to design, build, finance, operate and maintain City Centre District Energy Utility infrastructure providing heating and cooling services to new residential and mixed use commercial developments within the City Centre area (the “CCDEU project”). The Project Contractor is a wholly owned subsidiary of Corix District Energy Holdings GP Inc.

The total estimated Project Agreement liability to finance the construction of the CCDEU project at full build out is estimated at $609,717,000 and will be accrued over time as the infrastructure is constructed and services are rendered.

9. City Centre District Energy Utility Project Agreement (continued):

The Project Agreement liability is payable monthly in accordance with the Project Agreement terms. Required Project Agreement liability payment obligations are disclosed in note 13.

The following tables summarize the changes in the Project Agreement liability due to financing cash flows and liability related additions and repayments:

(a) Project Agreement liability:

	2025	2024
Project Agreement liability – capital	$ 27,558,600	$ 18,343,191
Project Agreement liability – non-capital	1,967,968	939,905
	29,526,568	19,283,096
Less: Current portion of Project Agreement liability	(7,444,475)	(7,158,752)
Non-current portion of Project Agreement liability	$ 22,082,093	$ 12,124,344

The average finance cost on the project liability is 4.71% for the year ended December 31, 2025 (2024 - 5.17%).

The Project Agreement liability is repayable as follows:

2026	$ 7,444,475	$ 7,158,752
2027	2,289,031	1,429,696
2028	2,408,061	1,497,607
2029	2,533,280	1,568,743
2030 and thereafter	14,851,721	7,628,298
Total	$ 29,526,568	$ 19,283,096

The Project Agreement liability and the termination payment obligation under the Project Agreement is secured by the CCDEU project infrastructure assets included in plant and equipment, and energy services agreements with customers.

	2025	2024
Opening balance	$ 19,283,096	$ 14,475,318
Additions	9,758,801	4,855,397
Finance expense (note 12)	1,327,176	947,025
Net repayment	-	(994,644)
Repayment of the capital portion	(543,392)	-
Repayment of the non-capital portion	(299,113)	-
Ending balance	$ 29,526,568	$ 19,283,096

10. Share capital and contributed surplus:

At December 31, 2025, the authorized share capital comprised 10,000 (2024 - 10,000) common shares without par value.

As at December 31, 2025, the Company has issued 450 common shares (2024 - 450) at $0.01 per share totaling $4.50 (2024 - $4.50) and held a contributed surplus of $27,397,110 (2024 - $27,397,110).

11. Personnel expenses:

The following expenses are included in general and administrative expenses:

	2025	2024
Wages and salaries	$ 1,308,300	$ 1,074,838

12. Net finance income (cost):

	2025	2024
Finance income:		
Interest income on investments	$ 594,326	$ 761,880
Interest income on cash and cash equivalents	310,262	182,576
Other	-	14,530
	904,588	958,986
Finance cost:		
Interest expense on Project Agreement liability (note 9)	(1,327,176)	(947,025)
Less: Interest expense capitalized to plant and equipment (note 6)	279,367	212,005
	(1,047,809)	(735,020)
Net finance income (cost)	$ (143,221)	$ 223,966

13. Commitments and contingencies:

(a) Project Agreement commitments:

Under the Project Agreement, the Company needs to make monthly payments to the Project Contractor based on the aggregate of the capital obligations, the operating costs, the asset management fee on contributed assets, Project Contractor income tax and commodity costs amounts calculated as of the end of each contract year. The capital obligations are comprised of capital expenditures and financing costs. The commodity costs include costs of fuel, electricity, water, chemicals, etc. which are consumed or produced in the performance of the infrastructure and the operating services. All these costs will be repaid over time by revenue generated through the provision of energy services. The information presented below shows the expected committed cash outflow for the next year under the Project Agreement for the capital and operating costs. As construction progresses the asset values are recorded as plant and equipment and the corresponding liabilities are recorded as project agreement liabilities as disclosed in note 9.

	Capital Commitment	Operating Commitment	Total Commitment
2026	$ 1,371,434	$ 6,073,041	$ 7,444,475

As at December 31, 2025, under the Project Agreement, on an early termination for convenience by the Company, or termination on an event of default by the Company, the Company is obligated to pay $31,289,562 to Project Contractor.

(b) Distribution pipe leakage:

In 2020, the Company identified a distribution pipe leakage of heat transfer fluid in one of its service areas. Remediation activities were substantially completed in prior years, and the matter has advanced to the recovery stage. The Company is pursuing recovery of costs incurred and accrued from responsible parties. At this time, it is not practicable to estimate the financial effect of any potential recovery from the other parties involved or the Company's insurer.

14. Revenue:

	2025	2024
Metered billings	$ 10,382,616	$ 8,778,966
Other revenue	981,486	981,486
	$ 11,364,102	$ 9,760,452

15. Related party transactions:

Included in these financial statements are transactions with various Crown corporations, ministries, agencies, boards and commissions related to the Company by virtue of common control by the City, the Province of British Columbia or the Government of Canada. The Company has applied the modified disclosure requirements under IAS 24, *Related Party Disclosures*, which is only applicable for government-related entities.

(a) Due from City of Richmond:

During 2025, the Company received and recognized in other revenue $981,486 (2024 - $981,486) for its services of advancing district energy opportunities in the City. Staff and advanced design activities on low carbon district energy initiatives are covered by this fee. With or without the Company, the City would need to fund these costs in order to successfully implement district energy initiatives for the City and position itself at the forefront of tackling local and global environmental challenges our world faces.

In addition, included in metered billings revenue for 2025 is $36,508 (2024 - $34,274) for district energy utility services rendered by the Company to the City.

The Company also received and recognized energy model review fees into other income of $9,457 (2024 - $32,868) relating to district energy permit fees collected by the City for in-building district energy related equipment reviews performed by the Company.

Additionally, a fee of $87,340 (2024 - $69,680), included in general and administrative expenses, was paid to the City for the day-to-day support that the Company received from City staff during the year. These costs have been charged to the Company on a cost recovery basis.

The total amount due from the City as at December 31, 2025 is $187,181 (2024 - $166,301) and is included within accounts receivable.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amount is non-interest bearing and repayable on demand.

15. Related party transactions (continued):

(b) Key management personnel:

Key management personnel compensation comprised the following:

		2025		2024
Short-term employee benefits	$	298,730	$	215,610
Post-employment benefits		4,186		2,781
	$	302,916	$	218,391

The Board of Directors do not receive any remuneration. Key management personnel include the Board of Directors, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. The Chief Operating Officer role is the only officer position held by a full-time employee of the Company. Short-term employee benefits include salaries and taxable benefits. The variance in key management personnel compensation in 2025 compared to 2024 is attributable to the Chief Operating Officer position being in place for the full year in 2025, whereas the position commenced partway through 2024 following approval by the Board of Directors.

16. Fair values and financial instruments:

The Company uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 - inputs other than quoted prices that are observable for asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

16. Fair values and financial instruments (continued):

Financial assets and liabilities not measured at fair value:

The carrying amounts for cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities approximate their fair values due to their short-term nature and/or market rates of interest.

Subsequent to initial recognition, the Project Agreement liability is accounted for at amortized cost using the effective interest method. The Project Agreement liability includes a component relating to a financing arrangement the Project Contractor holds with the Canada Infrastructure Bank. To determine the fair value of the Project Agreement liability for disclosures purposes, this component has been discounted using a market-based rate for a similar instrument. The other components of the Project Agreement liability approximate their fair values due to the market rates of interest.

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities according to their fair value hierarchy.

	December 31, 2025		December 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	$ 4,434,012	$ 4,434,012	$ 7,576,940	$ 7,576,940
Accounts receivable	4,378,708	4,378,708	4,385,448	4,385,448
Investments	17,969,078	17,969,078	13,727,812	13,727,812
Accounts payable and accrued liabilities	2,075,720	2,075,720	1,377,195	1,377,195
Project Agreement liability	29,526,568	26,949,516	19,283,096	17,558,506

17. Financial risk management:

(a) Overview:

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (interest rate risk)

(b) Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The management reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(c) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Company consisting of its cash and cash equivalents, trade accounts receivables and other investments. The Company assesses these financial assets on a continuous basis for any amounts that are not collectible or realizable. It is management's opinion that the Company is not exposed to significant credit risk from its financial instruments.

(*i*) Trade and unbilled trade receivables:

The Company engages with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of trade and other receivables based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

The sale of energy utilities is made to end-user customers in the City's geographic region. On the basis of the Company's collective experience, management considers the credit risk associated with trade and unbilled trade receivables to be low.

17. Financial risk management (continued):

(c) Credit risk (continued):

(*i*) Trade and unbilled trade receivables (continued):

The following table provides information about the exposure to credit risk for trade receivables by aging:

	December 31, 2025			
Aging	Gross book balance	Bad debt provision	Proportion of provision	Credit-impaired
Current (not past due)	$ 4,038,234	$ -	$ -	No
1 to 30 days past due	-	-	-	-
31 to 60 days past due	-	-	-	-
61 to 90 days past due	-	-	-	-
91 days to 1 year past due	-	-	-	-
	$ 4,038,234	$ -	$ -	-

	December 31, 2024			
Aging	Gross book balance	Bad debt provision	Proportion of provision	Credit-impaired
Current (not past due)	$ 3,000,135	$ -	$ -	No
1 to 30 days past due	-	-	-	-
31 to 60 days past due	216,010	-	-	No
61 to 90 days past due	-	-	-	-
91 days to 1 year past due	1,035,389	-	-	No
	$ 4,251,534	$ -	$ -	-

(*ii*) Due from the City:

The credit risk on amounts due from the City is considered to be low as the City is a Crown entity incorporated under the Local Government Act of British Columbia.

(*iii*) Cash and cash equivalents, and investments:

Credit risk arising from other financial assets of the Company comprises cash and cash equivalents, and investments. The Company's exposure to credit risk arises from default of the counterparties. The Company manages credit risk through depositing cash and only investing in cash term deposits with established financial institutions which are considered to be low risk.

17. Financial risk management (continued):

(d) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Company's approach to managing liquidity is continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's terms of business require amounts to be paid from customers within 30-days of the date of invoice. The accounts payable and accrued liabilities and due from the City are in the normal course of operations and paid within the following fiscal year. The commitments under the Project Agreement liability are disclosed in note 13.

The information presented below shows the undiscounted contractual maturities of the Project Agreement liability, including estimated interest payments.

	Carrying amount	Contractual cash flow	Less than 1 year	1 - 2 years	2 - 5 years
December 31, 2025	$ 29,526,568	$ 34,687,091	$ 7,641,378	$ 2,475,509	$ 24,570,204
December 31, 2024	19,283,096	22,219,519	7,353,383	1,549,506	13,316,630

(e) Market risk:

Market risk is the risk that changes in market prices, such as interest rates and other rate risks, will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in the market interest rate.

The Company has mitigated the interest rate fluctuation risk associated with the Project Agreement liability (note 9) by securing some of the debt funding at fixed interest rates until 2032.

18. Capital management:

The Company's objective when managing capital is to maintain a strong capital base to sustain future development of the business, so that it can provide return for the shareholder and benefits for other stakeholders.

The Company considers the items included in shareholder's equity and the capital portion of the Project Agreement liability as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not required to meet any debt covenants. The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year.

19. Pension plan:

The Company and its employees contribute to the City's Municipal Pension Plan (a jointly trusteed pension plan). The Board of Trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2024, the plan has about 273,000 active members and approximately 133,000 retired members. Active members include approximately 47,000 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 actuarial valuation for the Municipal Pension Plan as at December 31, 2024, indicated a $2,675 million funding surplus for basic pension benefits on a going concern basis.

The Company paid $133,116 (2024 - $114,138) for employer contributions while employees contributed $123,014 (2024 - $105,556) to the plan in fiscal 2025.

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

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

City of Richmond

Report to Committee

To:	Finance and Audit Committee	**Date:**	April 23, 2026
From:	Jerry Chong General Manager, Finance & Corporate Services	**File:**	03-1200-09/2026-Vol 01

Re: **2025 Audited Financial Statements for the Richmond Olympic Oval Corporation**

Staff Recommendation

That the 2025 Audited Financial Statements for the Richmond Olympic Oval Corporation from the Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation be received for information.

Executive Summary

The 2025 audited financial statements for the Richmond Olympic Oval Corporation were approved by the Board on April 22, 2026. The annual surplus was $2.56 million, primarily due to total revenues of $22.7 million driven by strong results across rentals, admissions, memberships, and programs exceeding budget by approximately $1.8 million. The Corporation continued to reduce its reliance on municipal funding, with City contributions decreasing by $0.4 million from 2024, while expenditures remained below both budget and prior year levels due to continued operational efficiencies.

KPMG LLP have expressed an opinion that the Corporation's financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2025, and its results of operations, its changes in net financial assets and its cash flows are in accordance with Canadian public sector accounting standards.

Endorsed by Serena Lusk, CAO

RICHMOND OLYMPIC OVAL

REPORT

To: Serena Lusk
Chief Administrative Office, City of Richmond

Date: April 23, 2026

Jerry Chong
General Manager, Finance & Corporate Services, City of Richmond

From: Rick Dusanj, CPA, CA
Director, Finance, Innovation & Technology

Re: **Richmond Olympic Oval Corporation 2025 Audited Financial Statements**

Origin

This staff report addresses the Richmond Olympic Oval Corporation's (the "Corporation") 2025 Audited Financial Statements (Attachment #1) which were unanimously approved by the Corporation's Board of Directors ("BOD") on April 22, 2026, as well as an update on the 2025 highlights.

2025 Highlights

The Corporation is pleased to present its Audited Financial Statements for the year ended December 31, 2025. The results reflect a year of continued improvement in financial and operational performance, and meaningful community impact.

In 2025, the Corporation achieved an operating surplus of $4.4M before amortization - the strongest in its history. This milestone underscores the sustained demand for the Oval's diverse programs and services, as well as a disciplined focus on revenue growth, cost control, and long-term sustainability. Total revenues of $22.7M exceeded both budget and prior year results, driven by strong performance across rentals, admissions, memberships, and programs.

At the same time, the Oval has continued to strengthen its financial independence. Contributions from the City of Richmond decreased by $0.4M from 2024, reflecting a reduced reliance on municipal funding compared to prior years. These results were achieved while the Corporation continued to exceed its Games Operating Trust High Performance obligations and deliver on its core mandate as a premier sport, fitness, and wellness destination.

Expenditures for 2025 were $20.1M, coming in below both budget and prior year levels. Salaries and benefits decreased year-over-year, reflecting the successful implementation of a more efficient service delivery model. The Corporation continued to strategically explore operational efficiencies without sacrificing service delivery and performance.

Importantly, these financial achievements were realized alongside significant growth in community engagement. In 2025, the Oval welcomed approximately 1.6 million visitors, reflecting increased

participation and expanded reach. The Oval broadened access through additional low- and no-cost programming, announcing extended hours of operation, and continued partnerships with sport organizations and community groups, ensuring the Oval remains inclusive and accessible to residents of all ages and abilities in pursuit of their health and wellness goals.

Hosting events continues to play a vital role in advancing the Corporation's high performance mandate and contributing to the local economy. In 2025, the Oval successfully hosted more than 65 events, ranging from regional competitions to national and international championships. These events not only provide critical opportunities for athlete development and high performance sport but also attract visitors from across the region and beyond, generating millions of dollars in economic activity each year for the City of Richmond through tourism, accommodation, and related spending.

2025 Audited Financial Statements & Audit Findings Report

Independent Auditors Report

KPMG LLP ("KPMG") has conducted the independent audit of the Corporation's financial statements. They have expressed an opinion, that the Corporation's financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2025, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards. The annual financial statements and the auditor's report for the year ended December 31, 2025 are included as Attachment #1. The Audit Findings Report is included as Attachment #2. The comments below refer to figures included in the Audited Financial Statements.

Statement of Financial Position

The total financial assets of the Corporation were $20.9M, with liabilities of $9.9M, and non-financial assets of $14.1M as of December 31, 2025. The total financial assets of $20.9M primarily included investments of $18.0M which represents the Corporation's investments, an accounts receivable balance of $0.6M and a cash balance of $2.2M. The total liabilities of $9.9M primarily included accounts payable and accrued liabilities of $1.4M, post-employment benefits of $0.8M and deferred revenue of $7.6M. The non-financial assets of the Corporation of $14.1M included $13.8M of tangible capital assets and $0.3M of prepaid expenses.

Statement of Operations

The 2025 Audited Financial Statements have a surplus of $4.4M before amortization and transfers to reserves, which represents a favourable variance of $1.9M when compared to budget. Total revenues for 2025 were $22.7M, and total expenses in 2025 before amortization were $18.3M.



Rick Dusanj, CPA, CA
Director, Finance, Innovation & Technology, Richmond Olympic Oval Corporation

Financial Statements of

RICHMOND OLYMPIC OVAL CORPORATION

And Independent Auditor's Report thereon

Year ended December 31, 2025

KPMG LLP
777 Dunsmuir Street, 11th floor
Vancouver, BC V7Y 1K3
Canada
Tel 604 691 3000
Fax 604 691 3031

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and the Shareholder of Richmond Olympic Oval Corporation

Opinion

We have audited the financial statements of Richmond Olympic Oval Corporation (the "Corporation"), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of operations for the year then ended
- the statement of changes in net financial assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the 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 financial position of the Corporation as at December 31, 2025, and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Corporation 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.

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

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation'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 Corporation'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 Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 23, 2026

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
Financial Assets		
Cash	$ 2,242,468	$ 2,058,293
Investments (note 3)	18,000,000	15,533,379
Accounts and other receivable	564,228	784,842
Due from City of Richmond (note 4)	-	96,765
Inventories held for resale	123,061	150,493
	20,929,757	18,623,772
Liabilities		
Accounts payable and accrued liabilities	1,428,581	1,838,173
Post-employment benefits (note 6)	786,300	754,900
Deferred revenue (note 7)	7,630,234	7,806,474
Due to City of Richmond (note 4)	7,595	-
Rental deposits	11,781	11,781
	9,864,491	10,411,328
Net financial assets	11,065,266	8,212,444
Non-Financial Assets		
Tangible capital assets (note 8)	13,777,156	14,041,453
Prepaid expenses and other deposits	348,949	371,531
	14,126,105	14,412,984
Economic dependence (note 13)		
Contractual rights (note 14)		
Accumulated surplus (note 9)	$ 25,191,371	$ 22,625,428

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Operations

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

	2025 Budget (note 2(h))	2025	2024
Revenue:			
Rentals, admissions, memberships and programs	$ 11,846,547	$ 12,353,496	$ 11,665,157
Parking, leasing, interest and other (note 15)	2,300,205	2,633,366	2,712,269
2010 Games Operating Trust Fund (note 5)	3,200,000	4,091,083	3,148,868
Contribution from City of Richmond (note 11(a))	3,573,500	3,573,500	4,001,306
	20,920,252	22,651,445	21,527,600
Expenses:			
Salaries and benefits	12,740,950	12,734,495	12,749,513
Utilities	1,025,000	994,335	929,775
Amortization	2,500,000	1,794,207	1,805,807
Supplies and equipment	1,037,603	979,561	1,110,617
Insurance	825,000	734,981	788,100
General and administration	1,157,183	896,103	1,027,208
Program services	1,676,875	1,951,820	1,962,738
	20,962,611	20,085,502	20,373,758
Annual surplus (deficit)	(42,359)	2,565,943	1,153,842
Accumulated surplus, beginning of year	22,625,428	22,625,428	21,471,586
Accumulated surplus, end of year	$ 22,583,069	$ 25,191,371	$ 22,625,428

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Changes in Net Financial Assets

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

	2025 Budget (note 2(h))	2025	2024
Annual surplus (deficit), for the year	$ (42,359)	$ 2,565,943	$ 1,153,842
Acquisition of tangible capital assets	(1,455,000)	(1,529,910)	(1,265,578)
Gain on sale of tangible capital assets	-	-	(4,470)
Proceeds on sale of tangible capital assets	-	-	5,365
Amortization of tangible capital assets	2,500,000	1,794,207	1,805,807
	1,045,000	264,297	541,124
Acquisition of prepaid expenses and other deposits	-	(799,258)	(1,264,911)
Use of prepaid expenses and other deposits	-	821,840	1,256,151
Change in net financial assets	1,002,641	2,852,822	1,686,206
Net financial assets, beginning of year	8,212,444	8,212,444	6,526,238
Net financial assets, end of year	$ 9,215,085	$ 11,065,266	$ 8,212,444

See accompanying notes to financial statements.

RICHMOND OLYMPIC OVAL CORPORATION

Statement of Cash Flows

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

	2025	2024
Cash provided by (used in):		
Operations:		
Annual surplus	$ 2,565,943	$ 1,153,842
Items not involving cash:		
Amortization of tangible capital assets	1,794,207	1,805,807
Gain on sale of tangible capital assets	-	(4,470)
Changes in non-cash operating items		
Accounts receivable	220,614	224,540
Due from (to) the City of Richmond	104,360	21,838
Inventories held for resale	27,432	34,782
Prepaid expenses and other deposits	22,582	(8,760)
Accounts payable and accrued liabilities	(409,592)	407,839
Post-employment benefits	31,400	(430,400)
Deferred revenue	(176,240)	(325,575)
	4,180,706	2,879,443
Capital activities:		
Acquisition of tangible capital assets	(1,529,910)	(1,265,578)
Proceeds on sale of tangible capital assets	-	5,365
	(1,529,910)	(1,260,213)
Investing activities:		
Net purchase of investments	(2,466,621)	(683,379)
Increase in cash	184,175	935,851
Cash, beginning of year	2,058,293	1,122,442
Cash, end of year	$ 2,242,468	$ 2,058,293

See accompanying notes to financial statements.

1. Incorporation and nature of business:

The Richmond Olympic Oval Corporation (the "Corporation") was incorporated on June 16, 2008 under the *Business Corporations Act* of British Columbia as a municipal corporation wholly-owned by the City of Richmond (the "City"). The business of the Corporation is to use the Richmond Olympic Oval facility (the "Oval") to provide a venue for a wide range of sports, business and community activities, including, but not limited to, being the long-track speed skating venue for the 2010 Olympic and Paralympic Winter Games (the "Games"). The Corporation is not a taxable entity per *Income Tax Act* (Canada) as it is municipally controlled.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards.

(b) Revenue recognition:

Revenues from transactions such as memberships, programs fees, sponsorship revenues, leasing revenue, are recognized as the performance obligation is satisfied over a period of time. Revenues from transactions such as admissions and parking fees, are recognized when the performance obligation is satisfied at a point in time. The Corporation satisfies the performance obligations, which occurs when or as control of the benefits associated with the promised goods or services has passed to the payor. Any unearned portion is recorded as deferred revenue.

Revenues from transactions without performance obligations, such as fines, are recognized at realizable value when the Corporation has the right to claim or retain an inflow of economic resources received or receivable and there is a past transaction or event that gives rise to the economic resources.

Annual distributable amounts and trust income amounts are recognized as revenue when the amounts are approved by the 2010 Games Operating Trust (note 5) and when the related operating expenses and capital maintenance costs of the Oval are incurred. Any amounts received but not yet spent are recognized as deferred revenue.

Restricted contributions are deferred and recognized as revenue when the resources are used for the purposes specified by the related agreement.

(c) Financial instruments:

Financial instruments include cash, investments, accounts receivable, and accounts payable and accrued liabilities.

Financial instruments are recorded at fair value on initial recognition. Equity instruments and derivatives that are quoted in an active market are subsequently recorded at fair value as at the reporting date.

2. Significant accounting policies (continued):

(c) Financial instruments (continued):

All other financial instruments are subsequently recorded at cost or amortized cost unless management elects to carry the instruments at fair value. The Corporation has not elected to carry any other financial instruments at fair value.

Unrealized changes in fair value are recognized on the Statement of Remeasurement Gains and Losses. They are recorded in the Statement of Operations when they are realized. There are no unrealized changes in fair value as at December 31, 2025 and December 31, 2024. As a result, the Corporation does not have a Statement of Remeasurement Gains and Losses.

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

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

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

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

(d) 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. Amortization is provided on a straight-line basis at rates that reflect estimates of the economic lives of the assets over the following periods:

Assets	Rate
Athletic equipment	5 - 10 years
Building improvements	5 - 20 years
Computer software and equipment	3 years
Facility equipment	3 - 10 years
Infrastructure	40 years
Signage	3 years
Simulators and exhibit fabrication	10 years
Tenant improvements	Term of the lease
Uniforms, ice skates and helmets	3 years

Work-in-progress assets are not amortized until the asset is available for use.

2. Significant accounting policies (continued):

(d) Non-financial assets (continued):

(*ii*) Impairment of tangible capital assets:

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation'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 Statement of Operations.

(e) Pension plan:

The Corporation and its employees make contributions to the Municipal Pension Plan (the "Plan"). As the Plan is a multi-employer contributory defined benefit pension plan, these contributions are expensed as incurred.

(f) Income taxes:

The Corporation is not subject to income taxes as it is a municipal corporation wholly-owned by the City.

(g) Functional and object reporting:

The operations of the Corporation are comprised of a single function, which includes provision of sports, fitness, and recreation services. As a result, the expenses of the Corporation are presented by object in the Statement of Operations.

(h) Budget data:

The budget data presented in these financial statements is based upon the 2025 budget approved by the Board of Directors on November 27, 2024.

(i) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Areas requiring the use of management estimates relate to the determination of valuation of accounts receivable, valuation of employee future benefits, and useful lives of tangible capital assets for amortization. Actual results could differ from those estimates. The estimates are reviewed periodically and as adjustments become necessary, they are recorded in surplus (deficit) in the year in which they become known.

(j) 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.

2. Significant accounting policies (continued):

(k) Post-employment benefits:

Post-employment benefits accrue to the Corporation'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.

3. Investments:

Investments represent term deposits as follows:

Purchase date	Maturity date	2025	2024
March 24, 2025	March 24, 2026	$ 3,000,000	$ -
June 23, 2025	June 23, 2026	5,500,000	-
August 14, 2025	August 14, 2026	4,500,000	-
August 14, 2025	August 14, 2030	2,000,000	-
December 16, 2025	December 16, 2026	1,000,000	-
December 16, 2025	December 16, 2030	2,000,000	-
January 22, 2024	January 22, 2025	-	2,500,000
April 8, 2024	April 8, 2025	-	1,783,379
May 21, 2024	May 21, 2025	-	5,000,000
August 9, 2024	August 11, 2025	-	4,000,000
December 13, 2024	December 15, 2025	-	2,250,000
		$ 18,000,000	$ 15,533,379

The interest rate of the term deposits ranges from 3.00% to 3.62% (2024 - 3.70% to 5.73%).

4. Due from/to City of Richmond:

The amounts due from/to the City of Richmond arise in the normal course of business and are unsecured, and non-interest bearing with no stated repayment terms.

5. 2010 Games Operating Trust Fund:

On November 14, 2002, under the terms of the Multiparty Agreement for the Games, the Government of Canada and the Province of British Columbia agreed to establish the Legacy Endowment Fund (the "Fund") and to each contribute $55 million. On March 31, 2004, under the terms of the 2010 Games Operating Trust ("GOT") Agreement, an irrevocable trust was created known as GOT and the 2010 Games Operating Trust Society (the "Society") became the trustee of the Fund. The purpose of the Fund is to fund operating expenses and capital maintenance costs of certain facilities created for the Games, specifically the Oval and the Whistler Sliding Centre and Nordic Centre, and to assist with the continued development of amateur sport in Canada.

5. 2010 Games Operating Trust Fund (continued):

Subsequent to the formation of the GOT, the City, as owner of the Oval, became a beneficiary of the GOT and became responsible for complying with obligations set by the Society and GOT in order to receive funding.

Effective December 31, 2007:

(a) the Society Board divided the Fund into three funds: the Speed Skating Oval Fund; the Whistler Sliding Centre and Nordic Centre Fund; and the Contingency Fund; and

(b) the Society Board divided the capital and any accumulated but undistributed income of the Fund as follows: Speed Skating Oval Fund (40%); Whistler Sliding Centre and Nordic Centre Fund (40%); and the Contingency Fund (20%).

Effective April 21, 2009, the City entered into an agreement with the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games ("VANOC"). The agreement details the terms and conditions to which the City is required to adhere in order to receive funding from GOT. Effective September 1, 2011, VANOC assigned the agreement to the Society.

Funds from GOT are paid to the City first and the City distributes the funds to the Corporation. Revenue from GOT is comprised of:

	2025	2024
2024 annual distributable amount approved and received in 2025	$ 4,091,083	$ -
2023 annual distributable amount approved and received in 2024	-	3,148,868
	$ 4,091,083	$ 3,148,868

6. Post-employment benefits:

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

	2025	2024
Accrued benefit obligation, beginning of year	$ 849,200	$ 1,185,300
Current service cost	77,700	86,400
Interest cost	38,500	49,200
Benefits paid	(92,700)	(566,000)
Actuarial losses	15,900	94,300
Accrued benefit obligation, end of year	$ 888,600	$ 849,200

6. Post-employment benefits (continued):

An actuarial valuation for these benefits was performed to determine the Corporation's accrued benefit obligation as at December 31, 2025. This actuarial gain and losses are being amortized over a period equal to the employees' expected average remaining service lifetime of 12 years (2024 - 12 years).

	2025	2024
Accrued benefit obligation, end of year	$ 888,600	$ 849,200
Unamortized net actuarial loss	(102,300)	(94,300)
Accrued benefit liability, end of year	$ 786,300	$ 754,900

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

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

7. Deferred revenue:

	2025	2024
Balance, beginning of year	$ 7,806,474	$ 8,132,049
Add: amounts received	14,810,622	14,051,851
Less: revenue recognized	(14,986,862)	(14,377,426)
Balance, end of year	$ 7,630,234	$ 7,806,474

Deferred revenue comprises of:

	2025	2024
Memberships and programs	$ 1,529,556	$ 1,379,009
Sponsorship fees	-	28,226
Sport Hosting funding (note 11(b))	677,816	629,076
Richmond Olympic Experience (note 11(b))	3,222,171	3,374,104
The Fields (a)	2,200,691	2,396,059
	$ 7,630,234	$ 7,806,474

(a) The Fields is a year-round outdoor activity space for sports programs and events. As at December 31, 2025, $2,200,691 (2024 - $2,396,059) of the funds restricted for The Fields remain in deferred revenue and the revenue will be recognized based on the terms specified by the related agreements.

8. Tangible capital assets:

Cost	Balance December 31, 2024	Additions, net	Disposals	Balance December 31, 2025
Athletic equipment	$ 5,814,671	$ 315,412	$ (14,824)	$ 6,115,259
Building improvements	3,636,440	185,562	-	3,822,002
Computer software and equipment	3,988,357	170,888	-	4,159,245
Facility equipment	2,038,958	393,188	-	2,432,146
Infrastructure	10,818,318	-	-	10,818,318
Signage	232,483	32,746	-	265,229
Simulators and exhibit fabrication	4,691,459	7,337	-	4,698,796
Tenant improvements	65,729	-	-	65,729
Uniforms, ice skates and helmets	411,961	26,358	-	438,319
Work-in-progress	153,332	398,419	-	551,751
	$ 31,851,708	$ 1,529,910	$ (14,824)	$ 33,366,794

Accumulated amortization	Balance December 31, 2024	Amortization expense	Disposals	Balance December 31, 2025
Athletic equipment	$ 3,629,273	$ 443,695	$ (14,824)	$ 4,058,144
Building improvements	2,927,879	276,090	-	3,203,969
Computer software and equipment	3,783,360	164,267	-	3,947,627
Facility equipment	1,592,318	138,734	-	1,731,052
Infrastructure	1,509,446	270,458	-	1,779,904
Signage	206,391	16,367	-	222,758
Simulators and exhibit fabrication	3,703,701	464,362	-	4,168,063
Tenant improvements	65,729	-	-	65,729
Uniforms, ice skates and helmets	392,158	20,234	-	412,392
	$ 17,810,255	$ 1,794,207	$ (14,824)	$ 19,589,638

	2024 Net book value	2025 Net book value
Athletic equipment	$ 2,185,398	$ 2,057,115
Building improvements	708,561	618,033
Computer software and equipment	204,997	211,618
Facility equipment	446,640	701,094
Infrastructure	9,308,872	9,038,414
Signage	26,092	42,471
Simulators and exhibit fabrication	987,758	530,733
Uniforms, ice skates and helmets	19,803	25,927
Work-in-progress	153,332	551,751
	$ 14,041,453	$ 13,777,156

The Oval land and building complex and its major equipment components are the property of the City and are not recorded in these financial statements.

There was no write-down of tangible capital assets during the year (2024 - nil).

9. Accumulated surplus:

	2025	2024
Accumulated surplus is comprised of:		
Share capital	$ 1	$ 1
Capital reserve	15,117,397	13,132,897
Other reserves/provisions	988,549	589,882
Operating surplus	769,979	605,797
Invested in tangible capital assets	8,315,445	8,296,851
	$ 25,191,371	$ 22,625,428

10. Financial risk management:

The Corporation has exposure to the following risks from the use of financial instruments: credit risk, market risk, and liquidity risk. The Board of Directors ensures that the Corporation has identified its major risks and ensures that the management monitors and controls them.

(a) Credit risk:

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Corporation consisting of cash, account receivables, and investments. The Corporation limits its credit risk by holding its cash and investments with federally regulated, credit worthy financial institutions. The Corporation assesses these financial assets on a continuous basis for any amounts that are not collectible or realizable.

It is management's opinion that the Corporation is not exposed to significant credit risk from its financial instruments.

(b) Market and interest rate risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Corporation's income. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing the return of risk.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument held by the Corporation will fluctuate because of changes in the market interest rate. The Corporation is exposed to this risk from its investments in guaranteed investment certificates (note 3).

It is management's opinion that the Corporation is not exposed to significant market or interest rate risk from its financial instruments.

10. Financial risk management (continued):

(c) Liquidity risk:

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

It is management's opinion that the Corporation is not exposed to significant liquidity risk.

There have been no changes in risk disclosures since 2024.

11. Related party transactions:

(a) City of Richmond:

The Corporation leases the Oval from the City for $1 annually.

The Corporation is party to the Richmond Oval Agreement (the "Agreement") with the City, which had an effective date of July 1, 2008. The Agreement established the terms and conditions of the relationship between the City and the Corporation, including any financial support.

During 2025, the Corporation received a contribution from the City of $3,573,500 (2024 - $4,001,306) (note 16).

(b) Sport Hosting Function:

Effective July 1, 2011, the Sport Hosting function of the City was transferred to the Corporation. This function is fully funded by the hotel tax. In 2025, $400,000 (2024 - $400,000) was transferred from the City to the Corporation as funding for the operations of that department. As at December 31, 2025, $677,816 (2024 - $629,076) has been included in deferred revenue (note 7) and during 2025, $351,260 (2024 - $435,821) was recognized in memberships, admissions, and programs revenue on the Statement of Operations relating to Sport Hosting.

In previous years, the Corporation received hotel tax funding restricted for the purpose of purchasing tangible capital assets related to the Richmond Olympic Experience project. In order to retain the funding received in prior years, the Corporation must maintain and operate the tangible capital assets purchased with these funds over the life of the tangible capital assets. On an annual basis, the Corporation must provide a report to the City as to the use of the funds and the maintenance and operation of these tangible capital assets. As at year-end, $3,222,171 (2024 - $3,374,104) of the funds relating to tangible capital assets for the Richmond Olympic Experience remains in deferred revenue and the revenue will be recognized over the life of the underlying assets.

12. Pension plan:

The Corporation and its employees contribute to the Municipal Pension Plan (a jointly trusteed pension plan). The Board of Trustees, representing plan members and employers, is responsible for administering the Plan, including investment of assets and administration of benefits. The Plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2024, the Plan has about 273,000 active members and approximately 133,000 retired members. Active members include approximately 47,000 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 actuarial valuation for the Municipal Pension Plan as at December 31, 2024, indicated a $2,675 million funding surplus for basic pension benefits on a going concern basis.

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

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

The Corporation paid $665,723 (2024 - $638,872) for employer contributions to the Plan in fiscal 2025.

13. Economic dependence:

The Corporation is economically dependent on receiving funding from GOT (note 5) and the City (note 11).

14. Contractual rights:

Contractual rights are the right to economic resources arising from contracts or agreements that will result in revenues and assets in the future and are not yet recorded in the financial statements. The Corporation has contractual rights to receive lease revenue over the next two years in the following total amounts:

2026	$ 535,102
2027	389,808

In addition, the Corporation receives funding from the City (note 11(a)) and from the GOT (note 5).

15. Parking, leasing, interest and other:

	2025	2024
Parking, leasing, interest and other is comprised of:		
Parking	$ 897,462	$ 772,695
Leasing	590,634	542,683
Interest	732,973	956,346
Other	412,297	440,545
	$ 2,633,366	$ 2,712,269

16. Government transfers:

Government transfers are received for operating and capital activities. During 2025, the Corporation received an operating transfer of $3,573,500 (2024 - $4,001,306) (note 11(a)).

Attachment #2

FIN - 240

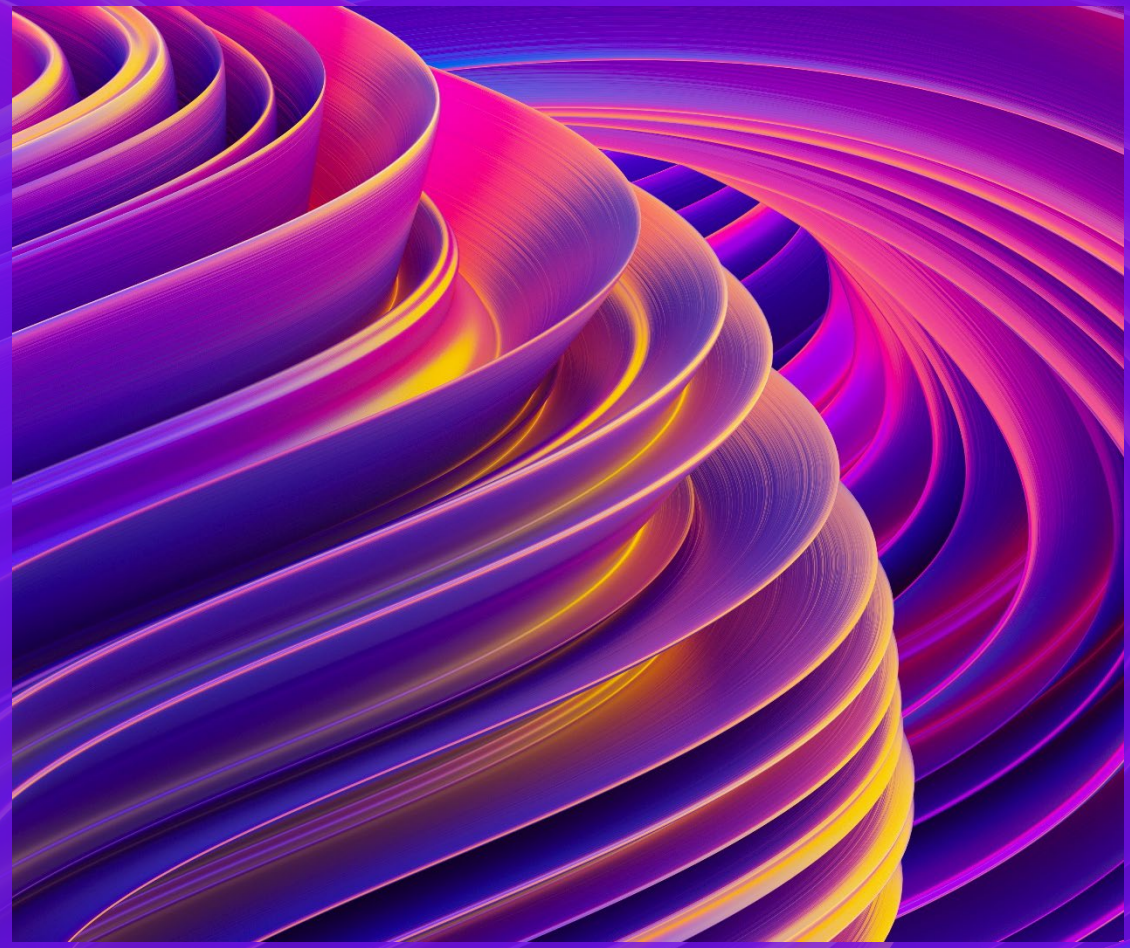
Richmond Olympic Oval Corporation

Audit Findings Report for the year ended December 31, 2025

KPMG LLP

Prepared on March 31, 2026, for presentation to the Audit & Finance Committee on April 8, 2026.

kpmg.ca/audit



KPMG contacts

Key contacts in connection with this engagement



Aanu Adeleye, MBA, CPA, CPA (Illinois)
Engagement Partner
604-527-3746
aadeleye@kpmg.ca



Brandon Ma, CPA, CA
Engagement Quality Review Partner
604-691-3562
bjma@kpmg.ca



Avery Nguyen, CPA
Engagement Manager
778-785-2693
averynguyen@kpmg.ca



FIN - 241

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Table of contents

4 **Highlights**

6 **Risks and results**

11 **Control deficiencies**

12 **Policies and practices**

13 **Appendices**

FIN - 242

The purpose of this report is to assist you, as a member of the Audit & Finance Committee (the "Committee"), in your review of the results of our audit of the financial statements. This report is intended solely for the information and use of management, the Committee, and the Board of Directors (the "Board"), and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Digital use information

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

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

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

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Highlights

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

Purpose of this report

The purpose of this Audit Findings Report is to assist you, as a member of the Audit & Finance Committee (the "Committee"), in your review of the results of our audit of the financial statements of Richmond Olympic Oval Corporation (the 'Corporation') as at and for the year ended December 31, 2025. This Audit Findings Report builds on the Audit Plan we provided to the Board dated November 26, 2025. Our audit has been performed in accordance with Canadian generally accepted auditing standards (CAS).

Status

As of the date of this Audit Findings Report, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include, amongst others:

- Completing certain procedures, file documentation, review, and completion processes.
- Completing our discussions with the Committee.
- Obtaining evidence of the Board's approval of the financial statements.
- Obtaining the signed management representation letter.
- Completing subsequent event review procedures up to the date of the Board's approval of the financial statements.

We will update the Committee on significant matters, if any, arising from the completion of the audit, including the completion of the above procedures.

A draft of our auditor's report is enclosed with the draft financial statements.

Policies and practices

Accounting policies and practices

Significant changes

Significant changes since our audit plan

There have been changes to our audit plan since it was originally communicated in the Audit Planning Report. These updates will be discussed as part of our presentation of this report.

Risks and results

Significant risks

- Presumed risk of management override of controls, as required by professional auditing standards

Other risks of material misstatement

- Revenue and deferred revenue
- Expenses, including salaries and benefits expense
- Costs related to the Richmond Olympic Experience (the "Rox") and the Fields project

Other areas of audit focus

- Post-employment benefits

Misstatements

Uncorrected misstatements

Corrected misstatements

Control deficiencies

Significant deficiencies

Other control deficiencies

FIN - 243

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Highlights (continued)

No matters to report

Matters to report – see link for details

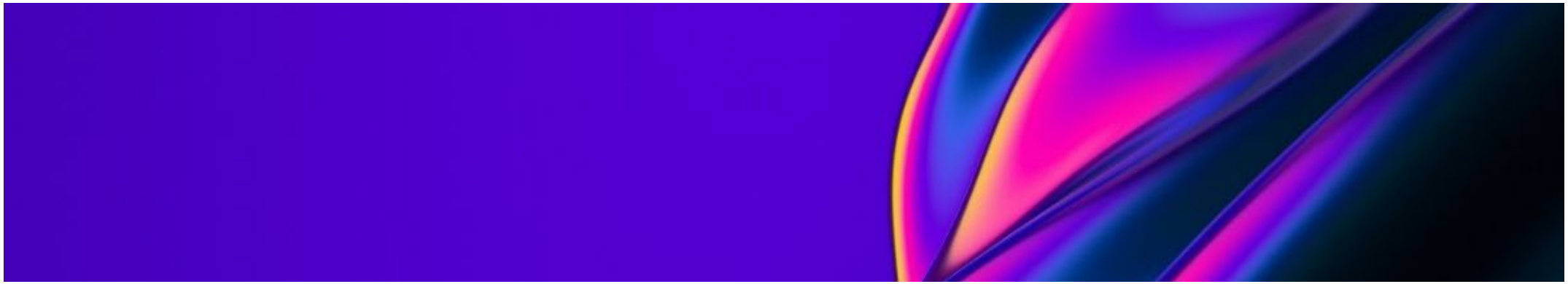
Independence

We confirm that we are independent with respect to the Oval within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from January 1, 2025 up to the date of this report.

Current developments

Current developments

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



© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Significant risks and results

Presumed risk of fraud from management override of controls (non-rebuttable significant risk of material misstatement)

RISK OF FRAUD

This is a presumed fraud risk. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities. We have not identified any specific additional risks of management override relating to this audit.

Our response and findings

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

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

Our findings

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

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other risks of material misstatements and results

Revenues and deferred revenue

RISK OF ERROR

Other risk of material misstatement	Estimate?
There is an inherent risk over the completeness, existence, and accuracy due to revenue not being recorded in accordance with the Corporation's revenue recognition policy.	No

Our response

- We updated our understanding of the process and controls over revenues, including processing of contributions received and disbursed, expenditures incurred, and deferral of unspent amounts.
- We reviewed new funding agreements to determine whether restrictions exist and how the funds should be recognized and/or deferred.
- We obtained confirmation of the funding received, reconciled the amounts to revenues recognized and deferred contributions.
- We tested a sample of membership, admissions and program revenues, and other revenue by vouching to supporting documents and agreements, as well as expenses incurred, in order to ensure that revenues and expenses are appropriately recognized and deferred contributions are appropriately recorded.

Our findings

There were no issues noted in our testing described above.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other risks of material misstatements and results (continued)

Expenses including salaries and benefits expense

RISK OF ERROR

Other risk of material misstatement	Estimate?
The Corporation's expenses are closely monitored against approved budgets. Salaries and expenses represent a significant portion of the Corporation's expenses. There is a need to ensure that the expenses recognized are appropriate.	No

Our response

- We updated our understanding of the process activities and controls over expenses, including salaries and benefits expense.
- We performed a walkthrough of the 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 analyzed the overall change in expenses relative to the prior year based on changes in operations.
- In relation to salaries and benefits expenses, we performed a reconciliation from pay earnings reports to the Corporation's general ledger.
- We developed an independent expectation for the current year salaries and benefits expense by applying the prior-year ratio of salaries and benefits to total revenue. Adjusted for known changes in pay rates and identified non-recurring items. We compared this expectation to the actual salaries and benefits expense recorded for the year. We did not identify any significant variances.
- We performed substantive test of detail procedures on selected sample of other payroll transactions and verified these were appropriated recorded.
- We performed substantive procedures over expenses, including reviewing and vouching a sample of expenses to underlying supporting documentation as well as evidence of approval, ensuring the expenses are appropriately recognized and authorized.
- We selected a sample of payments made, trade payables recorded, and invoices received subsequent to year-end and ensured they were recorded in the appropriate fiscal year.

Our findings

There were no issues noted in our testing described above.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other risks of material misstatements and results (continued)

Costs related to the Richmond Olympic Experience (“the ROX”) and The Fields project

RISK OF ERROR

Other risk of material misstatement	Estimate?
The Corporation has a significant amount of capital assets and deferred revenue related to the ROX and The Fields project. The amounts are comprised of contributions specifically restricted for the purchase of capital assets and improvements. Depending on the nature of the restricted contributions, there is a need to verify that the costs incurred meet the stipulations of the contributions.	Yes – the established useful lives of TCA. There is no risk of material misstatement due to estimation.

Our response

- We reviewed funding agreements to ensure that revenue is recognized in accordance with stipulations outlined in the agreements.
- We reviewed the terms and conditions of funding received for which deferred balances remain and ensured that such balances are appropriately accounted for.
- We reviewed capital expenditures incurred to ensure the amounts are accounted for (capital vs. expense) and amortized appropriately.

Our findings

There were no issues noted in our testing described above.

FIN - 248

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other area of audit focus

Post-employment benefits

RISK OF ERROR

Other area of audit focus	Estimate?
The Corporation provides certain post-employment benefits, compensated absences, and termination benefits to employees. Due to the complexities of the estimate, management has engaged an actuarial expert to assist in the development of the estimate.	Yes – Actuarial valuations of employee future benefits. There is no risk of material misstatement due to estimation.

Our response

- We updated our understanding of the process activities and controls over post-employment future benefits.
- We obtained the actuarial valuation report prepared by Management's specialist, Convyta Partners Limited Partnership ("Convyta"), and agreed the liability amount in the report to the amount recorded by the Corporation.
- We assessed the competence, expertise and qualification of Convyta, and the reasonableness of the valuation methodology applied.
- We assessed the reasonableness of the 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 for accuracy and completeness.

Our findings

There were no issues noted in our testing described above.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Control deficiencies

Consideration of internal control over financial reporting (ICFR)

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

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

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

A deficiency in internal control over financial reporting

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

Significant deficiencies in internal control over financial reporting

A deficiency, or a combination of deficiencies, in internal control over financial reporting that, in our judgment, is important enough to merit the attention of those charged with governance.

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

FIN - 250

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

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 Oval's transactions in relation to the period in which they were recorded.
- There were no issues noted with the extent to which the financial statements are affected by a significant unusual transaction and extent of disclosure of such transactions.
- There were no issues noted with the extent to which the financial statements are affected by non-recurring amounts recognized during the period and extent of disclosure of such transactions.

Significant accounting estimates

- There were no issues noted with management's identification of accounting estimates.
- There were no issues noted with management's process for making accounting estimates.
- There were no indicators of possible management bias.
- There were no significant factors affecting the Oval'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.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendices

1 Required communications

2 Management representation letter

3 Independence



Appendix 1: Required communications



Auditor's report

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

Engagement letter

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



Audit findings report

Represented by this report.

Management representation letter

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



Independence

We confirmed our independence to the Committee on page 5 of this report. We disclose the relevant ethical requirements, including those related to independence that we applied for the audit engagement in Appendix 3.

Internal control deficiencies

We did not identify any control deficiencies.

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix 1: Required communications (continued)

Management's responsibilities



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

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

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Appendix 2: Management representation letter

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

MANAGEMENT REPRESENTATION LETTER

KPMG LLP
Chartered Professional Accountants
PO Box 10426
777 Dunsmuir Street
Vancouver, BC V7Y 1K3
Canada

[Date of the Approval of the Financial Statements by the Board]

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of Richmond Olympic Oval Corporation ("the Entity") as at and for the period ended December 31, 2025.

General:

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

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

Responsibilities:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated October 26, 2022, including for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.

   b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements ("relevant information"), such as financial records, documentation and other matters, including:

      — the names of all related parties and information regarding all relationships and transactions with related parties;

      — the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of the shareholder, board of directors and committees of the board 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 Entity 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. ‘

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

Subsequent events:

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

Related parties:

5) We have disclosed to you the identity of the Entity’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 Entity's ability to continue as a going concern.

Other information:

11) We confirm that the final version of the annual report will be provided to you when available, and prior to issuance by the Entity, 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 Entity 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 Entity 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 Convyta Partners (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.

Other:

16) To the best of our knowledge, all expenditures reflected in the financial statements for the period ended December 31, 2025, were authorized, properly approved, and were incurred in the normal course of the entity's operations.

17) We confirm that supporting documentation exists for all significant expenditures and that such documentation has been made available to the auditors on request.

Yours very truly,

_____

Mr. Gerry De Cicco, Managing Director

_____

Mr. Rick Dusanj, Director, Finance, Innovation & Technology

_____

Mr. Chris Hsu, Senior Finance & Accounting, Manager

cc: Board of Directors

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.

Appendix 3: Independence

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

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

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



© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

KPMG

FIN - 262

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

© 2026 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

